Creating **value** by using our **financial expertise** to do **good**

Preliminary Audited Results

for the year ended 31 December 2018

see money differently

NEDBANK GROUP

A year of achievement across a broad front

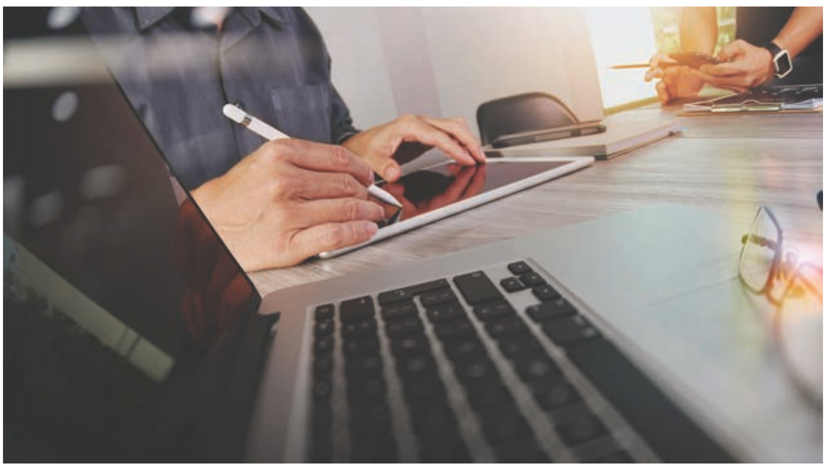
In 2018 Nedbank Group seamlessly concluded the process of managed separation from Old Mutual and delivered a resilient financial performance, boosted by the ongoing turnaround in our share of associate income from ETI. Headline earnings increased 14,5% to R13,5bn and ROE (excluding goodwill) improved from 16,4% to 17,9%. Revenue growth accelerated in the second half of the year and, as expected, impairments increased gradually, reflecting excellent risk management and a high-quality book. We maintained a strong balance sheet, as evident in our IFRS 9 fully phased-in CET1 ratio of 11,7% (which includes the 34 bps impact from the odd-lot offer completed in December 2018), our strong liquidity profile and the total dividend per share increasing by 10,1%. Total assets exceeded R1 trillion for the first time.

We made excellent progress on a number of client satisfaction measures as we continued to focus on delivery of market-leading client value propositions supported by our investments in technology, digital platforms and our people. This was evident in the Nedbank Money app™ receiving the highest client satisfaction ratings among SA banking apps on iOS devices, our Nedbank Private Wealth app being rated second best globally by Cutter Associates International Research, and our Net Promoter Score improving the most among SA banks in 2018. Our progress in 2018 enabled us to grow our market share of main-banked clients across all our business clusters, underpinning solid NIR growth. Our strategic enablers, including ongoing technology investments through our managed evolution programme, our people, our culture and our brand continue to create a more client-focused, agile, competitive and digital Nedbank. The innovations we plan to launch during 2019 are expected to result in another step change in client experiences, enabling ongoing revenue growth and efficiencies over time.

Our focus on sustainable transformation has resulted in Nedbank achieving level 1 BBBEE contributor status under the new Amended Financial Sector Code, having been at level 2 for the past 10 years.

From the low base in the SA economy in 2018 we anticipate a slow improvement in business and consumer confidence, and economic and credit growth in the year ahead. These assumptions, along with ongoing delivery on our strategy, support our current guidance for growth in diluted headline earnings per share for 2019 to be at or above nominal GDP growth.

Mike Brown
Chief Executive



Headline earnings
▲ 14,5%
R13 495m
(excl ETI ▲ 2,8%
R13 119m)

Revenue growth
▲ 6,0%

CLR
▲ 53 bps
(2017: 49 bps)

Expense growth
▲ 6,1%

DHEPS
▲ 13,7%
2 736 cents

Dividend per share
▲ 10,1%
1 415 cents

ROE
(excl goodwill)
▲ 17,9%
(2017: 16,4%)

CET1 ratio
▼ 11,7%
(2017: 12,6%)

BBBEE
▲ Level 1
(2017: Level 2)

2018 results commentary

BANKING AND ECONOMIC ENVIRONMENT

Global economic growth was relatively strong in 2018, although easing towards the end of the year, impacted by nervousness in financial markets, higher US interest rates and a decline in global trade volumes due to increased protectionism among the world's largest economies. US growth remained robust, driven mainly by rising business and consumer confidence on the back of job creation and substantial tax relief. The pace of activity elsewhere in the developed world slowed noticeably, impacted by increased political turmoil, poor fiscal discipline and unsustainable public debt burdens. Performance among emerging and developing economies diverged significantly as the year progressed. China's growth slowed, contributing to a relapse in certain commodity prices, which placed renewed pressure on the exports of many commodity-producing countries. Developing countries with high levels of dollar-denominated debt and low foreign currency reserves were hardest hit, as debt-service costs increased due to rising US interest rates and a strong US dollar, triggering capital flight and causing currency corrections and higher inflation rates. These global circumstances caused some central banks to hike interest rates despite deteriorating economic conditions.

While the SA economy recorded a technical recession in the first half of 2018, real GDP growth for the year recovered to 0,7%. Although the pace of the recovery remained modest, given the very low base, the improvement was relatively widespread, with most major industries recording mild output growth, driven by firmer domestic spending and stronger exports.

Consumer spending picked up in the second half, but household finances remain fragile due to high unemployment, subdued income growth, lower net wealth levels and higher indirect taxes as a result of the VAT increase. Consumer spending was largely financed through increased borrowing, with bank credit extended to households increasing gradually throughout the year.

In contrast to the gradual improvement in economic growth, the slump in fixed investment activity deepened. Capital outlays by private sector and state-owned enterprises (SOEs) declined further, while growth in capital expenditure by government slowed. Consequently, growth in loans to companies was slow.

Inflation drifted higher for much of 2018, driven by the surge in fuel prices earlier in the year and higher tariffs on electricity, water and other services. The inflation outlook has since improved significantly due to sharp declines in fuel prices – the result of the reduction in global oil prices, coupled with a steadier rand towards the end of 2018. After a decline of 25 bps in both July 2017 and March 2018, SARB's Monetary Policy Committee increased the repo rate in November 2018 by 25 bps. In line with expectations of a benign interest rate cycle we currently anticipate a further two more increases of 25 bps each by the end of 2020.

Banking conditions remained challenging throughout 2018, with the weak economic environment resulting in subdued growth across all categories of credit and transactional banking, although activity picked up in the second half off a low base as the economy recovered.

REVIEW OF RESULTS

Nedbank Group produced a solid performance in a difficult domestic macro and political environment. HE increased 14,5% to R13 495m, boosted by associate income from ETI returning to profitability, while our managed operations delivered positive earnings growth. This translated into an increase in DHEPS of 13,7% to 2 736 cents and an increase in HEPS of 13,9% to 2 793 cents. As in previous periods, we highlight our results, both including and excluding ETI (referred to as managed operations), to provide a better understanding of the operational performance of the business given the historic volatility in ETI's results. As previously communicated, we will revert to group-level reporting in 2019. Our managed operations produced HE growth of 2,8% to R13 119m, with slow NII growth, and higher impairments offset by solid NIR growth and good cost management.

ROE (excluding goodwill) and ROE improved to 17,9% and 16,8% respectively. These ratios benefited from the reduction in equity of R3,2bn following the day 1 transitional adjustments in respect of IFRS 9 and IFRS 15. The implementation of these IFRS adjustments had an estimated impact of 0,3% on ROE (excluding goodwill). As ROE is computed on daily average equity, the odd-lot offer completed in December 2018 would have had almost no impact on our 2018 ROE, with the positive impact of this on ROE being more apparent in 2019. Total assets for the group exceeded the R1 trillion mark for the first time during 2018. ROA increased 11 bps to 1,33% and return on RWA increased from 2,28% to 2,40%.

NAV per share of 17 559 cents increased 3,3%. The benefits from strong growth in earnings were offset by the day 1 impact of IFRS 9 and IFRS 15 (R3,2bn), the odd-lot offer (R2,0bn), accounting for the anticipated impact of ETI changing to the NAFEX exchange rate (R361m), and Zimbabwe currency devaluation estimates (R499m). Excluding these impacts, NAV per share would have increased by 9,2%.

Our IFRS 9 fully phased-in CET1 and tier 1 capital ratios of 11,7% and 12,5% respectively, average LCR for the fourth quarter of 109,4% and an NSFR of 114,0% are all Basel III-compliant and are a reflection of a strong balance sheet. On the back of strong earnings growth and our capital position a final dividend of 720 cents was declared, an increase of 6,7%. The total dividend per share for the year increased 10,1% to 1 415 cents.

DELIVERING SUSTAINABLY TO ALL OUR STAKEHOLDERS

Nedbank continues to play an important role in society and in the economy, and we remain committed to delivering on our purpose of using our financial expertise to do good. We continue to contribute to the wellbeing and growth of the societies in which we operate by delivering value to our staff, clients, shareholders, regulators and society.

For staff

We currently employ 31 277 staffmembers, and invested R468m in training and paid salaries and benefits of R17,5bn. Our bargaining unit staff received annual salary increases of 7,0% in 2018, ahead of inflation, and with management and executives receiving lower increases of around 5%, the blended average staff salaries increased by 5,8%. As part of our groupwide People 2020 programme aimed at transforming and aligning our culture and talent with our strategic objectives, we refreshed our executive management programmes to be more digitally focused, with more than 70 senior leaders having participated in immersive learning experiences (the Executive Business Transformation programme), with exposure to Silicon Cape, Silicon Savannah (Kenya) and Silicon Valley (USA). On the back of increased training spend, we achieved 14,4 points for skills development under the new amended FSC scorecard, a notable increase from 12,8 in 2017. We implemented New Ways of Work (nWoW) practices to transform Nedbank into a more agile organisation, holistically rethinking the way we work, communicate and manage talent on our journey to creating a high-performing culture. More than 1 500 staffmembers are working according to this new approach and we aim to increase this number incrementally to support an optimal agile scaling framework over the 2019 period. Transformation remains a key imperative to ensure Nedbank remains relevant in a transforming society and we have continued to focus on this across all levels at Nedbank, from our board of directors to all our staffmembers. Currently black representation at board level is 63%, at executive is 46% and for our total staff at just more than 78%. Female representation at board level is 25%, at executive 46% and for total staff at 62%.

For clients

We supported our clients by advancing R181bn (2017: R153bn) of new loans to enable them to finance their homes, vehicles and education, and to grow their businesses, while safeguarding R826bn of deposits at competitive rates. Our clients' access to banking improved through our network of 1 076 Intelligent Depositor devices and we increased the total number of digitally focused branches to 363 or 60% of all outlets. Digitally active and enabled clients grew as we launched new market-leading digital innovations, such as MobiMoney, and 70 new services through our apps and new online banking site. The Nedbank Money app™ has been downloaded 1,6 million times since its launch in November 2017. Our Net Promoter Score is second-highest among full-service banks in SA, and under this measure we posted the largest improvement in client experience of any major bank in SA last year (up 11% to 37%), while our market share of main-banked clients in retail increased from 12,7% to 13,1%. In recognition of the market-leading innovations and CVPs launched, Nedbank won *The International Banker* award for Best Innovation in Retail Banking SA 2018 as well as *The Banker Africa*'s award for Best Corporate Bank in SA. Nedgroup Investments was named Offshore Management Company of the Year for the fourth consecutive year at the Raging Bull Awards.

For shareholders

Notwithstanding some market concerns of a potential share overhang as a result of the Old Mutual managed separation, Nedbank ended the year as the top-performing SA bank share, up 7,3%, performing 15,6% above the FINI 15 index and delivering a TSR of 12,6%. The total dividend declared was up 10,1%. Eligible shareholders who participated in the odd-lot offer received a 5% premium on the 10-day VWAP of the Nedbank Group ordinary share at the close of business on Monday, 3 December 2018, without incurring any transaction costs or brokerage fees. We significantly expanded our investor engagement activities ahead of the Old Mutual managed separation and engaged constructively with the investment community in over 400 meetings during 2018. At our 51st AGM all resolutions were passed, with more than 90% of votes in favour. Following engagements with shareholders and enhancements to our remuneration practices, we were pleased that our remuneration policy and disclosures received more than 99% of votes in favour. We continued to ensure transparent, relevant and timeous reporting and disclosure to shareholders, and were acknowledged by the Investment Analyst Society as the leader in corporate reporting in the banking sector and the Nedbank Group Integrated Report continued to be ranked in the top tier of JSE-listed companies. Nedbank's valuation metrics remain attractive with price/earnings and price-to-book ratios of 9,8 times and 1,6 times respectively and a dividend yield of 5,0% at 31 December 2018.

For regulators

We attained Basel III requirements ahead of full compliance timelines, including a strong capital position, achieving a CET1 ratio of 11,7% (after the fully phased-in day 1 impact of IFRS 9, the impact of IFRS 15 and the impact of the odd-lot offer), an average LCR of 109,4% in the fourth quarter of 2018 and an NSFR of 114,0% at December 2018. We have invested over R100bn in government and public sector bonds as part of our HQLA requirements and, in doing so, remain committed to making a meaningful contribution to the countries in which we operate, thereby appropriately supporting the funding needs of governments. Cash taxation contributions of R10,3bn were made relating to direct, indirect, pay-as-you-earn and other taxation. We continued to work closely with all our regulators to ensure delivery of the various regulatory programmes including completion of POPI/privacy requirements and finalisation of the SA remediation and thematic sanctions review within anti-money-laundering (AML), combatting the financing of terrorism (CFT) and sanctions legislation. We implemented IFRS 9 and IFRS 15 on 1 January 2018, with a fully phased-in impact of 21 bps on our CET1 ratio at 1 January 2018, inclusive of our share of ETI's own transitional IFRS 9 impact.

