NEDBANK GROUP LIMITED

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MAKE THINGS HAPPEN

NEDBANK GROUP

REVIEWED CONDENSED CONSOLIDATED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

- Headline earnings increased 17,5% to R4 599m[1]
- Diluted headline earnings per share up 16,1% to 965 cents[1]
- Growth in tangible net asset value per share of 8,0%[1] (annualised)
- Return on equity (excluding goodwill) increased to 16,5%
- Common-equity tier 1 ratio at 12,1%
- Interim dividend per share up 17,9% to 460 cents

'In a deteriorating economic environment the outcomes arising from our strategic choices enabled Nedbank to produce strong growth in diluted headline earnings per share for the six months to June.

This performance was underpinned by net interest income growth of 9,3% and our focus on selective asset origination and excellent risk management enabled the credit loss ratio to improve from a high base in the prior period to 83 basis points. In line with our commitment to sustainable banking practices, we maintained our transactional banking fees at 2013 levels, proactively reduced our personal-loans book size and associated credit life pricing with improved benefits. These actions together with lower transactional activity in an environment of low GDP growth, and a high 2013 base, gave rise to lower levels of non-interest revenue.

Following this strong growth in diluted headline earnings per share in the first half of 2014, in a volatile and slowing economic environment our full-year guidance for growth in organic diluted headline earnings per share of greater than the growth in nominal GDP remains unchanged.'

Mike Brown
Chief Executive

BANKING AND ECONOMIC ENVIRONMENT

Globally economic conditions in many developed countries improved in the second quarter of the year, with monetary policy remaining generally accommodative. In contrast, conditions in most emerging markets deteriorated as concerns about fiscal and current account deficits increased.

Local economic conditions worsened as the strike in the platinum mining industry, the longest in SA history, impacted confidence and undermined production and spending. As a result, in the first quarter GDP contracted 0,6%, contributing to Standard & Poor's downgrade of the country's investment grade sovereign risk rating by one-notch to 'BBB-' and Fitch Ratings revising the outlook from stable to negative.

The slowdown in household credit demand continued in the first half of 2014, with industry levels of growth in personal loans, motor finance and transactional banking activity all declining, although the demand for residential mortgage finance continued to recover slowly.

In the wholesale sector the level of growth in loans to companies strengthened as export opportunities started to improve, merger activity increased and the rollout of renewable-energy infrastructure continued. The increase could be adversely impacted in the second half of the year by the new wave of strikes that have spread to other sectors.

REVIEW OF RESULTS

Headline earnings grew 17,5% to R4 599m (June 2013: R3 914m) for the six months ended 30 June 2014 ('the period'), driven by good net interest income (NII) growth and a substantial improvement in impairments.[1]

Diluted headline earnings per share (HEPS) increased 16,1% to 965 cents (June 2013: 831 cents) and diluted earnings per share 16,3% to 965 cents (June 2013: 830 cents).[1]

The group generated economic profit (EP) of R833m, up 11,2% (June 2013: R749m), notwithstanding an increased cost of equity of 13,5% (June 2013: 13,0%). The return on average ordinary shareholders' equity (ROE), excluding goodwill, increased to 16,5% (June 2013: 16,1%) and the ROE to 15,1% (June 2013: 14,6%), driven by higher return on assets (ROA) to 1,22% (June 2013: 1,15%).

Nedbank Group remains well capitalised, with the Basel III common-equity tier 1 (CET1) ratio at 12,1% (December 2013: 12,5%). Funding and liquidity levels remained sound, with statutory liquid assets and cash reserves, including the surplus liquid-asset buffer of R26,4bn (December 2013: R28,0bn), increasing to R70,1bn in June 2014 (December 2013: R69,7bn) in preparation for the Basel III liquidity coverage ratio (LCR) transition period, which will come into effect on 1 January 2015.

The net asset value per share continued to increase, growing 7,0% (annualised) to 13 596 cents from 13 143 cents in December 2013.[1]

DELIVERING SUSTAINABLY TO ALL OUR STAKEHOLDERS

Nedbank Group is committed to operating on a sustainable basis and delivering to all our stakeholders as embodied in our vision to be Africa's most admired bank by staff, clients, shareholders, regulators and communities:

For staff – creating 259 new employment opportunities in the frontline businesses; investing R190m in training, with more than 2 400 staff participating in learning academy programmes and 785 staff participating in our Leading for Deep Green programme; supporting 125 external bursars across 19 universities; improving staff transformation and continuing the positive shift in corporate culture.

For clients – investing in client-centred innovation such as our new money send product, Send-iMali™, rolling out 144 Intelligent Depositor devices as well as a further 52 branches in the 'branch of the future' format, have resulted in group client numbers increasing 8% to 6,9m since June 2013. Our progress in innovation was acknowledged with Nedbank's receiving the 2014 *African Banker* Award for Innovation. We advanced R86,1bn (June 2013: R83,0bn) of new loans to clients and assets under management grew by 25,3% to R209,5bn (June 2013: R167,2bn), and for the fifth consecutive year Nedgroup Investments was placed third overall in the Domestic Management Company category at the annual Raging Bull Awards.

