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Preliminary Audited Results

for the year ended 31 December 2018

see money differently

NEDBANK

Preliminary audited results

for the year ended 31 December 2018

OVERVIEW

Nedbank Limited ('Nedbank') is a wholly owned subsidiary of Nedbank Group Limited ('Nedbank Group'), which is listed on JSE Limited. These summary consolidated financial results are published on the Securities Exchange News Service (SENS) to provide information to holders of Nedbank's listed non-redeemable, non-cumulative, non-participating preference shares.

Commentary relating to the Nedbank summary consolidated financial results is included in the Nedbank Group results, as presented to shareholders on 5 March 2019. Further information is provided on the website at nedbankgroup.co.za.

BOARD AND LEADERSHIP CHANGES DURING THE PERIOD

Nomavuso Mnxasana retired as independent non-executive director with effect from 10 May 2018. Peter Moyo was appointed as a non-executive director, while Bruce Hemphill stepped down from the Nedbank Limited 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 Limited is a company domiciled in SA. The audited summary consolidated financial statements of the group at and for the year ended 31 December 2018 comprise those of the company and its subsidiaries ('group') and the group's interests in associates and joint arrangements.

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, summary consolidated statement of cashflows for the year ended 31 December 2018 and selected explanatory notes, which are indicated by the symbol*. 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 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. The listings requirements entail preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Pronouncements issued by the Financial Reporting Standards Council. It also requires, as a minimum, that reports 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 R3,9bn and right-of-use assets of R2,9bn, 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.

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 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 consolidated financial statements are available for inspection at the company's registered office, together with the consolidated financial statements identified in the respective auditors' reports.

The auditors' report does not necessarily report on all of the information contained in 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 and its companies, which, by their nature, involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. Factors that could cause actual results to differ materially from those in the forward-looking statements include global, national and regional economic conditions; sovereign credit ratings; levels of securities markets; interest rates; credit or other risks of lending and investment activities; as well as competitive and regulatory factors. By consequence, all forward-looking statements have not been reviewed or reported on by the group's auditors.

NEDBANK NON-REDEEMABLE, NON-CUMULATIVE, NON-PARTICIPATING PREFERENCE SHARES – DECLARATION OF DIVIDEND NO 32

Notice is hereby given that gross preference dividend no 32 of 42,23172 cents per share has been declared for the period from 1 July 2018 to 31 December 2018, payable on Monday, 25 March 2019, to shareholders of the Nedbank non-redeemable, non-cumulative, non-participating preference shares recognised in the accounting records of the company at the close of business on Friday, 22 March 2019. 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), resulting in a net dividend of 33,78538 cents per share to those shareholders who are not exempt from paying dividend tax. Nedbank's tax reference number is 9250/083/71/5 and the number of preference shares in issue at the date of declaration is 358 277 491.

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

Last day to trade (cum dividend)	Monday, 18 March 2019
Shares commence trading (ex dividend)	Tuesday, 19 March 2019
Record date (date shareholders recorded in books)	Friday, 22 March 2019
Payment date	Monday, 25 March 2019

Share certificates may not be dematerialised or rematerialised between Tuesday, 19 March 2019, and Friday, 22 March 2019, both days inclusive.

Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on the payment date. In the absence of specific mandates, dividend cheques will be posted to shareholders. Shareholders who have dematerialised their share certificates will have their accounts at their participant or broker credited on Monday, 25 March 2019.

For and on behalf of the board

Vassi Naidoo
Chairman

Mike Brown
Chief Executive

5 March 2019

REGISTERED OFFICE

Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, 2196. PO Box 1144, Johannesburg, 2000, SA.

TRANSFER SECRETARIES

Link Market Services South Africa Proprietary Limited, 19 Ameshoff Street, Braamfontein, Johannesburg, 2001 SA.
PO Box 4844, Marshalltown, 2000, SA.