For society

We understand that our long-term sustainability and success are contingent on the degree to which we deliver value to society. Through the considered development and delivery of products and services that satisfy societal needs we play our part to enable a thriving society, create long-term value, maintain trust and ensure the success of our brand. This is particularly important in the current context of SA as well as the broader African continent.

We have adopted the United Nations Sustainable Developments Goals (SDGs) as a framework for measuring delivery on our purpose. Key highlights include:

- **Clean Water and Sanitation (SDG 6)** – We continue to engage with private and public sector stakeholders to provide assistance, advisory services and finance to address the water challenges facing individuals, businesses and the country as a whole. Our financial commitments, in support of the WWF, to remove water-sapping invasive alien trees around water catchment areas will see the release of an additional one billion litres of water annually.
- **Affordable and Clean Energy (SDG 7)** – We closed a further 12 renewable-energy project deals to the value of R13bn under round 4 of the REIPPPP. In all projects completed to date Nedbank has arranged and funded a total of 42 transactions, underwriting a total of R40bn. In 2018 almost R1bn of our lending into property finance incorporated the installation of solar power. In 2018 we undertook not to provide new project financing or other forms of asset-specific financing where the proceeds would be used to develop a new coal-fired power plant, regardless of country or technology. This commitment extends to round 1 of SA's Coal Baseload Procurement Programme.
- **Decent Work and Economic Growth (SDG 8)** – We launched the Nedbank Stokvel **Account** to provide safe, easy and effective ways for groups of individuals to pool their savings and grow their money collectively. Since its launch it has attracted over 1 600 stokvel groups with more than 48 000 members.
- **Industry, Innovation and Infrastructure (SDG 9)** – We participated in the US$50m ECIC-backed facility to the Nacala Railway Corridor and Port Project in Mozambique and Malawi. The project is a key regional infrastructure initiative providing a significant socioeconomic benefit to the region. We promote innovation through our corporate sponsorships of Startupbootcamp AfriTech (SA) and the Plug and Play fintech based in San Francisco. These programmes assist us to identify the top technology disruptors globally and across the African continent for both our own and our clients' benefit.
- **Reduced Inequalities (SDG 10)** – We introduced, in partnership with Ecobank, a crossborder remittance solution that allows people living and working in SA to transfer money instantly to friends and families in 33 countries across Africa.
- **Sustainable Cities and Communities (SDG 11)** – We disbursed R1,2bn towards the development of new affordable-housing in commercial-property finance, and almost R1bn in home loans. Funding of R4,8bn was provided for the construction of buildings that conform to green building standards.
- In our own operations:
  - Through our support of the WWF-SA Water Balance Programme, which removes alien-invasive, water-hungry trees from our strategic water source areas. We are effectively a net-zero operation water user.
  - We increased our BBBEE contributor status to level 1 measured under the Amended Financial Sector Code (FSC), gazetted in terms of section 9(1) of the BBBEE Act, 53 of 2003, and have now maintained level 2 or higher for 10 consecutive years.
  - We invested R124m in socioeconomic development, with more than 50% allocated to education.
  - A total of 78% of our procurement spend was used to support local SA business, up from 75% in 2017.
- We continued to participate in the CEO Initiative, working with government, business and labour towards a more inclusive SA society. We have been part of the leadership team in the credit ratings workstream, have committed R20m to the R1,5bn SME Fund and will become a participant in the Youth Employment Service, in which we, as corporate SA, aim to provide internship opportunities for more than one million South Africans. For Nedbank, starting during 2019, this is estimated to translate into an annual cost equal to approximately 1,5% of net profit after tax (SA business), supporting more than 3 000 youth through internal or sponsored placements.
- Our #VaxTheNation initiative served as a call to action for all South Africans to get involved and make access to vaccinations a reality. Over 430 000 people have been vaccinated since December 2018, leaving a lasting impact as we support the most vulnerable people in society.

CLUSTER FINANCIAL PERFORMANCE

Nedbank's managed operations generated HE growth of 2,8% to R13 119m and delivered an ROE (excluding goodwill) of 17,7%. It should be noted that in this disclosure format of our results all costs are allocated to managed operations and no apportionment is made to the ETI result.

	Change	HE		ROE (excluding goodwill)	
	(%)	(Rm)		(%)	
		2018	2017	2018	2017
CIB	6,3	**6 714**	6 315	**20,0**	20,7
RBB	1,5	**5 379**	5 302	**18,9**	19,1
Wealth	6,1	**1 133**	1 068	**26,8**	27,5
RoA subsidiaries	98,2	**327**	165	**5,6**	3,3
Centre	> (100)	**(433)**	(88)		
Nedbank managed operations	2,8	**13 119**	12 762	**17,7**	18,1
ETI	> 100	**375**	(975)	**37,7**	(66,6)
Group	14,5	**13 495**	11 787	**17,9**	16,4

CIB grew HE by 6,3% to R6,7bn, while delivering an attractive ROE of 20,0%. HE growth was underpinned by a very strong 18,9% growth in NIR. Growth in banking advances was slow, but increased in the latter part of the year. Credit quality remained excellent through proactive risk management resulting from close monitoring and management of exposures to stressed sectors of the economy, such as construction and cement, as well as certain SOEs.

HE in RBB increased by 1,5% to R5,4bn, which was negatively impacted by the higher levels of coverage on new business as a result of the introduction of IFRS 9 and changes to loyalty scheme accounting due to IFRS 15 – these reduced HE growth by 4,9%. The ROE at 18,9% was well above the group's cost of equity. The growth momentum of Retail advances has been maintained and the CLR was flat, reflecting a high-quality portfolio and remaining below the TTC target range. Underlying transactional NIR growth was solid, supported by the 6,9% growth in main-banked client numbers. Low expense growth reflects the ongoing benefit of optimising processes and operations, including headcount reductions of 698, largely through natural attrition.

Nedbank Wealth grew HE 6,1% to R1,1bn and maintained an attractive ROE of 26,8%. These results were attributable to solid performances in Insurance and the international Wealth Management business, muted growth in Asset Management and a decline in earnings in the local Wealth Management business.

RoA's HE increased strongly as our share of associate income from our investment in ETI returned to profitability. Our RoA subsidiaries also grew HE strongly as benefits emerge from the recent investments we have made in the franchises as a platform to create scale. During the year we also benefited from impairment recoveries. The difficult environment in Zimbabwe resulted in a judgemental negative FCTR adjustment to equity of R755m before minorities (R499m after minorities) as we anticipated possible impacts on Nedbank's NAV from exchange rate movements in Zimbabwe. No income statement changes were made in 2018 as these are not material, and we policy clarification from regulators.

The performance in the Centre reflects the impact of central provision releases in the prior year of R252m after tax (none in 2018) and fair-value gains of R199m after tax in 2017 largely not repeated in 2018. On the back of IFRS 9 changes, we implemented a central macro fair-value hedge accounting solution in 2018 that will result in lower accounting volatility in NIR on our hedged portfolios in future. A postretirement medical aid (PRMA) credit amounting to R180m after tax was recorded in the first half of the year and the balance of the credit of a similar amount after tax is expected to be realised in 2019 when the restructure of the scheme is complete. Final costs of R77m relating to the managed separation were recorded in 2018 (cumulative costs since 2016 were R142m).

FINANCIAL PERFORMANCE

Growth in key lines of the statement of comprehensive income was impacted by the implementation of IFRS 9 and IFRS 15 accounting changes effective 1 January 2018 without any restatement of the 2017 comparative numbers. After the adoption of IFRS 9: (a) suspended interest on the non-recoverable portion of the specific defaulted book is no longer recognised as NII, with full impairments previously being raised; (b) higher levels of portfolio provisions are raised on new loans compared with IAS 39; and (c) certain initiation fees previously recognised as NIR are now amortised to NII through the effective-interest-rate method. Under IFRS 15 costs of our rewards programme were previously recognised as an expense, but are now recognised as a reduction in NIR.

Net interest income

NII increased 4,3% to R28 819m, ahead of AIEBA growth of 3,6%. AIEBA grew 0,8% in the first half of the year and 2,8% in the second half. AIEBA growth adjusted for IFRS opening balance changes was 4,0%.

NIM at 3,65% increased from 3,62% recorded in 2017 and is in line with our guidance. This increase was driven primarily by a 4 bps improvement in asset pricing as well as asset mix benefits as retail advances grew faster than wholesale advances. These were offset by a 2 bps negative endowment impact as the average prime interest rate declined from 10,4% in 2017 to 10,1% in 2018. IFRS changes had a net nil impact on NIM, as a negative 4 bps impact of IFRS 9 suspended interest was offset by a positive impact of the IFRS 9 initiation fee.

Impairments charge on loans and advances

Impairments increased 11,6% to R3 688m and the CLR increased 4 bps to 0,53% as RBB advances - which attract a higher CLR – grew faster than CIB advances. The CLR benefited from recoveries of accounts previously provided for in CIB and RoA. The implementation of IFRS 9 also impacted the treatment of suspended interest and resulted in the extension of the point of writeoff. The low CLR continues to be a reflection of Nedbank's selective advances growth strategy and the high quality of the portfolio across all our businesses.

Impairments in CIB decreased marginally from the previous year, with its CLR at 4 bps remaining below the TTC target of 15 to 45 bps. The CIB CLR is a reflection of a high-quality book, settlements that enabled the reversal of historic impairment provisions, a proactive restructure process and positive traction with the rehabilitation of distressed clients. Specific impairments are individually determined in CIB and are dependent on the value of the security we hold for each exposure. Altogether 71% of specific impairments are concentrated in approximately 10 counters.

RBB impairments increased by 6,5% to R3,4bn and include the impact of IFRS 9, with increases in provision requirements of R322m on the performing book being offset by reductions in provisions of R374m due to the revised treatment of interest on impaired financial advances.

The group's central provision remains unchanged from 2017 at R150m. This provision is held for risks that may have occurred but are likely to emerge only in the future and relate to, inter alia, the macroeconomic environment, including Zimbabwe, and SOEs. In RBB overlays of R281m were released as the risks provided against have either been built into our detailed IFRS 9 models or reassessed. A total of R69m of overlays remain in RBB, while CIB raised R144m of overlays (relating to risks not adequately reflected in our IFRS 9 models). These are supportive of our prudent provisioning approach, which is reflected in total postwriteoff recoveries of previously fully provided accounts totalling R1 271m (2017: R1 224m).

CLR (%)	Banking advances (%)	2018	2017	TTC target ranges
CIB	**46,9**	**0,04**	0,06	0,15–0,45
RBB	**45,8**	**1,06**	1,06	1,30–1,80
Wealth	**4,4**	**0,13**	0,09	0,20–0,40
RoA	**2,9**	**0,51**	1,02	0,65–1,00
Group	**100,0**	**0,53**	0,49	0,60–1,00

Defaulted advances rose 28,9% to R25,2bn, inclusive of a R1,9bn increase attributable to an extension of our point of writeoff in RBB to comply prospectively with IFRS 9. On a like-for-like basis defaulted advances rose 19,4% and increases were evident across all clusters. The weakened economic environment placed additional stress on certain specific wholesale counters, especially within the construction and cement industries. In RBB, under IFRS 9, a loan is now written off when the group has no reasonable expectations of recovering the asset partially or in its entirety. The change in the point of writeoff has resulted in a R97m reduction in the impairment charge, while increasing our specific coverage and defaulted advances ratios.

Stage 1 and 2 (portfolio) coverage ratio increased from 0,70% at 31 December 2017 (under IAS 39) to 0,93% on 1 January 2018, reflecting the IFRS 9 day 1 impact. The decline to 0,88% at December 2018 was primarily driven by some stressed clients in CIB moving into default (stage 3) and the overlay releases in RBB. Stage 3 (specific) coverage ratio increased from 36,2% (under IAS 39) to 39,3% on 1 January 2018. Over the course of 2018 stage 3 coverage declined to 36,8%, primarily due to the change in the defaulted-portfolio mix. RBB stage 3 coverage increased to 46,0% from 42,5% as a result of higher defaults caused by the extension of the point of writeoff (as mentioned before). Stage 3 coverage for CIB decreased to 11,6% from 21,9% due to the successful restructure and repayment of a few large exposures with higher coverage. Nedbank considers the coverage ratios appropriate, given the higher proportion of wholesale lending, compared with the mix of its peers, high recovery rates and the collateralised nature of the commercial-mortgages portfolio, with low loan-to-value ratios.

Non-interest revenue

NIR growth of 7,9% to R25 976m is a reflection of solid gains in main-banked clients across our retail and wholesale businesses in SA and the rest of Africa. In addition, NIR growth benefited from a strong performance in Global Markets and the finalisation of the round 4 renewable-energy transactions after several years of delay. This was partially offset by the negative impact of IFRS 9 and IFRS 15, as well as weaker business and consumer confidence, lower equity markets and ongoing subdued levels of client transactional activity.