For shareholders – increasing the interim dividend 17,9% ahead of 16,4% growth in HEPS, and delivering EP of R833m, up 11,2%. We have generated a total shareholder return (TSR) of 11,5% since December 2013. We remain focused on our vision to be Africa's most admired bank through acquiring an initial 36,4% stake (with a pathway to control) of Banco Unico in Mozambique, and we have until 25 November to make a decision on our rights to acquire up to 20% in Ecobank Transnational Incorporated (ETI).

For regulators – full compliance with Basel III phase-in requirements, including maintaining strong capital levels with a CET1 ratio of 12,1% and an average long-term funding ratio of 24,9%; making cash taxation payments of R4,1bn relating to direct, indirect, PAYE and other taxation; maintaining strong, transparent relationships with all regulators and continuing to support responsible banking practices.

For communities – expanding our footprint and making banking more accessible to all. Since 2010 we contributed R382m to socioeconomic development, including R41m in the first half of 2014 in addition to supporting the National Education Collaboration Trust, as well as sourcing 84% or R3,9bn of our procurement locally. With the support of our BEE partners we have maintained our level 2 broad-based black economic empowerment contributor status for the fifth consecutive year. Clients invested more than R6bn in our Retail Green Savings Bond, while we have seen good uptake of our *Carbon Footprinting Guide*, with more than 54 000 downloads. In addition, Nedbank has maintained carbon neutrality for five years and was awarded the Socially Responsible Bank of the Year award at the 2014 *African Banker* Awards.

Cluster financial performance

Our competitive client-facing franchises provide a well-diversified earnings base and delivered an increased ROE of 19,6% (June 2013: 17,6%) and headline earnings growth of 22,0%.

	% change	Headline earnings		ROE	
		Jun 2014 Rm	Jun 2013 Rm	Jun 2014 %	Jun 2013 %
Nedbank Capital	31,5	1 053	801	31,6	28,4
Nedbank Corporate	8,4	1 159	1 069	22,8	25,9
Nedbank Business Banking	46,7	512	349	19,5	15,2
Nedbank Retail	25,1	1 319	1 054	12,5	10,0
Nedbank Wealth	10,2	464	421	33,9	35,9
Business clusters	22,0	4 507	3 694	19,6	17,6
Centre, including Rest of Africa	(58,2)	92	220		
Total	17,5	4 599	3 914	15,1	14,6

Nedbank Capital's growth in earnings and ROE was driven by strong NII growth and improvements in impairments mainly through recoveries on accounts that have been fully provided for. Preprovisioning operating profit growth was 6,6%.

The solid earnings growth in Nedbank Corporate was underpinned by continued growth in commercial mortgage and corporate advances, and in core transactional income. Impairments improved further as a result of good risk management across the portfolio

NEDBANK GROUP – REVIEWED CONDENSED CONSOLIDATED INTERIM RESULTS 2014

while expenses continue to be well managed. Fair-value adjustments had a negative impact as, excluding fair-value adjustments, headline earnings grew 25,2% to R1 173m (June 2013: R937m).

Nedbank Business Banking reported a strong increase in headline earnings and ROE following the normalisation of impairments from a large single-client default in the comparative period. Preprovisioning operating profit was up 6,5%. Sustained momentum in new-client acquisition and retention, aided by keeping transactional fees at 2013 levels and frontline effectiveness, contributed to quality-advances payouts and good growth in liabilities and current account creditors. This is notwithstanding the protracted challenges facing the small- and medium-enterprise sector in SA.

Headline earnings in Nedbank Retail reflect the benefits of charting a new strategic growth path in 2010 to reposition the franchise sustainably while ensuring excellent risk management. Selective advances origination strategies at higher margins, particularly in home loans and personal loans, together with proactive risk mitigation in prior periods, led to the credit loss ratio (CLR) improving to the lower end of the cluster's target range but also muted NIR growth. The strengthening of our transactional banking franchise continues as we consistently invest in our 'branch of the future' concept, maintaining our transactional banking fees at 2013 levels, bringing to market a lower-priced credit life product with improved benefits, and increasing our levels of marketing spend. Operating income has grown by 12% with preprovisioning operating profit decreasing by 6,6%.

Growth in Nedbank Wealth's headline earnings was driven by strong earnings growth in Wealth Management and Asset Management, offset by a slowdown in retail volumes, lower credit life pricing and higher weather-related short-term insurance claims.

Headline earnings at the centre include, among others, fair-value movements in the hedged portfolios that were negative and portfolio impairment provisions for ongoing uncertainty of R225m (June 2013: R140m). The prior period included R88m of reversals in insurance provisions that were not repeated.

Detailed segmental information is available in the results booklet and on the group's website at nedbankgroup.co.za under the 'Financial information' section.

FINANCIAL PERFORMANCE

Net interest income

NII grew 9,3% to R11 263m (June 2013: R10 309m), supported by growth in average interest-earning banking assets of 10,2%.[1]

The net interest margin (NIM) narrowed to 3,55% (June 2013: 3,58%) as the benefit of increased endowment income from the interest rate increase in January was offset by asset and liability margin compression. The asset margin compression was due to advances mix changes mainly relating to lower-margin wholesale assets growing faster than retail assets, in particular higher-margin personal loans, and pricing pressure experienced in the motor finance and corporate property finance businesses. Liability margin compression arose from higher levels of competition for Basel III-friendly deposits.