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
Sponsors:	Investec Bank Limited, Nedbank CIB
Nedbank Limited	Reg No 1951/000009/06
	Incorporated in the Republic of South Africa
JSE share code:	NBKP
ISIN:	ZAE000043667
JSE alpha code:	BINBK

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

Nedbank Limited Reg No 1951/000009/06.
Prepared under the supervision of the Nedbank Group CFO, Raisibe Morathi CA(SA).
A copy of the Nedbank 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	2,0	**72 739**	71 311
Interest expense and similar charges	1,4	**46 774**	46 111
Net interest income	3,0	**25 965**	25 200
Impairments charge on financial instruments	17,1	**3 547**	3 030
Income from lending activities	1,1	**22 418**	22 170
Non-interest revenue	4,9	**20 884**	19 907
Operating income	2,9	**43 302**	42 077
Total operating expenses	5,4	**27 616**	26 192
Indirect taxation	(6,3)	**804**	858
Profit from operations before non-trading and capital items	(1,0)	**14 882**	15 027
Non-trading and capital items	21,9	**(164)**	(210)
Profit from operations	(0,7)	**14 718**	14 817
Share of losses of associate companies	13,5	**(83)**	(96)
Profit from operations before direct taxation	(0,6)	**14 635**	14 721
Total direct taxation	8,2	**3 854**	3 563
Direct taxation		**3 899**	3 622
Taxation on non-trading and capital items		**(45)**	(59)
Profit for the year	(3,4)	**10 781**	11 158
Other comprehensive (losses)/income (OCI) net of taxation	>(100)	**(368)**	493
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translating foreign operations		**70**	(29)
Fair-value adjustments on available-for-sale assets			(14)
Debt investments at fair value through OCI (FVOCI) – net change in fair value		**7**	
Items that may not subsequently be reclassified to profit or loss			
(Losses)/Gains on property revaluations		**(100)**	161
Remeasurements on long-term employee benefit assets		**(345)**	375
Total comprehensive income for the year	(10,6)	**10 413**	11 651
Profit attributable to:			
– Ordinary and preference shareholders	(3,5)	**10 765**	11 160
– Non-controlling interest – ordinary shareholders	>100	**16**	(2)
Profit for the year	(3,4)	**10 781**	11 158
Total comprehensive income attributable to:			
– Ordinary and preference shareholders	(10,8)	**10 397**	11 653
– Non-controlling interest – ordinary shareholders	>100	**16**	(2)
Total comprehensive income for the year	(10,6)	**10 413**	11 651

Summary consolidated statement of financial position

at

	Change (%)	31 December 2018 (Audited) Rm	31 December 2017 (Audited) Rm (Restated)	31 December 2016 (Audited) Rm (Restated)
Assets				
Cash and cash equivalents	(10,1)	**7 931**	8 823	20 241
Other short-term securities	(21,3)	**57 844**	73 472	68 218
Derivative financial instruments	(27,0)	**22 412**	30 698	18 044
Government and other securities	97,2	**96 123**	48 749	50 687
Loans and advances[1]	4,3	**725 792**	695 744	695 064
Other assets	64,2	**12 040**	7 332	8 164
Current taxation assets	40,0	**105**	75	440
Investment securities[2]	28,0	**6 787**	5 303	4 258
Non-current assets held for sale	(21,4)	**305**	388	287
Investments in associate companies and joint arrangements[2]	>100	**786**	224	225
Deferred taxation assets	8,1	**40**	37	266
Property and equipment	4,9	**8 367**	7 976	8 197
Long-term employee benefit assets	(17,3)	**4 764**	5 761	5 042
Mandatory reserve deposits with central banks	9,1	**19 789**	18 145	18 139
Intangible assets	16,3	**8 538**	7 341	5 928
Total assets	6,8	**971 623**	910 068	903 200
Equity and liabilities				
Ordinary share capital		**28**	28	28
Ordinary share premium		**19 182**	19 182	19 182
Reserves	2,9	**49 636**	48 215	42 698
Total equity attributable to equity holders of the parent	2,1	**68 846**	67 425	61 908
Preference share capital and premium		**3 561**	3 561	3 561
Holders of preference shares		**561**	561	
Holders of additional tier 1 capital instruments	31,4	**3 416**	2 600	2 000
Non-controlling interest attributable to ordinary shareholders	>100	**23**	7	253
Total equity	3,0	**76 407**	74 154	67 722
Derivative financial instruments	(16,1)	**19 761**	23 561	13 469
Amounts owed to depositors[1]	8,6	**806 487**	742 859	753 458
Provisions and other liabilities	(25,9)	**10 414**	14 047	12 717
Current taxation liabilities	42,4	**272**	191	53
Deferred taxation liabilities	(36,2)	**224**	351	391
Long-term employee benefit liabilities	(22,6)	**2 648**	3 423	3 328
Long-term debt instruments	7,6	**55 410**	51 482	52 062
Total liabilities	7,1	**895 216**	835 914	835 478
Total equity and liabilities	6,8	**971 623**	910 068	903 200