- Commission and fee income grew 6,5% to R18 279m. RBB reported good underlying transactional NIR growth, supported by solid main-banked client growth across entry-level, middle-market, professional and small-business client segments. CIB delivered strong growth benefiting from the closure of round 4 renewable-energy transactions in the second half of 2018 and increased levels of investment banking activity.
- Insurance income increased 6,2% to R1 859m, supported by a lower-claims experience in homeowner's cover due to the absence of catastrophic weather events experienced in relation to the previous year and funeral reserve releases owing to lower new-business strain and higher lapses.
- Trading income grew strongly by 13,6% to R4 429m, supported by growth in equities and debt trading and finalisation of the round 4 renewable-energy deals, including hedging activities.
- Private-equity income was marginally down to R697m as realisations decreased, partially offset by lower unrealised valuation losses.

Expenses

Expenses grew 6,1% to R31 632m. In the second half of 2018 cost growth increased due to higher levels of amortisation, managed-separation costs, STI alignment to earnings growth and the non-repeat of the PRMA credit recorded in the first half of 2018. An additional credit from the PRMA, which we previously anticipated to finalise in the second half of 2018, is now expected in 2019. The underlying movements included:

- Staff-related costs increasing at 5,6%, following:
  - an average annual salary increase of 5,8% and a reduction in staff numbers by 610 since December 2017;
  - a 9,9% increase in STIs in line with the group's financial performance and 22,0% increase in LTIs, as expected vesting rates have increased as a result of improved yoy performance against the group's corporate performance targets; and
  - a settlement with our staff with regard to PRMA obligations and benefits, resulting in a provisional pretax credit of R250m, recorded in the first half of 2018, in respect of a reversal of actuarially estimated liabilities previously raised.
- Computer-processing costs increasing 11,5% to R4 341m, driven by increases in software amortisation and incremental software licence costs and higher volumes, offset by reduced network-related costs as a result of efficiency savings.
- Fees and insurance increasing 11,3% as a result of managed-separation costs, association fees driven by card-related volume increases and fees related to digital innovations.
- Other cost lines being well managed, with increases below inflation, and reflecting the cumulative benefits of R680m from implementing our target operating model.

The group's growth in expenses of 6,1% was below total revenue and associate income growth of 8,8%, resulting in a positive JAWS ratio of 2,7% and an efficiency ratio of 57,2%, compared with 58,6% in the December 2017. The JAWS ratio in managed operations (inclusive of ETI-related expenses) was -0,1%.

Earnings from associates

Associate income of R608m relating to ETI was the result of ETI reporting four consecutive quarters of attributable profit from the fourth quarter of 2017 to the third quarter of 2018, in line with our policy of accounting for our share of ETI's attributable earnings a quarter in arrear. The total effect of ETI on the group's HE was a profit of R375m, including the R233m impact of funding costs.

Accounting for associate income, together with Nedbank's share of ETI's other comprehensive income and movements in Nedbank's FCTR and our share of ETI's own IFRS 9 transitional adjustment, resulted in the carrying value of the group's strategic investment in ETI decreasing from R3,3bn at 31 December 2017 to R3,2bn at 31 December 2018. This amount includes a R361m FCTR adjustment to account for the anticipated impact of ETI changing from using the official Central Bank of Nigeria (CBN) exchange rate to the NAFEX exchange rate in translating the results of its Nigerian operations to US dollars, as announced by ETI in December 2018. ETI's listed share price decreased 17,7% during 2018, which resulted in the market value of the group's investment in ETI decreasing to R3,5bn at 31 December 2018, using the official CBN exchange rate (307 naira:US$) and R2,9bn based on the NAFEX exchange rate (364 naira:US$). The market value of our investment at 28 February 2019, based on the NAFEX exchange rate, was R2,8bn.

In line with IFRS requirements the R1bn impairment provision recognised by Nedbank against its investment in ETI at 31 December 2016 was reviewed at 31 December 2018 and management determined that there were no indicators of further impairment. Our value-in-use computation supports the current carrying value of our investment. We have observed an improvement in ETI's recent financial performance, but this is not yet considered to be a sufficient indicator to release the full impairment provision or part thereof. Our position will be reassessed again at 30 June 2019 and at year-end.

A R97m associate loss (2017: R96m loss) was incurred due to losses from an associate, which is the cash-processing supplier to the four large banks.

STATEMENT OF FINANCIAL POSITION

Capital

The group remains well capitalised at levels significantly above the minimum regulatory requirements. The CET1 ratio of 11,7% is a reflection of organic capital generation, offset by the payment of cash dividends to shareholders, 11,1% growth in RWA, ongoing investment in software development costs as part of the group's Managed Evolution programme, accounting for the full impact of the implementation of IFRS 9 and IFRS 15 on 1 January 2018 (R1,2bn), the impact of the odd-lot offer concluded in December 2018 (R2,0bn) and the impact of the ETI NAFEX revaluation.

The total tier 1 CAR was positively impacted by the issuance of an additional tier 1 instrument of R750m at improved pricing of JIBAR plus 464 bps, compared with the previous R600m issuance at JIBAR plus 565 bps (30 June 2017). This was offset by the further grandfathering of old-style preference shares (R531m) in January 2018 in line with the Basel III transitional arrangements. The total CAR was further impacted by the redemption of R3,0bn tier 2 capital instruments (NED 13 and NED 14) and the issuance of new-style tier 2 capital of R4,5bn in line with the group's capital plan.

Basel III (%)	2018	2017	Internal target range	Regulatory minimum[1]
CET1 ratio	**11,7**	12,6	10,5–12,5	7,375
Tier 1 ratio	**12,5**	13,4	> 12,0	8,875
Total capital ratio	**14,8**	15,5	> 14,0	11,125

(Ratios calculated with full IFRS 9 phase-in for both Nedbank and ETI and include unappropriated profits.)

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

Funding and liquidity

Optimising our funding profile and mix, and maintaining a strong liquidity position, remain a priority for the group.

The group's three-month average long-term funding ratio was 26,5% for the fourth quarter of 2018, supported by growth in Nedbank Retail Savings Bonds of R5,0bn to R29,9bn and the successful capital market issuances of R4,9bn senior unsecured debt and R4,5bn tier 2 capital.

The group's December 2018 quarterly average LCR of 109,4% exceeded the minimum regulatory requirement of 100% effective from 1 January 2019, representing the end of the Basel III LCR phase-in from a minimum regulatory requirement of 60% in 2015, which has been increased by 10% a year to reach 100% in 2019. To ensure ongoing compliance Nedbank maintains appropriate operational buffers designed to absorb seasonal and cyclical volatility in the LCR.

Nedbank Group LCR	2018	2017
HQLA (Rm)	**162 678**	138 180
Net cash outflows (Rm)	**148 694**	118 956
Liquidity coverage ratio (%)[2]	**109,4**	116,2
Regulatory minimum (%)	**90,0**	80,0

[2] *Average for the quarter.*

Further details on the LCR are available in the Additional information section of the condensed consolidated financial results.

Nedbank's portfolio of LCR-compliant HQLA increased by 17,7% to a December 2018 quarterly average of R162,7bn. Looking forward, growth in the HQLA portfolio will be more aligned with balance sheet growth, without the incremental HQLA growth requirements that have emanated from the LCR phase-in of minimum regulatory requirements since 2015. The HQLA portfolio, taken together with Nedbank's portfolio of other sources of quick liquidity, resulted in total available sources of quick liquidity of R213,3bn, representing 20,4% of total assets.

Nedbank exceeded the minimum NSFR regulatory requirement of 100% effective from 1 January 2018 and reported a December 2018 ratio of 114,0%.

Loans and advances

Loans and advances increased by 3,7% to R736,3bn, driven by solid growth in RBB and an increase in CIB banking advances during the second half of the year. This was partially offset by a decline in trading advances and short-dated lending in CIB as well as the IFRS day 1 impact of R3,2bn. Banking advances grew 5,6%, excluding the increase in impairments due to implementation of IFRS 9.

Loans and advances growth by cluster was as follows:

Rm	Change (%)	2018	2017
CIB	0,7	**358 639**	356 029
Banking activities	3,1	**335 002**	324 673
Trading activities	(24,6)	**23 637**	31 356
RBB	7,1	**326 762**	305 198
Wealth	5,8	**31 111**	29 413
RoA	2,4	**21 037**	20 541
Centre[3]	(> 100%)	**(1 244)**	(852)
Group	3,7	**736 305**	710 329

[3] *Consolidation adjustments.*

RBB loans and advances grew 7,1% to R326,8bn, supported by growth across all asset classes in line with our risk appetite and prudent origination strategies. Loans and advances was negatively impacted by the IFRS 9 transitional day 1 changes. Business Banking grew advances 11,8%, due to an increase in new-loan payouts and higher utilisation of existing facilities. MFC (vehicle finance) advances increased by 7,9% as business volumes remained robust despite a muted new-vehicle sales market. Unsecured Lending grew 6,6% as a result of product and process enhancements driving increased take up. After the IFRS 9 day 1 transitional impact, Unsecured Lending grew 9,7%, marginally ahead of the market. Card advances decreased 1,8%, impacted by an increase in impairments as a result of IFRS 9 transitional day 1 changes. Underlying card growth, as reflected in gross advances, was 4,8%. Residential-mortgage loans grew 3,9%, in line with the overall market.

CIB loans and advances grew 0,7% to R358,6bn. The banking book increased 3,1%, driven by a strong pipeline conversion and as early repayments decreased in the second half of the year. Commercial mortgages increased 1,4% to R135,0bn, impacted by increased competition and muted industry growth. The CPF portfolio contains good-quality collateralised assets with low loan-to-value ratios and is managed by a highly experienced property finance team. Trading advances declined 24,6%, largely as a result of a reduction in reverse repurchase agreements as traders freed up cash to deploy into government bonds and other securities in order to hedge new client-related bond futures positions.

Deposits

Deposits grew 7,0% to R825,8bn, with total funding-related liabilities increasing 7,1% to R881,4bn, while the loan-to-deposit ratio improved to 89,2%.

In line with Nedbank's objective of tilting towards a greater proportion of Basel III-friendly deposits, RBB through the active management of its franchise has grown retail and commercial deposits 9,2% to R322,5bn. CIB grew deposits 2,8% as we shifted away from more-expensive structured-note issuances towards lower-cost NCD funding, housed in the Centre where deposits grew 15,8%. Wealth and RoA grew deposits 12,6% and 4,8% respectively.

During the 12 months to December 2018 Nedbank reduced its reliance on short-term wholesale funding through proportionally higher levels of growth in commercial deposits. Growth in transactional current-account and cash management deposits of 6,9% contributed positively towards the strategic objective of growing Nedbank's transactional-deposit franchise, while the increases in fixed deposits and NCDs of 16,7% and 16,0% respectively resulted in a strong funding profile and consequently a strong balance sheet position.

Group strategic focus

During 2018 we continued to focus on delivering on our five strategic focus areas that are designed to drive sustainable earnings growth and improve returns on equity. We made excellent progress in delivering market-leading CVPs and digital innovations, which were acknowledged by improved client satisfaction ratings and various industry awards. This focus enabled us to grow revenues and unlock operating efficiencies. Our strategic enablers – which include technology investments (with our Managed Evolution IT strategy and Digital Fast Lane (DFL) as key components), our people, our culture and our brand – are delivered through our target operating model and by embracing nWoW. This is enabling us to create a more client-focused, agile, competitive and digital Nedbank.

- **Delivering innovative market-leading client experiences**
  - The Nedbank Money app™, which makes banking more convenient for our retail clients, has been downloaded 1,6 million times, with more than 435 000 clients having used it actively since November 2017. The Nedbank Private Wealth app ranked second best globally by Cutter Associates International Research, an improvement from seventh in 2017. These achievements are the result of our DFL approach of continuously enhancing functionality and adopting the global gold standard. Client ratings for iOS and Android Nedbank apps are at the top end of SA banking peers. Towards the end of 2018 we launched MobiMoney, which allows clients to receive and send money, buy airtime and electricity from a cellphone and withdraw money at a Nedbank ATM – all without a formal bank account. In 2018 we processed on average R8,4bn of third-party payments per month on all digital channels for our retail clients.
  - Unlocked.Me, a new CVP for the youth segment, was launched at the start of 2018. Its first release included our first lifestyle marketplace (www.unlocked.me) and a new account for students and young adults. The marketplace recorded a reach of more than 12,5 million unique impressions across social media and the web.
  - We launched our new Stokvel Account, which offers members of stokvels up to 10% discount at our retail partners, burial benefits of R10 000 a member for only R15 a month, zero transaction fees and good interest rates. Since its launch the product has attracted over 1 600 stokvel groups, representing more than 48 000 members.
  - As far as our integrated channels are concerned, we have converted 60% of our outlets to new-image digital branches to date, and our investment in distribution channels over the next three years (until 2021) will result in 80% of our retail clients being exposed to the new digitally focused branch formats and self-service offerings. The introduction of new channels such as chatbots and robo-advisors will continue to enhance client experience and increase the efficiencies of our contact centre and web-servicing capabilities.
  - As a result of the abovementioned innovations and ongoing focus on improving client service, in the Consulta survey Nedbank has seen the largest increase in NPS scores among all banks in SA, increasing 11% to 37%.
  - Nedbank Insurance was the first-to-market insurer in SA to have chatbot functionality, and we have made significant strides in remaining ahead through delivering live-agent service functionality and funeral-quoting capabilities.
  - Nedgroup Investments' robo-advisor and chatbot was named *The Banker's* Tech Project of the Year in the category Artificial Intelligence and Robotics, and was a finalist in the Gartner Eye on Innovation Awards.
  - With the foundations put in place through Managed Evolution (our system and technology platform transformation), digital enhancements and nWoW we are delivering ongoing benefits and enhanced client service. In 2019 we will bring further exciting digital innovations to market to enhance client experiences and drive efficiencies. Some of these innovations include the ability to sell an unsecured loan bundled with a transactional account; simplified client onboarding with convenient, FICA-compliant account opening; a new and exciting loyalty and rewards solution; and the further rollout of chatbots, robo-advisors and software robots (robotic process automation).
- **Growing our transactional banking franchise faster than the market**
  - Our SA retail main-banked client numbers have grown by 6,9% to 3,0 million, driven largely by growth in the entry-level, middle-market, professional and small-business segments and supporting solid underlying retail transactional NIR growth. The 2018 Consulta survey estimated Nedbank's share of main-banked clients at 13,1%, up from 12,7% in 2017, as we aim to reach a share of more than 15% by 2020. In addition, Business Banking's market share increased from 19% in 2017 to 22% in 2018, the highest market share gain across all business banks as measured by the 2018 KPI Research Business Electronic Banking and Tracking Study.
  - Our SADC businesses grew their client base by 4,8% to 352 921, supporting NIR growth of 21,0% as the newly launched products and digital innovations started delivering benefits.
  - Our integrated model in CIB enabled deeper client penetration and increased cross-sell, resulting in 30 primary-bank client wins in the last year. This supported NIR growth in CIB of 18,9%.
- **Being operationally excellent in all we do**
  - Cost discipline is an imperative as we balance investment with growth. We have ongoing initiatives to optimise our cost base. These include the reduction of our core systems from 250 to 114 since the inception of the Managed Evolution programme, and we are well on our way to reaching a target end-state of less than 60 core systems by 2020. The rationalisation, standardisation and simplification of core banking operating systems enable reduced infrastructure, support and maintenance costs, as well as reduced complexity and increased agility in adopting new innovations. The time and cost of bringing new products and services to market have been reduced significantly as many of the foundational capabilities are built into our onboarding and servicing programmes. Investments in various foundational IT programmes are either complete or nearing completion and we expect IT cashflow spend to peak in 2019 and capitalised IT costs peaking just above R9bn in 2020.
  - During 2018 new self-servicing functions that were previously available in branches or staffed channels only were released on the Nedbank Money app™ and the new Nedbank Online Banking site, taking the total digital servicing functions to 70. This digitisation of services in RBB has enabled us to reduce related call centre volumes by 15 000 per month in 2018 and branch floor space by 32 971 m^2 to date, and we plan to achieve more than 45 000 m^2 of optimisation by 2020 (a revision of our initial 2020 target of 30 000 m^2). Over the past 24 months we reduced total headcount by 1 469 (mainly through