Impairments charge on loans and advances

Impairments decreased 29,8% to R2 333m (June 2013: R3 325m) and the CLR improved to 0,83% (June 2013: 1,31%), comprising a specific charge of 0,78% and a portfolio charge of 0,05% (June 2013: specific: 1,24% and portfolio: 0,07%).

CLR (%)	Jun 2014	Jun 2013	Dec 2013
Specific impairments	0,78	1,24	0,97
Portfolio impairments	0,05	0,07	0,09
Total CLR	0,83	1,31	1,06

CLRs across all the clusters were either close to, or better than, the lower end of their respective through-the-cycle target ranges. A strong risk management and collections focus resulted in improved impairments across the group. Our collections processes generated postwriteoff recoveries of R422m (June 2013: R412m), including personal-loan recoveries of R153m (June 2013: R130m).

The CLR also benefited from the mix change in assets, as personal loans, which attract a higher level of impairments, now account for a smaller proportion of the overall advances categories. This was further supported by the lower CLR in Nedbank Capital, Corporate, Business Banking and Wealth.

CLR (%)	% banking advances	Jun 2014	Jun 2013	Dec 2013	Through-the-cycle target ranges
Nedbank Capital	12,6	(0,04)	0,77	0,51	0,10–0,55
Nedbank Corporate	32,9	0,22	0,30	0,23	0,20–0,35
Nedbank Business Banking	11,5	0,44	1,02	0,65	0,55–0,75
Nedbank Retail	36,3	1,90	2,56	2,16	1,90–2,60
Nedbank Wealth	4,1	0,21	0,24	0,28	0,20–0,40
Group		0,83	1,31	1,06	0,80–1,20

Total group defaulted advances decreased by 13,7% to R17 409m (June 2013: R20 176m), with ongoing improvements in the residential mortgage and personal-loans books, partly offset by an increase in MFC (vehicle finance).

The coverage ratio for total and specific impairments increased to 65,9% (June 2013: 58,8%) and 42,7% (June 2013: 40,9%) respectively. Portfolio coverage on the performing book was maintained at 0,7% (June 2013: 0,7%).

Non-interest revenue

Non-interest revenue (NIR) decreased to R9 480m (June 2013: R9 535m)[1] as a result of fair-value movements together with the outcomes of our strategic choices, the base effect of specific once-off items in the 2013 comparative period and a general slowdown in client transactional activity in the challenging consumer environment. Excluding movements in fair value, NIR increased 0,8%.

In line with our commitment to sustainable banking practices, our strategic decision to slow down personal-loan growth, reduce the pricing of our credit life product with improved benefits, and maintain transactional fees at 2013 levels was the main driver of lower growth in commission and fee income of 2,9% to R6 970m (June 2013: R6 771m)[1] and insurance income decreasing 3,5% to R917m (June 2013: R950m). Insurance income was further impacted by the increase in weather-related short-term insurance claims and a slowdown in insurance sales in line with low growth in the retail advances environment.

Growth in trading income was 1,3% to R1 293m (June 2013: R1 276m) off the high 2013 base. Private-equity income increased to R145m (June 2013: R59m), following strong performance in Nedbank Capital private equity and mark-to-market revaluations of unlisted investments. Sundry income was 52,6% lower at R173m (June 2013: R365m) as the comparative period included the central insurance provision releases referred to above.

Expenses

Expenses grew 8,9% to R11 712m (June 2013: R10 750m)[1], reflecting consistent investment in the bank's franchise, including the reformatting of the retail branches, innovation to deliver efficiencies and optimise systems, and increased marketing spend.

The underlying drivers include:

- Staff-related costs increasing 9,6%, consisting of –
  - 7,1% growth in remuneration and other staff costs;
  - the short-term incentive increasing 24,5%, mostly due to timing and a lower level of accrual in the first half of 2013; and
  - the long-term incentive increasing 13,7%;
- Computer processing and marketing costs up 17,0% and 14,5% respectively.

Taxation[1]

The group's effective tax rate was maintained at 25,4% (June 2013: 25,9%)[1].

STATEMENT OF FINANCIAL POSITION

Capital

Nedbank Group remains well capitalised, with all capital adequacy ratios well above the Basel III minimum regulatory capital requirements and within the group's Basel III internal target ranges. The CET1 ratio of 12,1% increased from 11,8% at June 2013, but decreased from 12,5% at December 2013 despite strong organic earnings growth due to relatively higher risk-weighted assets. The increase was mostly due to an updated personal-loan loss-given-default model, higher market risk arising from market volatility over the half-year-end and other assets, mainly sundry debtors, which will revert to normalised levels.

NEDBANK GROUP – REVIEWED CONDENSED CONSOLIDATED INTERIM RESULTS 2014

(CONTINUED)

(Basel III)	Jun 2014	Jun 2013	Dec 2013	Internal target range	Regulatory minimum*
CET1 ratio	12,1%	11,8%	12,5%	10,5%–12,5%	5,5%
Tier 1 ratio	13,1%	13,0%	13,6%	11,5%–13,0%	7,0%
Total capital ratio	15,0%	14,8%	15,7%	14,0%–15,0%	10,0%

(Ratios calculated include unappropriated profits.)