[1] *During 2018 a detailed review was performed on offsetting, which indicated that at 31 December 2017 an asset was incorrectly set off against a liability with the same counterparty. To correct this at 31 December 2017 loans and advances and amounts owed to depositors were restated by R6 107m (2016: R3 139m). The correction had no impact on the group's statement of comprehensive income, statement of changes in equity and statement of cashflows. This prior-period error had no impact on information previously reported for Nedbank Group, because the asset and liability are eliminated as intragroup balances.*

[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 by R3 053m (2016: R2 350m). 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	Preference share capital and premium 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	61 908	3 561		2 000	253	67 722
Additional tier 1 capital instruments issued				600		600
Preference share dividend	(371)					(371)
Additional tier 1 capital instruments interest paid	(218)					(218)
Dividend to ordinary shareholders	(4 665)					(4 665)
Distribution of subsidiaries to shareholder	(787)				(244)	(1 031)
Preference shares held by group entities			561			561
Total comprehensive income for the year	11 653				(2)	11 651
Share-based payment reserve movement	(94)					(94)
Other movements	(1)					(1)
Audited balance at 31 December 2017	**67 425**	**3 561**	**561**	**2 600**	**7**	**74 154**
Impact of adopting IFRS 9, net of taxation	**(2 086)**					**(2 086)**
Impact of adopting IFRS 15, net of taxation	**(254)**					**(254)**
Audited balance at 1 January 2018	**65 085**	**3 561**	**561**	**2 600**	**7**	**71 814**
Additional tier 1 capital instruments issued				**750**		**750**
Preference share dividend	**(355)**					**(355)**
Additional tier 1 capital instruments interest paid	**(301)**					**(301)**
Dividend to ordinary shareholders	**(6 050)**					**(6 050)**
Total comprehensive income for the year	**10 397**				**16**	**10 413**
Share-based payment reserve movement	**170**					**170**
Other movements	**(100)**			**66**		**(34)**
Audited balance at 31 December 2018	**68 846**	**3 561**	**561**	**3 416**	**23**	**76 407**

Summary consolidated statement of cashflows

for the year ended

	31 December 2018 (Audited) Rm	31 December 2017 (Audited) Rm
Cash generated by operations	**22 789**	22 183
Change in funds for operating activities	**(10 105)**	(19 139)
Net cash from operating activities before taxation	**12 684**	3 044
Taxation paid	**(3 653)**	(3 913)
Cashflows from/(utilised by) operating activities	**9 031**	(869)
Cashflows utilised by investing activities	**(6 232)**	(6 197)
Cashflows utilised by financing activities	**(2 047)**	(4 346)
Effects of exchange rate changes on opening cash and cash equivalents	**[1]**	[1]
Net increase/(decrease) in cash and cash equivalents	**752**	(11 412)
Cash and cash equivalents at the beginning of the year[2]	**26 968**	38 380
Cash and cash equivalents at the end of the year[2]	**27 720**	26 968

[1] *Represents amounts less than R1m.*
[2] *Including mandatory reserve deposits with central banks.*

FINANCIAL RESULTS

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
Centre	**71 831**	65 138	**53 623**	45 178	**315**	341	**(433)**	(88)
Fellow subsidiaries[2]	**(34 771)**	(35 759)	**(26 719)**	(27 819)	**(5 113)**	(4 109)	**(1 909)**	(1 286)
Total	**971 623**	910 068	**895 216**	835 914	**46 849**	45 107	**10 884**	11 311