natural attrition) and optimised our staffed points of presence by closing 18 branches (while maintaining our coverage of the bankable population at 84%). Through our Intelligent Depositor devices we now process, monthly, more than one million deposits and 300 000 request for three-month bank statements, which previously could be done only over the counter in a branch. In 2018 these devices recycled 75% of all cash, up from 20% in 2015.

  - We implemented 51 software robots to date (robotic process automation) to enhance efficiencies and reduce processing errors in administratively intense processes. These exclude the 153 temporary software robots used to onboard the more than 17 000 VBS Mutual Bank clients.
  - Our target operating model recorded cumulative savings of R680m at December 2018, with the aim of generating R1,0bn pretax benefits for Nedbank by 2019 and R1,2bn by 2020, as disclosed in an element of our long-term incentive scheme.

- **Managing scarce resources to optimise economic outcomes**
  - We maintained our focus on growing activities that generate higher levels of EP, such as 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 0,53%, below the bottom end of our TTC target range. At the same time our balance sheet metrics remain strong and we continue to deliver attractive dividend growth.
  - During 2018 we embedded our commitment to the United Nations SDGs, which will see lending flowing into targeted areas that contribute to a better society. To this end our renewable-energy funding solutions have seen R22,8bn drawn as part of R40bn of commitments across all four rounds of renewable energy.

- **Providing our clients with access to the best financial services network in Africa**
  - In Central and West Africa ETI remains an important 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 those markets. ETI has now reported seven consecutive quarters of profit and is making good progress on its transactional banking and digital strategy and on optimising its cost base. Asset quality and risk management remain key priorities for the ETI board and executive, and although the movement towards risk appetite in the key risk metrics is still expected to take a further 12 to 18 months, the credit loss experience has improved and management remains committed to resolving legacy risk matters. We remain supportive of ETI's endeavours to deliver an ROE in excess of its COE over time. Economic conditions in West Africa are improving and our investment in ETI should continue to support Nedbank's earnings growth. We have also increased our levels of collaboration, with more than 100 of our wholesale clients being banked by ETI and progress being made in partnering with ETI to expand our wealth franchise, collaborating on the pan-African remittances product and increasing treasury and trading activities, including two joint deals with ETI in 2018.
  - In the SADC, where we own, manage and control six banks, we continue to build scale and optimise costs. Our core banking system, Flexcube, has now been implemented in all subsidiaries (excluding Banco Único). We launched a number of new digital products and reported a 44% increase in banking app transactions and a 4,8% increase in client numbers. Asset and deposits have grown in line with expectations and we have increased our retail profit contribution as a share of our overall business. Merchant Bank of Central Africa (MBCA) in Zimbabwe was rebranded Nedbank Zimbabwe. The difficult environment in Zimbabwe resulted in a negative FCTR adjustment to equity of R755m before minorities (R499m after minorities) as we anticipated possible impacts from exchange rate movements. We continue to monitor developments in Zimbabwe brought about by currency shortages and pressure on the fiscus.

Old Mutual plc managed separation

The unbundling of Nedbank shares by Old Mutual Limited (OML), which took place on 15 October 2018, completed the managed-separation process. OML is now a strategic minority shareholder owning 19,9% of Nedbank Group in OML's shareholder funds under the terms of the new relationship agreement.

As a result of the OML unbundling, Nedbank Group inherited a significantly larger number of shareholders – increasing from approximately 20 000 to approximately 500 000 shareholders. The vast majority of these shareholders held less than 100 Nedbank Group ordinary shares (referred to as odd-lot holders). An odd-lot offer was approved by shareholders at a general meeting on 22 November 2018 and closed on 14 December 2018 (the record date of the odd-lot offer). The price of the odd-lot offer was set at R276,47672 per share based on a 5% premium to the 10-day VWAP leading up to 3 December 2018. The odd-lot offer provided eligible holders with the ability to dispose of their shares on an efficient basis, and provided liquidity for those shareholders who elected to sell their holdings or who made no election. For Nedbank Group this offer reduced the complexity and ongoing administration costs associated with a significantly larger shareholder base, including a sizeable number of odd-lot holders. In terms of the odd-lot offer, Nedbank Group repurchased a total of 7 056 639 Nedbank Group ordinary shares, representing 1,4% of the total issued ordinary share capital of Nedbank Group for a total consideration of R2,0bn, and the impact on our CET1 ratio was 34 bps. The repurchased ordinary shares were cancelled and delisted on Friday, 21 December 2018, and accordingly the total issued ordinary shares decreased from 500 239 303 to 493 182 664.

Nedbank Group continues to operate on a business-as-usual basis and the managed separation had no impact on our strategy, our day-to-day management or operations, our staff or our clients. Our engagements with OML are at arm's length and overseen by independent board structures. OML operates predominantly in the investment, savings and insurance industry, which has little overlap with banking, even though we compete in the areas of wealth and asset management and personal loans. In addition, our technology systems, brands and businesses are not integrated. As noted before, our collaboration to unlock synergies will continue to be underpinned by OML's strategic shareholding in Nedbank Group and we are committed to working with OML to deliver ongoing synergistic benefits while operating at arm's length.

Economic and regulatory outlook

The International Monetary Fund expects global economic growth to slow slightly from 3,7% in 2018 to 3,5% in 2019 and to move to 3,6% in 2020. Softer growth is forecast for advanced countries, at around 2,0% in 2019 and 1,7% in 2020 from 2,3% in 2018, while growth in emerging and developing economies are forecast to ease slightly to 4,5% in 2019 from 4,6% in 2018. Encouragingly, faster growth is expected in sub-Saharan Africa, where GDP growth is forecast to accelerate to 3,5% in 2019 from 2,9% in 2018.

The SA economy should perform better in 2019 than in 2018. Exports are forecast to provide most of the momentum, facilitating some improvement in mining and strengthening the fragile recovery in manufacturing. However, downside risks have increased in recent months, given the softer global outlook, low commodity prices and the threat posed by disease and drought to agriculture. While President Ramaphosa's efforts to revive fixed investment should bear some fruit over the medium to longer term, we expect only a slight increase in fixed investment in 2019, mainly boosted by the signing of the fourth round of the REIPPPP in 2018. Unfortunately, the current environment is not supportive of much higher investment, given spare capacity in many industries, unreliable electricity supply, high domestic cost structures, slow progress in delivering policy certainty, the lack of essential structural reforms and the uncertainties surrounding the intended scale and scope of land expropriation without compensation.

Household incomes and spending are likely to be bolstered by receding inflation brought about by lower fuel prices; however, the upside will be contained by limited job-creation opportunities and stagnant asset prices. Interest rates are likely to remain on hold for much of 2019 due to the improved inflation outlook over the next 12 months. Thereafter inflation is likely to drift higher and in response a slightly tighter monetary policy stance is expected. This may contain confidence and consumer spending, but is unlikely to result in a significant increase in loan defaults. The recent SA budget highlighted the limited fiscal flexibility that government has and a further erosion in fiscal strength after the 2018 Medium-Term Budget Policy Statement already pointed to wider deficits for longer. On balance, GDP growth of about 1,3% and 1,8% is forecast for 2019 and 2020 respectively. The key downside risks include government's poor fiscal position, the perilous state of many SOEs (particularly Eskom), a problematic start to government's plans to fast-track land reform, uncertainty around this year's general elections and ultimately the persistent threat of further sovereign risk ratings downgrades, particularly by Moody's who is currently the only major ratings agency to rate SA sovereign debt at investment grade.

Despite the many challenges faced by the SA economy, the SA banking system remains sound, liquid and well capitalised. The operating environment is forecast to improve in 2019 off a low base. A recovery in corporate credit demand is expected, mainly buoyed by the start of the next phase of renewable-energy projects and a slight improvement in fixed-investment activity towards the end of the year. The gradual recovery in household credit demand is also forecast to continue throughout 2019, supported by lower inflation and relatively steady interest rates.

Prospects

Our guidance on financial performance for the full year 2019 is currently as follows:

- Average interest-earning banking assets to grow at upper single digits.
- NIM to be below the 2018 level of 3,65%.
- CLR to increase to within the bottom end of our target range of 60 to 100 bps (under IFRS 9).
- NIR to grow mid-to-upper single digits.
- Expenses to increase slightly above mid-single digits.

Given the expectations of a slowly improving SA economy and ongoing delivery on our strategy, our current guidance for growth in DHEPS for the full 2019 year is to be at or above nominal GDP growth.

At the start of 2018 we set ourselves specific 2020 targets of an ROE (excluding goodwill) of greater than or equal to 18% and a cost-to-income ratio of lower than or equal to 53% as a pathway to ongoing and sustainable improvements in the key metrics that support shareholder value creation. Given resilient earnings growth and the impact of IFRS changes and the odd-lot offer, which reduced equity in 2018, we are currently more confident that we will meet our ROE (excluding goodwill) target on a sustainable basis. While we remain committed to our cost-to-income-ratio target, it has become more challenging to achieve. This is the result of a combination of weaker-than-anticipated economic growth, primarily resulting in slower growth in wholesale advances and retail transactional activity, lower-than-expected interest rates; IFRS changes impacting the shape of the income statement and negatively impacting the cost-to-income ratio; new costs relating to the Youth Employment Service, Deposit Insurance and Twin Peaks; and a decision to increase our investments into platform-related activities in RBB as we continually evolve our business model to underpin future growth. Our medium-to-long-term targets have not changed from what we published in 2018. The current outlook for these targets in 2019 is as follows:

Metric		Full-year 2019 outlook	Medium-to-long-term target
ROE (excluding goodwill)	**17,9%**	In line with target	5% above COE[4] (≥ 18% by 2020)
Growth in DHEPS	**13,7%**	≥ consumer price index + GDP growth	≥ consumer price index + GDP growth + 5%
CLR	**0,53%**	Increases to within the bottom end of our target range (under IFRS 9)	Between 0,6% and 1,0% of average banking advances
NIR-to-expense ratio	**82,1%**	Increases, but remains below target	> 85%
Efficiency ratio (including associate income)	**57,2%**	Decreases, but remains above target	50–53% (≤ 53% by 2020)
CET1 capital adequacy ratio (Basel III)	**11,7%**	Within target range	10,5–12,5%
Dividend cover	**1,97 times**	Within target range	1,75–2,25 times

[4] *The COE is currently forecast at 14,0% in 2019.*

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

Board and leadership changes during the period
Nomavuso Mnxasana retired as an independent non-executive director with effect from the close of Nedbank Group's AGM on 10 May 2018. Peter Moyo was appointed as a non-executive director, while Bruce Hemphill stepped down from the Nedbank Group board, on 11 June 2018. Rob Leith and Ian Gladman resigned from the board on 15 October 2018 following Old Mutual Limited's unbundling of its controlling interest in Nedbank Group, thereby concluding the managed-separation process. Rob Leith was reappointed as a non-executive director with effect from 1 January 2019.

Khensani Nobanda was appointed as Group Executive for Group Marketing and Corporate Affairs on 15 May 2018, and Deborah Fuller was appointed as Group Executive for Human Resources on 25 June 2018 following the retirement of Abe Thebyane on 31 March 2018. Anna Isaac was appointed as Group Chief Compliance Officer with effect from 1 January 2019 following the retirement of Thabani Jali. In addition, Jackie Katzin was appointed Group Company Secretary, effective from the same date.