* *The Basel III regulatory requirements are being phased in between 2013 and 2019 and exclude the Pillar 2b add-on.*

Our tier 1 and total capital ratios decreased slightly relative to our ratios at December 2013 due to the grandfathering of old-style Basel II additional tier 1 and tier 2 instruments increasing from 10% to 20% in line with Basel III transitional requirements and the redemption of R1,7bn of old-style Basel II tier 2 instruments in February 2014. To align with the group's capital plan and Basel III transitional requirements, we issued R2,2bn of Basel III-compliant tier 2 debt instruments in April 2014.

Further detail on risk and capital management will be available in the 'Risk and Balance Sheet Management review' section of the group's analyst booklet and the Pillar 3 Report to be published on the website at nedbankgroup.co.za in September 2014.

Funding and liquidity

Our balance sheet remains well funded with a sound profile. In line with industry trends and market expectations of higher interest rates, the average long-term funding ratio for the second quarter moderated to 24,9% (average fourth quarter 2013: 26,2%). Nedbank successfully issued R4,3bn in senior unsecured debt in the period, with tenors ranging between 3 and 10 years, and grew Nedbank Retail Savings Bonds by R1,1bn, with the issued amount now totalling R10,7bn.

Nedbank Group maintained a strong liquidity position supported by a large portfolio of sources of quick liquidity and low interbank and foreign currency funding reliance.

Statutory liquid assets and cash reserves, including the surplus liquid-asset portfolio of R26,4bn (December 2013: R28bn), increased to R70,1bn in June 2014 (December 2013: R69,7bn). Further increases in high-quality liquid assets are planned for the second half of 2014 ahead of the Basel III liquidity coverage ratio (LCR) transition period, which will see the minimum LCR requirement increase from a starting point of 60% in January 2015 to 100% by January 2019. Overall the group is well positioned to exceed the minimum LCR requirements within the transition period.

Loans and advances

Loans and advances grew 10,0% (annualised) to R608,2bn (December 2013: R579,3bn)[1], underpinned by gross new payouts in banking advances of R86,1bn (June 2013: R83,0bn).

Loans and advances by cluster are as follows:

Rm	% change (annualised)	Jun 2014	Dec 2013
Nedbank Capital	10,1	115 032	109 549
Banking activities	(4,9)	70 304	72 066
Trading activities	39,0	44 728	37 483
Nedbank Corporate	19,5	192 234	175 274
Nedbank Business Banking	3,0	63 732	62 785
Nedbank Retail	1,4	196 830	195 435
Nedbank Wealth	23,0	24 597	22 082
Centre, including Rest of Africa	21,8	15 785	14 247
	10,0	608 210	579 372

Nedbank Capital's banking advances, although up 17,4% on June 2013 due to the successful conversion of assets in the second half of 2013, decreased in the six months to June 2014 as a result of some large repayments in early 2014. Growth in trading advances, the more volatile component of the advances book, was driven by foreign-currency placements and deposits placed under reverse repurchase agreements.

Advances growth in Nedbank Corporate was primarily driven by commercial mortgages increasing 20,5% (annualised) from drawdowns in deals concluded in prior periods, and term loans in Corporate Banking growing 12,3% (annualised).

Nedbank Business Banking's advances growth was supported by sustained levels of asset payouts and good client acquisitions, offset by slower drawdowns and early settlements.

Retail banking advances growth was led by the portfolio tilt strategy of selective origination resulting in personal loans and home loans decreasing 17,8% and 0,9% respectively, and an increase in Card and MFC of 17,1% and 8,2% respectively.

Advances movements at the Centre primarily reflect increased business activity in the Rest of Africa Division.

Deposits

Deposits grew 9,6% (annualised) to R631,7bn (December 2013: R603,0bn)[1] and the loan-to-deposit ratio was maintained at 96,3% (June 2013: 96,3%).

Call and term deposits and fixed deposits grew strongly at 15,7% and 15,0% respectively, with excellent contributions from Nedbank Capital, Corporate and Business Banking. Current accounts increased 7,8%, with steady growth from across all the clusters, and savings accounts grew 14,4%, driven by strong growth in Nedbank Wealth.

Overall the underlying momentum was favourable, with good growth in term funding categories and a significant decrease of higher-cost funding categories such as negotiable certificates of deposit that decreased 36,3%.

Group strategic focus

We have made good progress with our five key strategic focus areas of client-centred innovation, growing our transactional banking franchise, optimise and invest, strategic portfolio tilt and Pan-African banking network.