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

[2] *During 2018 a detailed review was performed on offsetting, which indicated that at 31 December 2017 an asset of R6 107m was incorrectly set off against a liability with the same counterparty. To correct this at 31 December 2017 loans and advances and amounts owed to depositors was restated by R6 107m.*

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 ordinary and preference equity holders	(3,5)		**10 765**		11 160
Non-trading and capital items	(21,2)	**164**	**119**	210	151
IAS 16 loss on disposal of property and equipment		**29**	**22**	47	35
IAS 38/IAS 39 impairment of property, equipment, intangible and available-for-sale assets		**135**	**97**	163	116
Headline earnings	(3,8)		**10 884**		11 311

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	**31 973**	26 710
Letters of credit and discounting transactions	**8 936**	3 006
Irrevocable unutilised facilities and other	**133 800**	101 336
	174 709	131 052

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 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	**435**	415
Not yet contracted	**2 320**	2 320
	2 755	2 735

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.

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	**(4 133)**	(3 571)
Issue of additional tier 1 capital instruments	**750**	600
Issue of long-term debt instruments	**9 404**	7 340
Redemption of long-term debt instruments	**(5 495)**	(7 939)
Dividends to ordinary shareholders	**(6 050)**	(3 758)
Preference share dividends paid	**(355)**	(371)
Additional tier 1 capital instruments interest paid	**(301)**	(218)

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, but are not limited to, 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	**27 720**	26 968	**27 720**	26 968						
Other short-term securities	**57 844**	73 472	**21 500**	25 193			**36 344**	48 279		
Derivative financial instruments	**22 412**	30 698			**38**		**22 374**	30 698		
Government and other securities	**96 123**	48 749	**67 628**	28 862	**25 505**	5 173	**2 990**	14 714		
Loans and advances[1]	**725 792**	695 744	**683 770**	618 212			**42 022**	77 499		33
Other assets	**10 776**	7 332	**10 776**	7 332						
Investment securities[2]	**6 787**	5 303			**16**	15	**793**	825	**5 978**	4 463
	947 454	888 266	**811 394**	706 567	**25 559**	5 188	**104 523**	172 015	**5 978**	4 496

[1] *During 2018 a detailed review was performed on offsetting, which indicated that at 31 December 2017 an asset of R6 107m was incorrectly set off against a liability with the same counterparty. To correct this at 31 December 2017 loans and advances and amounts owed to depositors were restated by R6 107m.*

[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 053m).*

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	
	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	**19 761**	23 561			**8**		**19 753**	23 561
Amounts owed to depositors[1]	**806 487**	742 859	**784 908**	664 964			**21 579**	77 895
Provisions and other liabilities	**5 261**	13 047	**4 795**	10 611	**466**	2 405		31
Long-term debt instruments	**55 410**	51 482	**55 410**	51 134				348
	886 919	830 949	**845 113**	726 709	**474**	2 405	**41 332**	101 835

[1] *During 2018 a detailed review was performed on offsetting, which indicated that at 31 December 2017 an asset of R6 107m was incorrectly set off against a liability with the same counterparty. To correct this at 31 December 2017 loans and advances and amounts owed to depositors were restated by R6 107m.*

LEVEL 3 RECONCILIATION

31 December 2018 (Audited)	Opening balance at 1 January Rm	Gains 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	**4 712**	**211**	**3**	**2 201**	**(1 169)**	**20**	**5 978**
	4 712	**211**	**3**	**2 201**	**(1 169)**	**20**	**5 978**

31 December 2017 (Audited)	Opening balance at 1 Jan Rm	Gains in non-interest revenue in profit for the year Rm	Purchases and issues Rm	Sales and settlements Rm	Closing balance at 31 Dec Rm
FINANCIAL ASSETS					
Derivative financial instruments	25			(25)	–
Loans and advances	77	45		(89)	33
Investment securities[1]	3 441	85	1 625	(688)	4 463
	3 543	130	1 625	(802)	4 496

[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 053m).*

EFFECT OF CHANGES IN SIGNIFICANT UNOBSERVABLE ASSUMPTIONS TO REASONABLE POSSIBLE ALTERNATIVES — LEVEL 3 INSTRUMENTS

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	**5 978**	**788**	**(620)**
Total financial assets classified as level 3				**5 978**	**788**	**(620)**