Basis of preparation*
Nedbank Group Limited is a company domiciled in SA. The summary consolidated financial statements of the group at and for the year ended 31 December 2018 comprise the company and its subsidiaries (group) and the group's interests in associates and joint arrangements.

The summary consolidated financial statements and the full set of consolidated financial statements have been prepared under the supervision of Raisibe Morathi CA(SA), the Group Chief Financial Officer.

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act applicable to summary financial statements. In terms of the Listings Requirements preliminary reports have to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, to contain the information required by IAS 34: Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements, from which the summary consolidated financial statements were derived, are in terms of IFRS and are consistent with those used for the previous annual financial statements, except for changes arising from the adoption of IFRS 9 and IFRS 15, as set out in the notes to the consolidated financial statements.

IFRS 16: Leases*
IFRS 16 deals with the accounting for leases and replaces IAS 17 for reporting periods beginning on or after 1 January 2019. The group has elected to apply IFRS 16 retrospectively using the modified approach. The group will therefore not restate comparative periods, which will continue to be presented in terms of IAS 17, with a transitional adjustment made at 1 January 2019. The implementation of IFRS 16 results in the recognition of lease liabilities of R4,2bn and right-of-use assets of R3,2bn, with equity decreasing by approximately R700m on an after-tax basis. The IAS 17 straight-lining liability of R125m and the associated deferred tax of R35m will be reversed against equity. Total equity decreases by approximately R610m on the adoption of IFRS 16.

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

The summary consolidated financial statements comprise the summary consolidated statement of financial position at 31 December 2018, summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cashflows for the year ended 31 December 2018 and selected explanatory notes, which are indicated by the symbol*.

Audited summary consolidated financial statements – independent auditors' opinion
The summary consolidated financial statements for the year ended 31 December 2018 have been audited by KPMG Inc and Deloitte & Touche, who expressed an unmodified opinion thereon. The auditors also expressed an unmodified opinion on the annual consolidated financial statements from which these summary consolidated financial statements were derived.

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

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

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

Final dividend declaration
Notice is hereby given that a final dividend of 720 cents per ordinary share has been declared, payable to shareholders for the six months ended 31 December 2018. The dividend has been declared out of income reserves.

The dividend will be subject to a dividend withholding tax rate of 20% (applicable in SA) or 144 cents per ordinary share, resulting in a net dividend of 576 cents per ordinary share, unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate in terms of an applicable double-tax agreement.

Nedbank Group's tax reference number is 9375/082/71/7 and the number of ordinary shares in issue at the date of declaration is 493 182 664.

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

Event	Date
Last day to trade (cum dividend)	Tuesday, 2 April 2019
Shares commence trading (ex dividend)	Wednesday, 3 April 2019
Record date (date shareholders recorded in books)	Friday, 5 April 2019
Payment date	Monday, 8 April 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 3 April 2019 and Friday, 5 April 2019, both days inclusive.

On Monday, 8 April 2019 the dividend will be electronically transferred to the bank accounts of shareholders. Holders of dematerialised shares will have their accounts credited at their participant or broker on Monday, 8 April 2019.

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

For and on behalf of the board

Vassi Naidoo
Chairman

Mike Brown
Chief Executive

5 March 2019

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

PO Box 1144, Johannesburg, 2000.

Transfer secretaries in SA
Shareholders are reminded that, with effect from 1 June 2018, Nedbank Group's transfer secretaries in SA changed from Computershare to Link Market Services.

Link Market Services South Africa Proprietary Limited, 19 Ameshoff Street, Braamfontein, Johannesburg, 2001, SA.

PO Box 4844, Marshalltown, 2000, SA.

Transfer secretaries in Namibia
Transfer Secretaries (Proprietary) Limited, Robert Mugabe Avenue No 4, Windhoek, Namibia.

PO Box 2401, Windhoek, Namibia.

Directors
V Naidoo (Chairman), MWT Brown** (Chief Executive), HR Brody, BA Dames, NP Dongwana, EM Kruger, RAG Leith, L Makalima, PM Makwana, Dr MA Matooane, RK Morathi** (Chief Financial Officer), MP Moyo, JK Netshitenzhe, MC Nkuhlu** (Chief Operating Officer), S Subramoney, MI Wyman*** (British).

*** Executive   *** Lead Independent Director*

Group Company Secretary:	J Katzin
Reg number:	1966/010630/06
JSE share code:	NED
NSX share code:	NBK
ISIN:	ZAE000004875
Sponsors in SA:	Merrill Lynch SA Proprietary Limited Nedbank CIB
Sponsor in Namibia:	Old Mutual Investment Services (Namibia) (Proprietary) Limited

Nedbank Group Limited: JSE alpha code: NEDI

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

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

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

Financial highlights

at

	Change (%)		31 December 2018 (Audited)	31 December 2017 (Audited)
Statistics				
Number of shares listed		m	**493,2**	498,1
Number of shares in issue, excluding shares held by group entities		m	**477,1**	481,6
Weighted-average number of shares		m	**483,2**	480,8
Diluted weighted-average number of shares		m	**493,2**	490,0
Preprovisioning operating profit	13,6	Rm	**21 990**	19 358
Economic profit[1]	69,2	Rm	**2 868**	1 695
Headline earnings per share	13,9	cents	**2 793**	2 452
Diluted headline earnings per share	13,7	cents	**2 736**	2 406
Ordinary dividends declared per share	10,1	cents	**1 415**	1 285
Interim	13,9	cents	**695**	610
Final	6,7	cents	**720**	675
Ordinary dividends paid per share	10,5	cents	**1 370**	1 240
Dividend cover	3,1	times	**1,97**	1,91
Net asset value per share	3,4	cents	**17 560**	16 990
Tangible net asset value per share	2,0	cents	**14 917**	14 626
Closing share price	7,3	cents	**27 472**	25 610
Price/earnings ratio		historical	**9,8**	10,4
Price-to-book ratio		historical	**1,6**	1,5
Market capitalisation	6,2	Rbn	**135,5**	127,6
Number of employees (permanent staff)[1]	(2,1)		**30 877**	31 531
Number of employees (permanent and temporary staff)[1]	(1,9)		**31 277**	31 887
Key ratios (%)				
Return on ordinary shareholders' equity (ROE)[1]			**16,8**	15,3
ROE, excluding goodwill[1]			**17,9**	16,4
Return on tangible equity[1]			**19,8**	17,8
Return on total assets (ROA)[1]			**1,33**	1,22
Return on average risk-weighted assets[1]			**2,40**	2,28
Net interest income to average interest-earning banking assets[1]			**3,65**	3,62
Credit loss ratio – banking advances[1]			**0,53**	0,49
Gross operating income growth rate less expense growth rate (jaws ratio)			**2,7**	(3,0)
Non-interest revenue to total operating expenses			**82,1**	80,7
Non-interest revenue to total income			**47,4**	46,6
Efficiency ratio			**57,2**	58,6
Effective taxation rate			**25,2**	25,5
Group capital adequacy ratios (including unappropriated profits):[1]				
– Common-equity tier 1			**11,7**	12,6
– Tier 1			**12,5**	13,4
– Total			**14,8**	15,5
Statement of financial position statistics (Rm)				
Total equity attributable to equity holders of the parent	2,4		**83 778**	81 823
Total equity	3,1		**91 271**	88 539
Amounts owed to depositors	7,0		**825 804**	771 584
Loans and advances	3,7		**736 305**	710 329
Gross	4,1		**751 793**	722 330
Impairment of loans and advances	(29,1)		**(15 488)**	(12 001)
Total assets administered by the group	3,5		**1 341 250**	1 295 627
Total assets	6,2		**1 043 912**	983 314
Assets under management	(4,8)		**297 338**	312 313
Life insurance embedded value[1]	1,5		**2 786**	2 745
Life insurance value of new business[1]	8,9		**380**	349

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

AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Nedbank Group Limited Reg No 1966/010630/06.
Prepared under the supervision of the Nedbank Group CFO, Raisibe Morathi CA(SA).
A copy of the Nedbank Group Limited audited consolidated annual financial statements can be obtained by contacting Nedbank Group Investor Relations at nedbankgroupir@nedbank.co.za.

Summary consolidated statement of comprehensive income

for the year ended

	Change (%)	31 December 2018 (Audited) Rm	31 December 2017 (Audited) Rm
Interest and similar income	0,9	**75 941**	75 299
Interest expense and similar charges	(1,2)	**47 122**	47 675
Net interest income	4,3	**28 819**	27 624
Impairments charge on financial instruments	11,6	**3 688**	3 304
Income from lending activities	3,3	**25 131**	24 320
Non-interest revenue	7,9	**25 976**	24 063
Operating income	5,6	**51 107**	48 383
Total operating expenses	6,1	**31 632**	29 812
Indirect taxation	(5,9)	**942**	1 001
Profit from operations before non-trading and capital items	5,5	**18 533**	17 570
Non-trading and capital items	26,8	**(164)**	(224)
Profit from operations	5,9	**18 369**	17 346
Share of income/(losses) of associate companies	>100	**528**	(838)
Profit before direct taxation	14,5	**18 897**	16 508
Total direct taxation	13,1	**4 762**	4 209
Direct taxation		**4 807**	4 267
Taxation on non-trading and capital items		**(45)**	(58)
Profit for the year	14,9	**14 135**	12 299
Other comprehensive (losses)/income (OCI) net of taxation	>(100)	**(341)**	31
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translating foreign operations		**449**	(1 046)
Share of OCI of investments accounted for using the equity method		**(318)**	169
Fair-value adjustments on available-for-sale assets			22
Debt investments at fair value through OCI (FVOCI) – net change in fair value		**(20)**	
Items that may not subsequently be reclassified to profit or loss			
(Losses)/Gains on property revaluations		**(91)**	190
Remeasurements on long-term employee benefit assets		**(345)**	387
Share of OCI of investments accounted for using the equity method		**(16)**	309
Total comprehensive income for the year	11,9	**13 794**	12 330
Profit attributable to:			
– Ordinary shareholders	15,1	**13 376**	11 621
– Holders of preference shares	(4,4)	**323**	338
– Holders of additional tier 1 capital instruments	6,0	**267**	252
– Non-controlling interest – ordinary shareholders	92,0	**169**	88
Profit for the year	14,9	**14 135**	12 299
Total comprehensive income attributable to:			
– Ordinary shareholders	13,3	**13 175**	11 625
– Holders of preference shares	(4,4)	**323**	338
– Holders of additional tier 1 capital instruments	6,0	**267**	252
– Non-controlling interest – ordinary shareholders	(74,8)	**29**	115
Total comprehensive income for the year	11,9	**13 794**	12 330
Basic earnings per share (cents)	14,5	**2 768**	2 417
Diluted earnings per share (cents)	14,3	**2 712**	2 372

Summary consolidated statement of financial position

at

	Change	31 December 2018 (Audited)	31 December 2017 (Audited)	31 December 2016 (Audited)
	(%)	Rm	Rm (Restated)	Rm (Restated)
Assets				
Cash and cash equivalents	(22,1)	**13 162**	16 900	26 384
Other short-term securities	(14,5)	**79 362**	92 775	84 679
Derivative financial instruments	(24,1)	**22 692**	29 904	17 633
Government and other securities	96,6	**96 791**	49 241	51 048
Loans and advances	3,7	**736 305**	710 329	707 077
Other assets	36,0	**19 836**	14 589	14 077
Current taxation assets	(11,8)	**186**	211	574
Investment securities[1]	13,1	**22 404**	19 803	16 582
Non-current assets held for sale	(21,4)	**305**	388	287
Investments in associate companies and joint arrangements[1]	13,7	**4 041**	3 553	4 210
Deferred taxation assets	34,4	**254**	189	494
Investment property				22
Property and equipment	5,3	**9 371**	8 902	8 969
Long-term employee benefit assets	(16,2)	**4 966**	5 924	5 203
Mandatory reserve deposits with central banks	12,5	**21 629**	19 222	18 700
Intangible assets	10,8	**12 608**	11 384	10 083
Total assets	6,2	**1 043 912**	983 314	966 022
Equity and liabilities				
Ordinary share capital	(1,0)	**477**	482	478
Ordinary share premium	(7,3)	**17 315**	18 688	18 043
Reserves	5,3	**65 986**	62 653	57 212
Total equity attributable to equity holders of the parent	2,4	**83 778**	81 823	75 733
Holders of preference shares		**3 222**	3 222	3 222
Holders of additional tier 1 capital instruments	28,9	**3 397**	2 635	2 000
Non-controlling interest attributable to ordinary shareholders	1,7	**874**	859	756
Total equity	3,1	**91 271**	88 539	81 711
Derivative financial instruments	(14,4)	**20 003**	23 367	13 296
Amounts owed to depositors	7,0	**825 804**	771 584	761 542
Provisions and other liabilities	9,9	**25 602**	23 292	34 667
Current taxation liabilities	40,2	**363**	259	214
Deferred taxation liabilities	(12,1)	**669**	761	804
Long-term employee benefit liabilities	(22,0)	**2 749**	3 525	3 448
Investment contract liabilities	10,5	**20 035**	18 134	15 342
Insurance contract liabilities	(19,7)	**1 829**	2 277	2 922
Long-term debt instruments	7,8	**55 587**	51 576	52 076
Total liabilities	6,5	**952 641**	894 775	884 311
Total equity and liabilities	6,2	**1 043 912**	983 314	966 022