- Client-centred innovation: We introduced products such as Send-iMali™, PocketPOS™ and Nedbank App Suite™ and rolled out 144 Intelligent Depositor devices and 52 branches in the ‘branch of the future’ format, and digitally enabled clients increased by 39%. At the same time Nedbank’s progress in innovative banking solutions was acknowledged by our winning of the 2014 *African Banker* Award for Innovation.
- Growing our transactional banking franchise: Our focus on being a bank for all has been rewarded by total client numbers growing 8% to 6,9m, with main banked clients and cross-sell continuing to increase. Our brand value increased 15% to R12,5bn from R10,9bn in 2013 as reported by Brand Finance SA’s Top 50 Most Valuable Brands Survey, while our advertising share of voice increased to 24% (June 2013: 20%). The strategic decision taken to build our franchise and client relationships through maintaining our transactional fees at 2013 levels, although impacting transactional banking income growth in 2014, should position Nedbank well for continued growth in years to come.
- Optimise and invest: Our focus on driving efficiencies is particularly relevant given the environment of slower income growth. Our managed-evolution approach to technology aims deliberately to enhance systems over time and deliver business benefits. Through our ‘rationalise, standardise and simplify’ information technology strategy we are decreasing our systems from 220 to 60, of which 63 have been decommissioned to date. We are progressing well with the SAP ERP replacement system for finance, procurement and human resources that will be implemented from 2015. Our integrated-channel strategy enables clients to transact seamlessly across their channels of choice, while the 'branch of the future' resulted in a reduction of floor space, increase in sales volumes and reduced account opening times. Lastly, we will, together with the greater Old Mutual group in SA, seek to identify and collectively unlock R1bn of synergies, on a pretax basis, across Nedbank, OMSA and Mutual and Federal.
- Strategic portfolio tilt: We continue to benefit from the early action taken in reducing our home loan and personal-loan portfolios, while strengthening our focus on growing EP-generative activities such as transactional deposits, transactional banking and in the rest of Africa. The benefit resulting from our actions over the past four years has enabled the group to maintain a strong balance sheet and reduce impairments, while delivering dividend growth ahead of HEPS growth.
- Pan-African banking network: During the period the group concluded the transaction to acquire an initial 36,4% shareholding (with a pathway to control) of Banco Unico in Mozambique. This has strengthened Nedbank’s franchise and client proposition in the Southern African Development Community (SADC) and East Africa. In West and Central Africa our alliance with Ecobank continues to deliver value for the group. We have until 25 November to make a decision on our subscription rights to take up a 20% shareholding in ETI. In addition, our alliance with Bank of China has progressed and since June 2013 we have jointly concluded a number of deals together in the rest of Africa.

ECONOMIC OUTLOOK

In contrast to the improving global economic environment, SA’s economy is expected to remain under pressure, although the strengthening international environment and weak rand should support moderate recovery off a low base in the second half of the year. The group has revised its 2014 growth forecast for GDP downwards to 1,8% from 2,6% at the beginning of the year. Downside risk remains high as economic recovery will be affected by the extent of continued industrial action.

The operating environment for the banking industry is expected to remain difficult, characterised by low levels of retail credit demand, relatively subdued transactional activity and increased risk of bad debts. In addition, interest rates are currently expected to increase by a further 25 basis points (bps) this year, resulting in a cumulative increase of 100 bps by the end of 2014. Further sovereign rating downgrades would lead to additional tightening of the monetary policy. This is likely to place further pressure on consumers and overall growth rates.

NEDBANK GROUP – REVIEWED CONDENSED CONSOLIDATED INTERIM RESULTS 2014

(CONTINUED)

PROSPECTS

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

- Advances to grow at mid-to-upper single digits.
- NIM to be slightly below the 2013 level of 3,57%.
- CLR to improve from the 2013 level, to below the mid-point of the through-the-cycle target range of 80 to 120 bps.
- NIR (excluding fair-value adjustments) to grow at low-to-mid single digits.
- Expenses to increase by mid-to-upper single digits.

Our financial guidance for organic growth in diluted HEPS in 2014 to be greater than nominal GDP growth remains unchanged as communicated at the 2013 annual results presentation. Our medium-to-long-term targets also remain unchanged and the outlook for these in 2014 is as follows:

Metric	Jun 2014 performance %	Medium-to-long-term targets	2014 full year outlook
ROE (excluding goodwill)	16,5	5% above cost of ordinary shareholders' equity	Below target
Growth in diluted HEPS	16,1	≥ consumer price index + GDP growth + 5%	≥ consumer price index + GDP growth
CLR	0,83	Between 0,8% and 1,2% of average banking advances	Below mid-point of target range
NIR-to-expense ratio	80,9	> 85%	Below target
Efficiency ratio	56,5	50,0% to 53,0%	Above target
CET1 capital adequacy ratio (Basel III)	12,1	10,5% to 12,5%	At top end of target
Economic capital		Internal Capital Adequacy Assessment Process (ICAAP): A debt rating (including 10% capital buffer)	
Dividend cover	2,16 times	1,75 to 2,25 times	1,75 to 2,25 times

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 APPOINTMENTS

During the period David Adomakoh, Dr Mantsika Matooane and Brian Dames were appointed as independent non-executive directors with effect from 21 February, 15 May and 30 June 2014 respectively.

GROUP EXECUTIVE APPOINTMENTS

In anticipation of Graham Dempster's retirement in May 2015 and in line with the group's succession plans, Mfundo Nkuhlu, currently Managing Executive, Nedbank Corporate, will be appointed as Chief Operating Officer and become an executive director (subject to regulatory approvals) from 1 January 2015.

Philip Wessels, currently the Chief Risk Officer (CRO), has been appointed as Managing Executive, Retail and Business Banking, with effect from 1 August 2014, following Ingrid Johnson's appointment as Group Finance Director of Old Mutual plc.

Trevor Adams, currently Group Managing Executive, Balance Sheet Management, will take over as CRO with effect from 1 August 2014.