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						
Loans and advances	Discounted cashflows	Credit spreads and discount rates	Between (12) and 9	33	3	(4)
Investment securities[1]	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	4 463	417	(525)
Total financial assets classified as level 3				4 496	420	(529)

[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 053m).*

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	**211**	130

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
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	**772 898**	**760 518**	**44 554**	**21 460**	**694 504**
Other short-term securities	**21 500**	**21 460**		**21 460**	
Government and other securities	**67 628**	**66 844**	**44 554**		**22 290**
Loans and advances	**683 770**	**672 214**			**672 214**
Financial liabilities	**55 410**	**56 226**	**27 944**	**28 282**	**–**
Long-term debt instruments	**55 410**	**56 226**	**27 944**	**28 282**	

Rm	Carrying value	Fair value	Level 1	Level 2	Level 3
31 December 2017 (Audited)					
Financial assets	666 160	661 408	23 993	29 962	607 453
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[1]	612 105	607 453			607 453
Financial liabilities	51 134	52 028	23 975	28 053	–
Long-term debt instruments	51 134	52 028	23 975	28 053	

[1] *During 2018 a detailed review was performed on offsetting, which indicated that at 31 December 2017 an asset of R6 107m was incorrectly set off against a liability with the same counterparty. To correct this at 31 December 2017 loans and advances and amounts owed to depositors was restated by R6 107m.*

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		**156 941**
Cash outflows		
Retail deposits and deposits from small-business clients	**165 119**	**16 512**
Less stable deposits	**165 119**	**16 512**
Unsecured wholesale funding	**216 942**	**106 092**
Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	**107 934**	**26 983**
Non-operational deposits (all counterparties)	**109 008**	**79 109**
Secured wholesale funding	**24 113**	
Additional requirements	**123 126**	**23 918**
Outflows related to derivative exposures and other collateral requirements	**3 220**	**3 220**
Credit and liquidity facilities	**119 906**	**20 698**
Other contingent funding obligations	**157 280**	**8 093**
Total cash outflows	**686 580**	**154 615**
Cash inflows		
Secured lending (eg reverse repurchase agreements)	**7 809**	**19**
Inflows from fully performing exposures	**30 386**	**17 401**
Other cash inflows	**475**	**475**
Total cash inflows	**38 670**	**17 895**

	Total adjusted value
Total HQLA	**156 941**
Total net cash outflows	**136 720**
Liquidity coverage ratio (%)	**114,8%**

[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).*

The figures above reflect the daily average over the quarter ended December 2018, 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	84 993	–	–	–	84 993
Regulatory capital	81 156				81 156
Other capital instruments	3 837				3 837
Retail deposits and deposits from small-business clients	–	207 218	15 376	22 268	222 602
Less stable deposits		207 218	15 376	22 268	222 602
Wholesale funding	–	433 033	45 991	110 835	301 616
Operational deposits		125 779			62 890
Other wholesale funding		307 254	45 991	110 835	238 726
Other liabilities	10 041	395	293	7 601	757
Net stable funding ratio (NSFR) derivative liabilities				6 990	
All other liabilities and equity not included in the above categories	10 041	395	293	611	757
Total ASF					609 968
Required stable funding					
Total NSFR high-quality liquid assets (HQLA)					13 501
Performing loans and securities	–	130 073	63 097	506 957	496 911
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		27 588	5 884	42 627	49 708
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		81 812	53 493	338 513	353 114
with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk				11 372	7 392
Performing residential mortgages, of which		3 071	2 314	120 159	83 240
with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		3 071	2 314	107 937	72 852
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		8 941	1 406	5 658	9 983
Other assets	8 340	248	–	46 711	41 733
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		248			210
NSFR derivative assets				7 357	367
NSFR derivative liabilities before deduction of variation margin posted				6 990	699
All other assets not included in the above categories	8 340			32 364	40 457
Off-balance-sheet items				276 783	9 717
Total required stable funding					561 862
NSFR (%)					108,6%

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

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.

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