[1] *During the year the group reviewed the classification of certain investments on the statement of financial position. As a result of this review the group's private-equity investments have been reclassified from investments in private-equity associates, associate companies and joint arrangements to investment securities better to reflect the measurement of these investments at fair value. To provide comparability the prior-year balances have been restated by R3 169m (2016: R2 357m). The investments in private-equity associates, associate companies and joint arrangements were renamed investments in associate companies. The reclassification had no impact on the group's statement of comprehensive income and statement of changes in equity.*

Summary consolidated statement of changes in equity

	Total equity attributable to equity holders of the parent Rm	Holders of preference shares Rm	Holders of additional tier 1 capital instruments Rm	Non-controlling interest attributable to ordinary shareholders Rm	Total equity Rm
Audited balance at 31 December 2016	75 733	3 222	2 000	756	81 711
Additional tier 1 capital instruments issued			600		600
Dividend to shareholders	(6 080)			(12)	(6 092)
Additional tier 1 capital instruments interest paid			(217)		(217)
Preference share dividend		(338)			(338)
Issues of shares net of expenses	687				687
Shares (acquired)/no longer held by group entities and BEE trusts	(71)				(71)
Total comprehensive income for the year	11 625	338	252	115	12 330
Share-based payment reserve movement	(65)				(65)
Other movements	(6)				(6)
Audited balance at 31 December 2017	**81 823**	**3 222**	**2 635**	**859**	**88 539**
Impact of adopting IFRS 9, net of taxation	**(2 964)**			**(14)**	**(2 978)**
Impact of adopting IFRS 15, net of taxation	**(254)**				**(254)**
Audited balance at 1 January 2018	**78 605**	**3 222**	**2 635**	**845**	**85 307**
Additional tier 1 capital instruments issued			**750**		**750**
Dividend to shareholders	**(6 744)**				**(6 744)**
Additional tier 1 capital instruments interest paid			**(255)**		**(255)**
Preference share dividend		**(323)**			**(323)**
Issues of shares net of expenses	**628**				**628**
Repurchase of odd-lot holdings	**(1 979)**				**(1 979)**
Shares (acquired)/no longer held by group entities and BEE trusts	**(86)**				**(86)**
Total comprehensive income for the year	**13 175**	**323**	**267**	**29**	**13 794**
Share-based payment reserve movement	**177**				**177**
Other movements	**2**				**2**
Audited balance at 31 December 2018	**83 778**	**3 222**	**3 397**	**874**	**91 271**

Summary consolidated statement of cashflows

for the year ended

	31 December 2018 (Audited) Rm	31 December 2017 (Audited) Rm
Cash generated by operations	**26 974**	25 351
Change in funds for operating activities	**(12 369)**	(17 407)
Net cash from operating activities before taxation	**14 605**	7 944
Taxation paid	**(4 684)**	(4 730)
Cashflows from operating activities	**9 921**	3 214
Cashflows utilised by investing activities	**(6 848)**	(6 119)
Cashflows utilised by financing activities	**(4 012)**	(5 946)
Effects of exchange rate changes on opening cash and cash equivalents	**(392)**	(111)
Net decrease in cash and cash equivalents	**(1 331)**	(8 962)
Cash and cash equivalents at the beginning of the year[1]	**36 122**	45 084
Cash and cash equivalents at the end of the year[1]	**34 791**	36 122

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

NOTES TO THE AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018*

Summary consolidated segmental reporting

for the year ended

	31 December 2018 (Audited) Rm	31 December 2017 (Audited) Rm	31 December 2018 (Audited) Rm	31 December 2017 (Audited) Rm	31 December 2018 (Audited) Rm	31 December 2017 (Audited) Rm	31 December 2018 (Audited) Rm	31 December 2017 (Audited) Rm
	Total assets		Total liabilities		Revenue[1]		Headline earnings/ (losses)	
Nedbank Corporate and Investment Banking	**507 807**	487 632	**474 252**	457 195	**15 767**	14 380	**6 714**	6 315
Nedbank Retail and Business Banking	**355 614**	326 225	**327 143**	298 413	**31 283**	30 102	**5 379**	5 302
Nedbank Wealth	**71 142**	66 832	**66 917**	62 947	**4 597**	4 393	**1 133**	1 068
Rest of Africa	**37 518**	37 487	**30 706**	31 042	**2 833**	2 471	**702**	(810)
Centre	**71 831**	65 138	**53 623**	45 178	**315**	341	**(433)**	(88)
Total	**1 043 912**	983 314	**952 641**	894 775	**54 795**	51 687	**13 495**	11 787

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

Due to the group's strategic investment in ETI being in an associate company that the group does not control, the group's managed operations exclude ETI-related assets, funding, equity-accounted earnings and associated after-tax funding costs. The chief operating decisionmaker therefore separately reviews the performance of the group's managed operations and, on this basis, the total assets are R1 040 667m (2017: R979 994m), total liabilities are R950 406m (2017: R892 919m), revenue is R55 118m (2017: R52 008m) and headline earnings is R13 119m (2017: R12 762m). ETI forms part of the Nedbank Rest of Africa segment, whose segmental information on a managed-operations basis include total assets of R34 273m (2017: R34 167m), total liabilities of R28 471m (2017: R29 186m), revenue of R3 156m (2017: R2 792m) and headline earnings of R326m (2017: R165m).

Headline earnings reconciliation

for the year ended

	Change (%)	31 December 2018 (Audited) Rm Gross	31 December 2018 (Audited) Rm Net of taxation	31 December 2017 (Audited) Rm Gross	31 December 2017 (Audited) Rm Net of taxation
Profit attributable to equity holders of the parent	15,1		**13 376**		11 621
Non-trading and capital items	(28,3)	**164**	**119**	224	166
IAS 16 loss on disposal of property and equipment		**29**	**21**	47	35
IAS 38 Impairment of property, equipment and intangible assets		**135**	**98**	163	117
IAS 39 loss on disposal of available-for-sale financial assets				14	14
	14,5		**13 495**		11 787

Contingent liabilities and commitments

CONTINGENT LIABILITIES AND UNDRAWN FACILITIES

at

	31 December 2018 (Audited) Rm	31 December 2017 (Audited) Rm
Guarantees on behalf of clients	**29 802**	28 402
Letters of credit and discounting transactions	**9 654**	3 225
Irrevocable unutilised facilities and other	**136 381**	103 562
	175 837	135 189

The group, in the ordinary course of business, enters into transactions that expose it to tax, legal and business risks. Provisions are made for known liabilities that are expected to materialise. Possible obligations and known liabilities where no reliable estimate can be made or it is considered improbable that an outflow would result are reported as contingent liabilities. This is in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets.

There are a number of legal or potential claims against Nedbank Group Limited and its subsidiary companies, the outcome of which cannot currently be foreseen. None of these matters are material in nature.

COMMITMENTS

Capital expenditure approved by directors

at

	31 December 2018 (Audited) Rm	31 December 2017 (Audited) Rm
Contracted	**530**	463
Not yet contracted	**2 811**	2 433
	3 341	2 896

Funds to meet capital expenditure commitments will be provided from group resources. In addition, capital expenditure is incurred in the normal course of business throughout the year.

Investments in associate companies

at

	31 December 2018 (Audited) Rm	31 December 2017 (Audited) Rm (Restated)
Listed associates[1]	**3 245**	3 320
Unlisted associates[2]	**796**	233
	4 041	3 553

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

[2] *During the year the group reviewed the classification of certain investments on the statement of financial position. As a result of this review the group's private-equity investments have been reclassified from investments in private-equity associates, associate companies and joint arrangements to investment securities better to reflect the measurement of these investments at fair value. To provide comparability the prior-year balances have been restated accordingly (R3 169m). The investments in private-equity associates, associate companies and joint arrangements have been renamed investments in associate companies.*

Listed associates: ETI		
Carrying value	**3 245**	3 320
Fair value of investment[1]	**2 908**	3 047

[1] *Based on the NAFEX exchange rate.*

Cashflow information

for the year ended

	31 December 2018 (Audited) Rm	31 December 2017 (Audited) Rm
Acquisition of property and equipment, computer software and development costs and investment property	**(4 250)**	(3 299)
Issue of additional tier 1 capital instruments	**750**	600
Issue of long-term debt instruments	**9 504**	7 540
Redemption of long-term debt instruments	**(5 495)**	(8 067)
Dividends to ordinary shareholders	**(6 744)**	(6 080)
Preference share dividends paid	**(323)**	(338)
Additional tier 1 capital instruments interest paid	**(267)**	(217)

FINANCIAL RESULTS

Fair-value hierarchy

FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

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

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

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

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

FAIR-VALUE HIERARCHY

The financial instruments recognised at fair value have been categorised into the three input levels of the IFRS fair-value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: Valuation techniques based (directly or indirectly) on market-observable inputs. Various factors influence the availability of observable inputs. These factors may vary from product to product and change over time. Factors include the depth of activity in the relevant market, the type of product, whether the product is new and not widely traded in the market, the maturity of market modelling and the nature of the transaction (bespoke or generic).

Level 3: Valuation techniques based on significant inputs that are not observable. To the extent that a valuation is based on inputs that are not market-observable the determination of the fair value can be more subjective, depending on the significance of the unobservable inputs to the overall valuation. Unobservable inputs are determined on the basis of the best information available and may include reference to similar instruments, similar maturities, appropriate proxies or other analytical techniques.

All fair values disclosed below are recurring in nature.

FINANCIAL ASSETS

	Total financial assets		Total financial assets recognised at amortised cost		Total financial assets classified as level 1		Total financial assets classified as level 2		Total financial assets classified as level 3	
	31 Dec 2018 (Audited) Rm	31 Dec 2017 (Audited) Rm	**31 Dec 2018 (Audited) Rm**	31 Dec 2017 (Audited) Rm	**31 Dec 2018 (Audited) Rm**	31 Dec 2017 (Audited) Rm	**31 Dec 2018 (Audited) Rm**	31 Dec 2017 (Audited) Rm	**31 Dec 2018 (Audited) Rm**	31 Dec 2017 (Audited) Rm
Cash and cash equivalents	**34 791**	36 122	**34 791**	36 122						
Other short-term securities	**79 362**	92 775	**24 282**	25 193			**55 080**	67 582		
Derivative financial instruments	**22 692**	29 904			**38**		**22 654**	29 903		1
Government and other securities	**96 791**	49 241	**67 824**	28 862	**25 505**	5 173	**3 462**	15 206		
Loans and advances	**736 305**	710 329	**694 124**	632 156	**159**	78	**42 022**	78 062		33
Other assets	**18 507**	14 589	**12 312**	9 619	**6 195**	4 970				
Investment securities[1]	**22 404**	19 803			**18**	37	**15 930**	15 184	**6 456**	4 582
	1 010 852	952 763	**833 333**	731 952	**31 915**	10 258	**139 148**	205 937	**6 456**	4 616

[1] *During the year the group reviewed the classification of certain investments on the statement of financial position. As a result of this review the group's private-equity investments have been reclassified from investments in private-equity associates, associate companies and joint arrangements to investment securities better to reflect the measurement of these investments at fair value. To provide comparability the prior-year balances have been restated accordingly (R3 169m).*

FINANCIAL LIABILITIES

	Total financial liabilities		Total financial liabilities recognised at amortised cost		Total financial liabilities classified as level 1		Total financial liabilities classified as level 2		Total financial liabilities classified as level 3	
	31 Dec 2018 (Audited) Rm	31 Dec 2017 (Audited) Rm	**31 Dec 2018 (Audited) Rm**	31 Dec 2017 (Audited) Rm	**31 Dec 2018 (Audited) Rm**	31 Dec 2017 (Audited) Rm	**31 Dec 2018 (Audited) Rm**	31 Dec 2017 (Audited) Rm	**31 Dec 2018 (Audited) Rm**	31 Dec 2017 (Audited) Rm
Derivative financial instruments	**20 003**	23 367			**8**		**19 995**	23 367		
Amounts owed to depositors	**825 804**	771 584	**804 146**	693 621			**21 658**	77 963		
Provisions and other liabilities	**18 477**	21 712	**6 614**	14 259	**11 432**	6 983		35	**431**	435
Investment contract liabilities	**20 035**	18 134					**20 035**	18 134		
Long-term debt instruments	**55 587**	51 576	**55 587**	51 124				452		
	939 906	886 373	**866 347**	759 004	**11 440**	6 983	**61 688**	119 951	**431**	435

LEVEL 3 RECONCILIATION

31 December 2018 (Audited)	Opening balance at 1 January Rm	Gains/ (Losses) in non-interest revenue in profit for the year Rm	Gains relating to investments in equity instruments at FVOCI and debt instruments at FVOCI in OCI for the year Rm	Purchases and issues Rm	Sales and settlements Rm	Transfers from level 2 Rm	Closing balance at 31 December Rm
FINANCIAL ASSETS							
Investment securities	**5 017**	**240**	**15**	**2 086**	**(955)**	**53**	**6 456**
	5 017	**240**	**15**	**2 086**	**(955)**	**53**	**6 456**
FINANCIAL LIABILITIES							
Provisions and other liabilities	**435**	**(4)**					**431**
	435	**(4)**	**–**	**–**	**–**	**–**	**431**

31 December 2017 (Audited)	Opening balance at 1 January Rm	Gains in non-interest revenue in profit for the year Rm	Purchases and issues Rm	Sales and settlements Rm	Closing balance at 31 December Rm
FINANCIAL ASSETS					
Derivative financial instruments	37	18		(54)	1
Loans and advances	77	45		(89)	33
Investment securities[1]	3 449	81	1 747	(695)	4 582
	3 563	144	1 747	(838)	4 616
FINANCIAL LIABILITIES					
Provisions and other liabilities	330	105			435
	330	105	–	–	435

[1] *During the year the group reviewed the classification of certain investments on the statement of financial position. As a result of this review the group's private-equity investments have been reclassified from investments in private-equity associates, associate companies and joint arrangements to investment securities better to reflect the measurement of these investments at fair value. To provide comparability the prior-year balances have been restated accordingly (R3 169m).*

EFFECT OF CHANGES IN SIGNIFICANT UNOBSERVABLE ASSUMPTIONS TO REASONABLE POSSIBLE ALTERNATIVES

The fair value of financial instruments is, in certain circumstances, measured using valuation techniques that include assumptions that are not market-observable. Where these scenarios apply, the group performs stress testing on the fair value of the relevant instruments. When performing the stress testing, appropriate levels for the unobservable-input parameters are chosen so that they are consistent with prevailing market evidence and in line with the group's approach to valuation control. The following information is intended to illustrate the potential impact of the relative uncertainty in the fair value of financial instruments for which valuation is dependent on unobservable-input parameters and which are classified as level 3 in the fair-value hierarchy. However, the disclosure is neither predictive nor indicative of future movements in fair value.