ACCOUNTING POLICIES[1]

Nedbank Group Limited is a company domiciled in SA. The condensed consolidated interim financial results of the group at and for the six months ended 30 June 2014 comprise the company and its subsidiaries (the 'group') and the group's interests in associate companies and joint arrangements.

Nedbank Group's condensed consolidated interim financial results have been prepared in accordance with the measurement and recognition criteria of International Financial Reporting Standards (IFRS) and are presented in accordance with the disclosures prescribed by International Accounting Standards (IAS) 34: Interim Financial Reporting, the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and the provisions of the SA Companies Act, 71 of 2008.

Nedbank Group's principal accounting policies have been prepared in terms of IFRS of the International Accounting Standards Board (IASB) and have been applied consistently over the current and prior financial years.

In the preparation of these condensed consolidated interim financial results the group has applied key assumptions concerning the future and other inherent uncertainties in recording various assets and liabilities. The assumptions applied in the financial results for the six months ended 30 June 2014 were consistent with those applied during the 2013 financial year. These assumptions are subject to ongoing review and possible amendments. The financial results have been prepared under the supervision of Raisibe Morathi, the Chief Financial Officer.

EVENTS AFTER THE REPORTING PERIOD[1]

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

REVIEWED RESULTS – AUDITORS' CONCLUSION

KPMG Inc and Deloitte & Touche, Nedbank Group's independent auditors, have reviewed the condensed consolidated interim financial results of Nedbank Group Limited. The review was conducted in accordance with International Standards on Review Engagements 2410: Review of Interim Financial Information performed by the Independent Auditor of the Entity. They have expressed an unmodified review conclusion on the results. The condensed consolidated interim financial results comprise the condensed consolidated statement of financial position at 30 June 2014, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cashflows for the six months then ended and selected explanatory notes. The related notes are marked with [1]. The review report is available for inspection at 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 economic conditions; 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.

INTERIM DIVIDEND DECLARATION

Notice is hereby given that a gross interim dividend of 460 cents per ordinary share has been declared, payable to shareholders for the six months ended 30 June 2014. The dividend has been declared out of income reserves.

The dividend will be subject to a dividend withholding tax rate of 15% (applicable in SA) or 69,0 cents per ordinary share, resulting in a net dividend of 391,0 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 Limited's tax reference number is 9375/082/71/7 and the number of ordinary shares in issue at the date of declaration is 513 972 856.

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

Event	Date
Last day to trade (cum dividend)	Friday, 5 September 2014
Shares commence trading (ex dividend)	Monday, 8 September 2014
Record date (date shareholders recorded in books)	Friday, 12 September 2014
Payment date	Monday, 15 September 2014

Share certificates may not be dematerialised or rematerialised between Monday, 8 September 2014, and Friday, 12 September 2014, both days inclusive.

On Monday, 15 September 2014, 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, 15 September 2014.

The above dates and times are subject to change. Any changes will be published on the Securities Exchange News Service (SENS) and in the press.

For and on behalf of the board

Dr Reuel J Khoza
Chairman

Michael WT Brown
Chief Executive

5 August 2014

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PO Box 61051, Marshalltown, 2107, SA.

Transfer secretaries in Namibia
Transfer Secretaries (Pty) Ltd, Robert Mugabe Avenue No 4, Post Street Mall, Windhoek, Namibia.
PO Box 2401, Windhoek, Namibia.

Directors
Dr RJ Khoza (Chairman), MWT Brown* (Chief Executive), DKT Adomakoh (Ghanaian), TA Boardman, BA Dames, GW Dempster* (Chief Operating Officer), MA Enus-Brey, ID Gladman (British), PM Makwana, Dr MA Matooane, NP Mnxasana, RK Morathi* (Chief Financial Officer), JK Netshitenzhe, JVF Roberts (British), GT Serobe, MI Wyman** (British).

* Executive ** Senior independent non-executive director

Company Secretary:	TSB Jali
Reg No:	1966/010630/06
JSE share code:	NED
NSX share code:	NBK
ISIN:	ZAE000004875
Sponsors in SA:	Merrill Lynch South Africa (Pty) Ltd Nedbank Capital
Sponsor in Namibia:	Old Mutual Investment Services (Namibia) (Pty) Ltd

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

- Detailed financial information in HTML and PDF formats.
- Financial results presentation to analysts.
- Link to a webcast of the presentation to analysts.

For further information kindly contact Nedbank Group Investor Relations at nedbankgroupir@nedbank.co.za.