31 December 2018 (Audited)	Valuation technique	Significant unobservable input	Variance in fair value %	Value per statement of financial position Rm	Favourable change in fair value Rm	Unfavourable change in fair value Rm
FINANCIAL ASSETS						
Investment securities	Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations and dividend yields	Valuation multiples, correlations, volatilities and credit spreads	Between (10) and 13	**6 456**	**851**	**(670)**
Total financial assets classified as level 3				**6 456**	**851**	**(670)**
FINANCIAL LIABILITIES						
Provisions and other liabilities	Discounted cashflow, earnings multiples	Discount rates, forecasts	Between (10) and 10	**(431)**	**(43)**	**43**

31 December 2017 (Audited)	Valuation technique	Significant unobservable input	Variance in fair value %	Value per statement of financial position Rm	Favourable change in fair value Rm	Unfavourable change in fair value Rm
FINANCIAL ASSETS						
Derivative financial instruments	Discounted cashflows	Discount rates, Ebitda	Between (12) and 9	1	[1]	[1]
Loans and advances	Discounted cashflows	Credit spreads and discount rates	Between (12) and 9	33	3	(4)
Investment securities[2]	Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations and dividend yields	Valuation multiples, correlations, volatilities and credit spreads	Between (12) and 9	4 582	428	(538)
Total financial assets classified as level 3				4 616	431	(542)

[1] *Represents amounts less than R1m.*

[2] *During the year the group reviewed the classification of certain investments on the statement of financial position. As a result of this review the group's private-equity investments have been reclassified from investments in private-equity associates, associate companies and joint arrangements to investment securities better to reflect the measurement of these investments at fair value. To provide comparability the prior-year balances have been restated accordingly (R3 169m).*

FINANCIAL LIABILITIES						
Provisions and other liabilities	Discounted cashflow, earnings multiples	Discount rates, forecasts	Between (10) and 10	(435)	(36)	43

UNREALISED GAINS

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

	31 December 2018 (Audited) Rm	31 December 2017 (Audited) Rm
Private-equity gains	**240**	144

SUMMARY OF PRINCIPAL VALUATION TECHNIQUES — LEVEL 2 INSTRUMENTS (UNAUDITED)

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

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

TRANSFERS BETWEEN LEVELS OF THE FAIR-VALUE HIERARCHY (UNAUDITED)

In terms of the group's policy, transfers of financial instruments between levels of the fair-value hierarchy are deemed to have occurred at the end of the year.

Assets and liabilities not measured at fair value for which fair value is disclosed

Certain financial instruments of the group are not carried at fair value and are measured at amortised cost. The calculation of the fair value of the financial instruments incorporates the group's best estimate of the value at which the financial assets could be exchanged, or financial liabilities transferred, between market participants at the measurement date. The group's estimate of what fair value is does not necessarily represent what it would be able to sell the asset for or transfer the respective financial liability for in an involuntary liquidation or distressed sale.

The fair values of these respective financial instruments at the reporting date detailed below are estimated only for the purpose of IFRS disclosure, as follows:

Rm	Carrying value	Fair value	Level 1	Level 2	Level 3
31 December 2018 (Audited)					
Financial assets	**786 230**	**773 670**	**44 554**	**24 241**	**704 875**
Other short-term securities	**24 282**	**24 241**		**24 241**	
Government and other securities	**67 824**	**67 036**	**44 554**		**22 482**
Loans and advances	**694 124**	**682 393**			**682 393**
Financial liabilities	**55 587**	**56 404**	**27 944**	**28 460**	**–**
Long-term debt instruments	**55 587**	**56 404**	**27 944**	**28 460**	

Rm	Carrying value	Fair value	Level 1	Level 2	Level 3
31 December 2017 (Audited)					
Financial assets	686 211	681 307	23 993	29 962	627 352
Other short-term securities	25 193	25 130		25 130	
Government and other securities	28 862	28 825	23 993	4 832	
Loans and advances	632 156	627 352			627 352
Financial liabilities	51 124	52 018	23 975	28 043	–
Long-term debt instruments	51 124	52 018	23 975	28 043	

There have been no significant changes in the methodology used to estimate the fair value of the above instruments during the year.

LOANS AND ADVANCES

Loans and advances that are not recognised at fair value principally comprise variable-rate financial assets. The interest rates on these variable-rate financial assets are adjusted when the applicable benchmark interest rate changes.

Loans and advances are not actively traded in most markets and it is therefore not possible to determine the fair value of these loans and advances using observable market prices and market inputs. Due to the unique characteristics of the loans and advances portfolio and the fact that there have been no recent transactions involving the disposal of such loans and advances, there is no basis to determine a price that could be negotiated between market participants in an orderly transaction. The group is not currently in the position of a forced sale of such underlying loans and advances and it would therefore be inappropriate to value the loans and advances on a forced-sale basis.

For specifically impaired loans and advances the carrying value, as determined after consideration of the group's IFRS 9 expected credit losses, is considered the best estimate of fair value.

The group has developed a methodology and model to determine the fair value of the gross exposures for the performing loans and advances measured at amortised cost. This model incorporates the use of average interest rates and projected monthly cashflows per product type. Future cashflows are discounted using interest rates at which similar loans would be granted to borrowers with similar credit ratings and maturities. Methodologies and models are updated on a continuous basis for changes in assumptions, forecasts and modelling techniques. Future forecasts of the group's probability of default (PD) and loss given defaults (LGDs) for the periods 2019 to 2021 (2017: for periods 2018 to 2020) are based on the latest available internal data and are applied to the projected cashflows of the first three years. Thereafter, PDs and LGDs are gradually reverted to their long-run averages and are applied to the remaining projected cashflows. Inputs into the model include various assumptions utilised in the pricing of loans and advances. The determination of such inputs is highly subjective and therefore any change to one or more of the assumptions may result in a significant change in the determination of the fair value of loans and advances.

GOVERNMENT AND OTHER SECURITIES

The fair value of government and other securities is determined based on available market prices (level 1) or discounted-cashflow analysis (level 3), where an instrument is not quoted or the market is considered to be inactive.

OTHER SHORT-TERM SECURITIES

The fair value of other short-term securities is determined using a discounted-cashflow analysis (level 2).

LONG-TERM DEBT INSTRUMENTS

The fair value of long-term debt instruments is determined based on available market prices (level 1) or discounted-cashflow analysis (level 2), where an instrument is not quoted or the market is considered to be inactive.

AMOUNTS OWED TO DEPOSITORS

The amounts owed to depositors principally comprise variable-rate liabilities and hedge-accounted fixed-rate liabilities. The carrying value of the amounts owed to depositors approximates fair value because the instruments reprice to current market rates at frequent intervals. In addition, a significant portion of the balance is callable or is short term in nature.

CASH AND CASH EQUIVALENTS, OTHER ASSETS, MANDATORY DEPOSITS WITH CENTRAL BANKS AND PROVISIONS AND OTHER LIABILITIES

The carrying values of cash and cash equivalents, other assets, mandatory deposits with central banks and provisions and other liabilities are considered a reasonable approximation of their respective fair values, as they are either short term in nature or are repriced to current market rates at frequent intervals.

ADDITIONAL INFORMATION (UNAUDITED)
Liquidity coverage ratio

Rm	Total unweighted value[1] (average)	Total weighted value[2] (average)
Total high-quality liquid assets		**162 678**
Cash outflows		
Retail deposits and deposits from small-business clients	185 468	18 368
Stable deposits	3 575	179
Less stable deposits	181 893	18 189
Unsecured wholesale funding	256 029	125 951
Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	126 492	31 623
Non-operational deposits (all counterparties)	129 328	94 119
Unsecured debt	209	209
Secured wholesale funding	24 530	
Additional requirements	138 173	27 010
Outflows related to derivative exposures and other collateral requirements	3 291	3 291
Credit and liquidity facilities	134 882	23 719
Other contingent funding obligations	167 670	8 601
Total cash outflows	**771 870**	**179 930**
Cash inflows		
Secured lending (eg reverse repurchase agreements)	7 809	19
Inflows from fully performing exposures	44 250	30 050
Other cash inflows	4 477	4 332
Total cash inflows	**56 536**	**34 401**

	Total adjusted value
Total HQLA	162 678
Total net cash outflows[3]	148 693
Liquidity coverage ratio (%)	**109,4%**

1 *Unweighted values are calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).*

2 *Weighted values are calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).*

3 *Note that total cash outflows less total cash inflows may not be equal to total net cash outflows to the extent that regulatory caps have been applied to cash inflows as specified by the regulations.*

The figures above reflect a simple average of daily observations over the quarter ending December 2018 for Nedbank Limited and the simple average of the month-end values at 31 October 2018, 30 November 2018 and 31 Decemeber 2018 for all non-SA banking entities, based on regulatory submissions to SARB. This section on the liquidity coverage ratio has not been audited or reviewed by the group's auditors.

Net stable funding ratio

Rm	Unweighted value by residual maturity: No maturity	Six months or less	Between six months and one year	More than one year	Weighted value
Available stable funding (ASF)					
Capital	93 221	–	–	–	93 221
Regulatory capital	89 056				89 056
Other capital instruments	4 165				4 165
Retail deposits and deposits from small-business clients	–	229 406	15 833	22 412	243 289
Stable deposits		3 255		1	3 093
Less stable deposits		226 151	15 833	22 411	240 196
Wholesale funding	–	453 858	47 804	120 667	326 690
Operational deposits		143 589			71 794
Other wholesale funding		310 269	47 804	120 667	254 896
Other liabilities	10 041	1 706	320	8 382	1 268
Net stable funding ratio (NSFR) derivative liabilities				7 273	
All other liabilities and equity not included in the above categories	10 041	1 706	320	1 109	1 268
Total ASF					664 468
Required stable funding					
Total NSFR high-quality liquid assets (HQLA)					14 332
Performing loans and securities	–	154 642	72 853	518 264	513 439
Performing loans to financial institutions secured by level 1 HQLA		8 661			866
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions		41 650	7 314	22 372	32 277
Performing loans to non-financial corporate clients, loans to retail and small-business clients and loans to sovereigns, central banks and public sector enterprises, of which		91 432	61 108	359 263	379 134
with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk				12 548	8 156
Performing residential mortgages, of which		3 480	2 777	130 407	90 337
with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		3 480	2 777	118 185	79 949
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		9 419	1 654	6 222	10 825
Other assets	8 340	248	–	49 705	44 188
Assets posted as an initial margin for derivative contracts and contributions to default funds of central counterparties		248			210
NSFR derivative assets				7 500	227
NSFR derivative liabilities before deduction of variation margin posted				7 273	727
All other assets not included in the above categories	8 340			34 932	43 024
Off-balance-sheet items				297 093	10 732
Total required stable funding					582 691
NSFR (%)					114,0%

The figures above reflect the quarter ending December 2018, based on regulatory submissions to SARB, where applicable. This section on the net stable funding ratio has not been audited or reviewed by the group's auditors.

Definitions

12-month ECL An ECL on a default event expected to occur in the 12 months after the reporting date.

Assets under administration (AUA) (Rm) Market value of assets held in custody on behalf of clients.

Assets under management (AUM) (Rm) Market value of assets managed on behalf of clients.

Common-equity tier 1 (CET1) capital adequacy ratio (%) CET1 regulatory capital, including unappropriated profit, as a percentage of total risk-weighted assets.

Coverage (%) On-balance-sheet impairments divided by gross loans and advances. Coverage excludes ECL on off-balance-sheet amounts, ECL and gross loans and advances on the FVOCI portfolio.

Credit loss ratio (CLR) (% or bps) Impairments charge on loans and advances as a percentage of daily average gross loans and advances. Includes the ECL recognised in respect of the off-balance-sheet portion of loans and advances.

Default Default occurs in respect of a particular client in the following instances:

- When the bank considers that the client is unlikely to pay its credit obligations to the bank in full without the bank having recourse to actions such as realising security (if held).
- When the client is past due for more than 90 days on any material credit obligation to the bank. Overdrafts will be considered as being past due if the client has breached an advised limit or has been advised of a limit smaller than the current outstanding amount.
- In terms of Nedbank's Group Credit Policy, when the client is placed under business rescue in terms of the Companies Act, 71 of 2008, and when the client requests a restructure of his facilities as a result of financial distress.