FINANCIAL HIGHLIGHTS
at

Rm		30 Jun 2014 (Reviewed)	30 Jun 2013 (Reviewed)	31 Dec 2013 (Audited)
Statistics				
Number of shares listed	m	514,0	510,2	510,3
Number of shares in issue, excluding shares held by group entities	m	465,2	460,8	461,2
Weighted average number of shares	m	463,4	459,2	460,2
Diluted weighted average number of shares	m	476,5	471,2	474,1
Preprovisioning operating profit	Rm	8 559	8 652	17 268
Economic profit	Rm	833	749	2 114
Headline earnings per share	cents	992	852	1 884
Diluted headline earnings per share	cents	965	831	1 829
Ordinary dividends declared per share	cents	460	390	895
Interim	cents	460	390	390
Final	cents			505
Ordinary dividends paid per share	cents	505	412	802
Dividend cover	times	2,16	2,18	2,11
Net asset value per share	cents	13 596	12 180	13 143
Tangible net asset value per share	cents	11 795	10 444	11 346
Closing share price	cents	22 917	17 553	21 000
Price/earnings ratio	historical	11,5	10,2	11,1
Market capitalisation	Rbn	117,8	89,6	107,2
Number of employees		30 061	28 889	29 513
Key ratios (%)				
Return on ordinary shareholders' equity (ROE)		15,1	14,6	15,6
ROE, excluding goodwill		16,5	16,1	17,2
Return on total assets (ROA)		1,22	1,15	1,23
Net interest income to average interest-earning banking assets		3,55	3,58	3,57
Credit loss ratio – banking advances		0,83	1,31	1,06
Non-interest revenue to total operating expenses		80,9	88,7	86,4
Non-interest revenue to total income		45,7	48,0	47,7
Efficiency ratio		56,5	54,2	55,2
Effective taxation rate		25,4	25,9	25,2
Group capital adequacy ratios (including unappropriated profits)				
Common-equity tier 1		12,1	11,8	12,5
Tier 1		13,1	13,0	13,6
Total		15,0	14,8	15,7
Statement of financial position statistics (Rm)				
Total equity attributable to equity holders of the parent		63 247	56 126	60 617
Total equity		67 078	59 817	64 336
Amounts owed to depositors		631 663	578 807	602 952
Loans and advances		608 210	557 349	579 372
Gross		619 686	569 208	590 828
Impairment of loans and advances		(11 476)	(11 859)	(11 456)
Total assets administered by the group		993 293	881 493	939 935
Total assets		783 792	714 330	749 594
Assets under management		209 501	167 163	190 341
Life assurance embedded value		2 162	2 063	2 137
Life assurance value of new business		124	201	352

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended

Rm		30 Jun 2014 (Reviewed)	30 Jun 2013 (Reviewed)	31 Dec 2013 (Audited)
Interest and similar income		25 282	22 400	46 087
Interest expense and similar charges		14 019	12 091	24 867
Net interest income		11 263	10 309	21 220
Impairments charge on loans and advances		2 333	3 325	5 565
Income from lending activities		8 930	6 984	15 655
Non-interest revenue		9 480	9 535	19 361
Operating income		18 410	16 519	35 016
Total operating expenses		11 712	10 750	22 419
Operating expenses		11 695	10 729	22 362
BEE transaction expenses		17	21	57
Indirect taxation		300	305	601
Profit from operations before non-trading and capital items		6 398	5 464	11 996
Non-trading and capital items		(1)	(8)	(56)
Net profit on sale of subsidiaries, investments, and property and equipment		6	5	11
Net impairment of investments, property and equipment, and capitalised development costs		(7)	(13)	(67)
Fair-value adjustments of investment properties			4	6
Profit from operations		6 397	5 460	11 946
Share of profits of associate companies and joint arrangements		11		27
Profit before direct taxation		6 408	5 460	11 973
Total direct taxation		1 627	1 413	3 016
Direct taxation		1 627	1 413	3 033
Taxation on non-trading and capital items			(1)	(18)
Taxation on revaluation of investment properties			1	1
Profit for the period		4 781	4 047	8 957
Other comprehensive income net of taxation		115	358	1 675
Exchange differences on translating foreign operations[1]		99	371	690
Fair-value adjustments on available-for-sale assets[1]		22	(2)	32
Remeasurements on long-term employee benefit assets				731
Gains on property revaluations[1]		(6)	(11)	222
Total comprehensive income for the period		4 896	4 405	10 632
Profit attributable to:				
Equity holders of the parent		4 598	3 910	8 637
Non-controlling interest – ordinary shareholders		25	5	28
Non-controlling interest – preference shareholders		158	132	292
Profit for the period		4 781	4 047	8 957
Total comprehensive income attributable to:				
Equity holders of the parent		4 706	4 254	10 295
Non-controlling interest – ordinary shareholders		32	19	45
Non-controlling interest – preference shareholders		158	132	292
Total comprehensive income for the period		4 896	4 405	10 632
Basic earnings per share	cents	992	851	1 877
Diluted earnings per share	cents	965	830	1 822

[1] *These items may be reclassified subsequently as profit or loss.*

HEADLINE EARNINGS RECONCILIATION

for the period ended

Rm	30 Jun 2014 (Reviewed) Gross	30 Jun 2014 (Reviewed) Net of taxation	30 Jun 2013 (Reviewed) Gross	30 Jun 2013 (Reviewed) Net of taxation	31 Dec 2013 (Audited) Gross	31 Dec 2013 (Audited) Net of taxation
Profit attributable to equity holders of the parent		4 598		3 910		8 637
Less: Non-headline earnings items	(1)	(1)	(4)	(4)	(50)	(33)
Net profit on sale of subsidiaries, investments, and property and equipment	6	6	5	6	11	11
Net impairment of investments, property and equipment, and capitalised development costs	(7)	(7)	(13)	(13)	(67)	(49)
Fair-value adjustments of investment properties			4	3	6	5
Headline earnings		4 599		3 914		8 670