Defaulted loans and advances (non-performing defaulted advances) Any advance or group of loans and advances that has triggered the Basel III definition of default criteria and is in line with the revised SA banking regulations. For retail portfolios this is product-centred and a default would therefore be specific to a client or borrower account (a specific advance). For all other portfolios, except specialised lending, it is client- or borrower-centred, meaning that should any transaction within a borrowing group default, all transactions within the borrowing group would be treated as having defaulted.

At a minimum a default is deemed to have occurred where a material obligation is past due for more than 90 days or a client has exceeded an advised limit for more than 90 days. A specific impairment is raised against such a credit exposure due to a significant perceived decline in the credit quality.

Diluted headline earnings per share (DHEPS) (cents) Headline earnings divided by the weighted-average number of ordinary shares, adjusted for potential dilutive ordinary shares.

Dividend cover (times) Headline earnings per share divided by dividend per share.

Economic profit (EP) (Rm) Headline earnings less the cost of equity (total equity attributable to equity holders of the parent, less goodwill, multiplied by the group's cost-of-equity percentage).

Effective taxation rate (%) Direct taxation as a percentage of profit before direct taxation, excluding non-trading and capital items.

Efficiency ratio (%) Total operating expenses as a percentage of total income, being net interest income, non-interest revenue and share of profits or losses from associates and joint arrangements.

Earnings per share (EPS) (cents) Earnings attributable to ordinary shareholders, divided by the weighted-average number of ordinary shares in issue.

Forward-looking economic expectations The impact of forecast macroeconomic expectations in determining SICR and the measurement of the ECL.

Gross operating income growth rate less expenses growth rate (JAWS ratio) (%) Measure of the extent to which the total income growth rate exceeds the total operating expenses growth rate.

Headline earnings (Rm) The profit attributable to equity holders of the parent, excluding specific separately identifiable remeasurements, net of related tax and non-controlling interests.

Headline earnings per share (HEPS) (cents) Headline earnings divided by the weighted-average number of ordinary shares in issue.

Lifetime ECL An ECL on any default event between the reporting date and the end of the lifetime of the financial asset.

Life insurance embedded value (Rm) The embedded value (EV) of the covered business is the discounted value of the projected future after-tax shareholder earnings arising from covered business in force at the valuation date, plus the adjusted net worth.

Life insurance value of new business (Rm) A measure of the value added to a company as a result of writing new business. Value of new business (VNB) is calculated as the discounted value, at the valuation date, of projected after-tax shareholder profit from covered new business that commenced during the reporting period, net of frictional costs and the cost of non-hedgeable risk associated with writing new business, using economic assumptions at the start of the reporting period.

Net asset value (NAV) (Rm) Total equity attributable to equity holders of the parent.

Net asset value (NAV) per share (cents) NAV divided by the number of shares in issue, excluding shares held by group entities at the end of the period.

Net interest income (NII) to average interest-earning banking assets (AIEBA) (%) NII as a percentage of daily average total assets, excluding trading assets. Also called net interest margin (NIM).

Non-interest revenue (NIR) to total income (%) NIR as a percentage of operating income, excluding the impairments charge on loans and advances.

Number of shares listed (number) Number of ordinary shares in issue, as listed on the JSE.

Off-balance-sheet exposures Undrawn loan commitments, guarantees and similar arrangements that expose the group to credit risk.

Ordinary dividends declared per share (cents) Total dividends to ordinary shareholders declared in respect of the current period.

Performing defaulted loans and advances (Rm) Loans that would otherwise not be in default, but are classified as defaulted due to regulatory requirements, ie directive 7 and the new curing definition.

Portfolio coverage (%) Portfolio impairments in the statement of financial position as a percentage of gross loans and advances, excluding defaulted advances.

Portfolio impairments (Rm) Impairment for latent losses inherent in groups of loans and advances that have not yet been specifically impaired.

The standard portfolio represents all the loans and advances that have not been impaired. These loans and advances have not yet individually evidenced a loss event, but there are loans and advances in the standard portfolio that may have an impairment without the bank being aware of it yet.

A period of time will elapse between the occurrence of an impairment event and objective evidence of the impairment becoming evident. This period is generally known as the emergence period. For each standard portfolio an emergence period is estimated as well as the probability of the loss trigger and the loss given events occurring. These estimates are applied to the total exposures of the standard portfolio to calculate the portfolio impairment.

Preprovisioning operating profit (PPOP) (Rm) Headline earnings plus direct taxation (excluding taxation on non-trading and capital items) plus an impairments charge on loans and advances.

Profit attributable to equity holders of the parent (Rm) Profit for the period less non-controlling interests pertaining to ordinary shareholders, preference shareholders and additional tier 1 capital instrument noteholders.

Profit for the period (Rm) Income statement profit attributable to ordinary shareholders of the parent, before non-controlling interests.

Return on equity (ROE) (%) Headline earnings as a percentage of daily average ordinary shareholders' equity.

Return on equity (ROE) (excluding goodwill) (%) Headline earnings as a percentage of daily average ordinary shareholders' equity less goodwill.

Return on tangible equity (%) Headline earnings as a percentage of daily average ordinary shareholders' equity less intangible assets.

Risk-weighted assets (RWA) (Rm) On-balance-sheet and off-balance-sheet exposures after applying prescribed risk weightings according to the relative risk of the counterparty.

Specific impairments (Rm) Impairment for loans and advances that have been classified as total defaults and specifically impaired, net of the present value of estimated recoveries.

Specific coverage (%) Specific impairments in the statement of financial position as a percentage of total defaulted advances.

Stage 1 Financial assets without objective evidence of impairment, for which the credit risk (risk of default) at the reporting date has not significantly increased since initial recognition.

Stage 2 Financial assets without objective evidence of impairment, for which the credit risk (risk of default) at the reporting date has significantly increased since initial recognition.

Stage 3 Financial assets with objective evidence of impairment.

Tangible net asset value (Rm) Equity attributable to equity holders of the parent, excluding intangible assets.

Tangible net asset value per share (cents) Tangible NAV divided by the number of shares in issue, excluding shares held by group entities at the end of the period.

Tier 1 capital adequacy ratio (CAR) (%) Tier 1 regulatory capital, including unappropriated profit, as a percentage of total risk-weighted assets.

Total capital adequacy ratio (CAR) (%) Total regulatory capital, including unappropriated profit, as a percentage of total risk-weighted assets.

Value in use (VIU) (Rm) The present value of the future cashflows expected to be derived from an asset or cash-generating unit.

Weighted-average number of shares (number) The weighted-average number of ordinary shares in issue during the period listed on the JSE.

Abbreviations and acronyms

AFR available financial resources

AIEBA average interest-earning banking assets

AIRB Advanced Internal Ratings-based

AUA assets under administration

AUM assets under management

BBBEE broad-based black economic empowerment

BEE black economic empowerment

bn billion

bps basis point(s)

CAGR compound annual growth rate

CAR capital adequacy ratio

CET1 common equity tier 1

CIB Corporate and Investment Banking

CLR credit loss ratio

COE cost of equity

CPI consumer price index

CPF commercial-property finance

CVP client value proposition

DHEPS diluted headline earnings per share

D-SIB domestic systematically important bank

ECIC Export Credit Insurance Corporation of South Africa

ECL expected credit loss

EP economic profit

EPS earnings per share

EV embedded value

ETI Ecobank Transnational Incorporated

FCTR foreign currency translation reserve

GDP gross domestic product

GOI gross operating income

group Nedbank Group Limited

HE headline earnings

HEPS headline earnings per share

HQLA high-quality liquid asset(s)

IAS International Accounting Standard(s)

ICAAP Internal Capital Adequacy Assessment Process

IFRS International Financial Reporting Standard(s)

ILAAP Internal Liquidity Adequacy Assessment Process

JIBAR Johannesburg Interbank Agreed Rate

JSE JSE Limited

LAP liquid-asset portfolio

LCR liquidity coverage ratio

LIBOR London Interbank Offered Rate

LTI long-term incentive

m million

MFC Motor Finance Corporation (vehicle finance lending division of Nedbank)

MRC minimum required capital

NAFEX Nigerian Autonomous Foreign Exchange

NAV net asset value

NCA National Credit Act, 34 of 2005

NCD negotiable certificate of deposit

NCOF net cash outflows

NGN Nigerian naira

NII net interest income

NIM net interest margin

NIR non-interest revenue

NPL non-performing loan(s)

NSFR net stable funding ratio

OM Old Mutual

plc public listed company

POPI protection of personal information

PPOP preprovisioning operating profit

R rand

RBB Retail and Business Banking

Rbn South African rands expressed in billions

REIPPPP Renewable Energy Independent Power Producer Procurement Programme

Rm South African rands expressed in millions

RoA Rest of Africa (cluster name)

ROA return on total assets

ROE return on equity

RORWA return on risk-weighted assets

RRB Retail Relationship Banking

RWA risk-weighted assets

SA South Africa

SADC Southern African Development Community

SAICA South African Institute of Chartered Accountants

SARB South African Reserve Bank

SDGs Sustainability Development Goals

SICR Significant increase in credit risk

STI short-term incentive

TTC through the cycle

UK United Kingdom

US United States

VAF vehicle and asset finance

VaR value at risk

VIU value in use

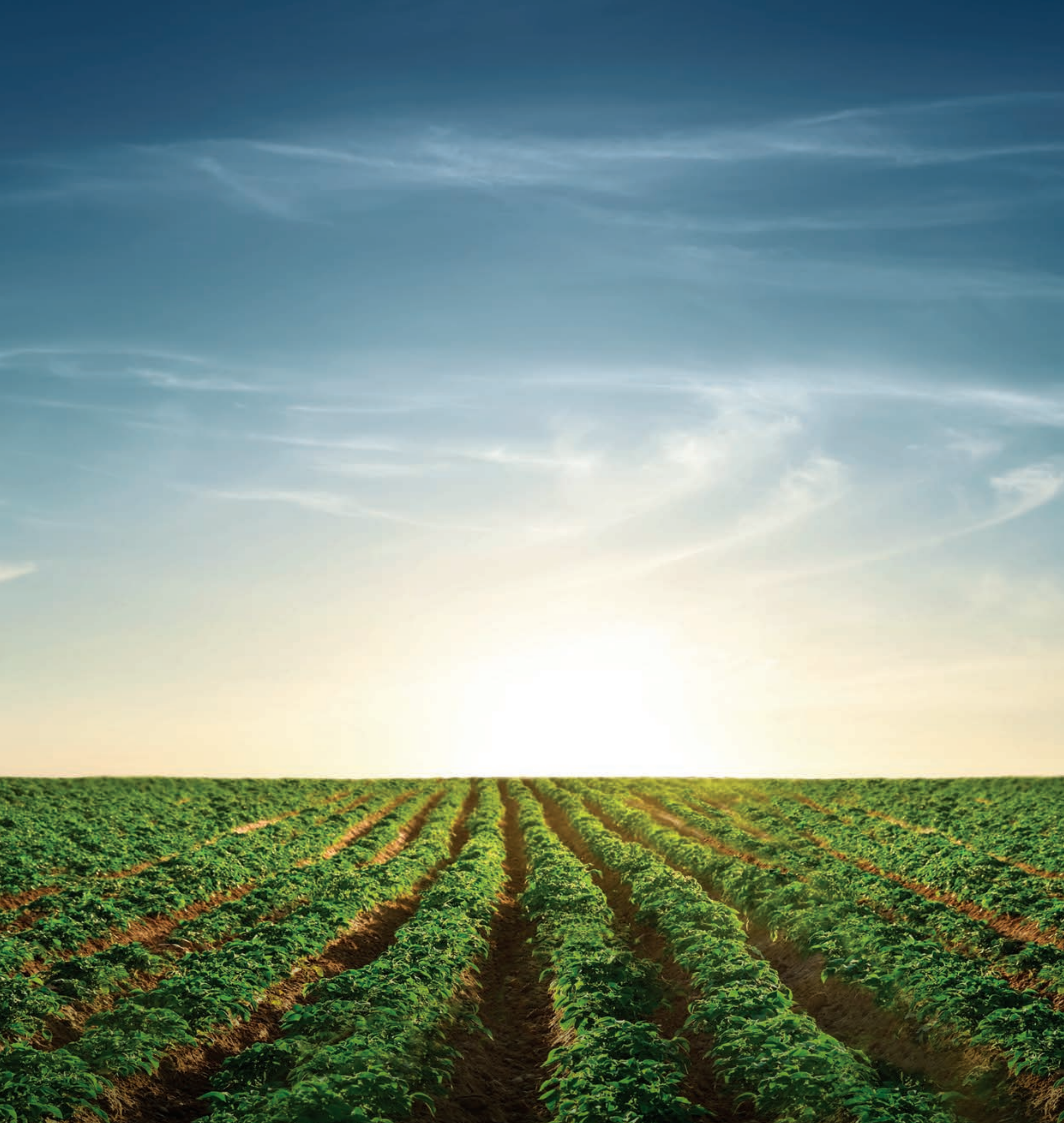
VNB value of new business

VWAP volume-weighted average price

yoy year on year

ytd year to date

ZAR South African rand (currency code)



Fintech partnership of the year

Aerobotics

Nedbank is proud to have won *The Banker* magazine's 2018 fintech partnership award for our 'Satellite and drone imagery analytics experimentation'. Together with Aerobotics (Pty) Ltd, a disruptive technology company that builds advanced analytics on top of aerial drone and satellite imagery, we deliver precision farming tools for our agricultural clients.

The Banker TECH PROJECTS AWARDS 2018

Winner

Fintech partnership