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at

Rm	30 Jun 2014 (Reviewed)	30 Jun 2013 (Reviewed)	31 Dec 2013 (Audited)
Assets			
Cash and cash equivalents	13 687	16 784	20 842
Other short-term securities	50 487	44 906	42 451
Derivative financial instruments	13 393	13 004	13 390
Government and other securities	30 551	25 022	32 091
Loans and advances	608 210	557 349	579 372
Other assets	11 331	9 585	8 673
Current taxation assets	241	455	565
Investment securities[1]	20 532	17 830	19 348
Non-current assets held for sale	12	13	12
Investments in private-equity associates, associate companies and joint arrangements[1]	1 427	842	1 101
Deferred taxation assets	224	324	216
Investment property	120	210	214
Property and equipment	7 042	6 407	6 818
Long-term employee benefit assets	4 219	2 132	2 980
Mandatory reserve deposits with central banks	13 938	11 468	13 231
Intangible assets	8 378	7 999	8 290
Total assets	783 792	714 330	749 594
Equity and liabilities			
Ordinary share capital	465	461	461
Ordinary share premium	16 805	16 343	16 343
Reserves	45 977	39 322	43 813
Total equity attributable to equity holders of the parent	63 247	56 126	60 617
Non-controlling interest attributable to:			
– Ordinary shareholders	270	220	246
– Preference shareholders	3 561	3 471	3 473
Total equity	67 078	59 817	64 336
Derivative financial instruments	14 829	16 777	16 580
Amounts owed to depositors	631 663	578 807	602 952
Provisions and other liabilities	14 197	16 046	14 682
Current taxation liabilities	106	114	301
Deferred taxation liabilities	813	596	789
Long-term employee benefit liabilities	2 833	2 029	1 842
Investment contract liabilities	12 307	10 519	11 523
Insurance contract liabilities	3 846	3 146	3 321
Long-term debt instruments	36 120	26 479	33 268
Total liabilities	716 714	654 513	685 258
Total equity and liabilities	783 792	714 330	749 594

[1] *Investments to the amount of R315m were reclassified from investment securities to investments in private-equity associates, associate companies and joint arrangements to align better with industry practice. June 2013 comparatives have been restated accordingly. No adjustments to the carrying value of the financial instruments arose as a result of the reclassification. Furthermore, no changes were made to the categorisation of the financial instruments and they remain classified as designated at fair value through profit or loss.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rm	Total equity attributable to equity holders of the parent	Non-controlling interest attributable to ordinary shareholders	Non-controlling interest attributable to preference shareholders	Total equity
Audited balance at 31 December 2012	53 601	213	3 561	57 375
Dividend to shareholders	(1 967)	(9)		(1 976)
Preference share dividend			(132)	(132)
Issues of shares net of expenses	458			458
Shares (acquired)/no longer held by group entities and BEE trusts	(144)			(144)
Total comprehensive income for the period	4 254	19	132	4 405
Share-based payment reserve movement	(75)			(75)
Preference shares held by group entities			(90)	(90)
Disposal of subsidiary		(3)		(3)
Other movements	(1)			(1)
Reviewed balance at 30 June 2013	56 126	220	3 471	59 817
Dividend to shareholders	(1 854)			(1 854)
Preference share dividend			(160)	(160)
Issues of shares net of expenses	17			17
Shares (acquired)/no longer held by group entities and BEE trusts	12			12
Total comprehensive income for the period	6 041	26	160	6 227
Share-based payment reserve movement	281			281
Regulatory risk reserve provision	(4)			(4)
Preference shares held by group entities			2	2
Other movements	(2)			(2)
Audited balance at 31 December 2013	60 617	246	3 473	64 336
Dividend to shareholders	(2 433)	(8)		(2 441)
Preference share dividend			(158)	(158)
Issues of shares net of expenses	771			771
Shares (acquired)/no longer held by group entities and BEE trusts	(294)			(294)
Total comprehensive income for the period	4 706	32	158	4 896
Share-based payment reserve movement	(125)			(125)
Regulatory risk reserve provision	5			5
Preference shares held by group entities			88	88
Reviewed balance at 30 June 2014	63 247	270	3 561	67 078

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

for the period ended

Rm	30 Jun 2014 (Reviewed)	30 Jun 2013 (Reviewed)	31 Dec 2013 (Audited)
Cash generated by operations	10 245	10 259	20 553
Change in funds for operating activities	(12 986)	158	(4 507)
Net cash (utilised by)/from operating activities before taxation	(2 741)	10 417	16 046
Taxation paid	(1 898)	(1 896)	(3 890)
Cashflows (utilised by)/from operating activities	(4 639)	8 521	12 156
Cashflows utilised by investing activities	(2 475)	(1 742)	(4 341)
Cashflows from/(utilised by) financing activities	738	(5 604)	(800)
Effects of exchange rate changes on opening cash and cash equivalents (excluding foreign borrowings)	(72)	(45)	(64)
Net (decrease)/increase in cash and cash equivalents	(6 448)	1 130	6 951
Cash and cash equivalents at the beginning of the period[1]	34 073	27 122	27 122
Cash and cash equivalents at the end of the period[1]	27 625	28 252	34 073

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

CONDENSED SEGMENTAL REPORTING

for the period ended

Rm	Total assets 30 Jun 2014 (Reviewed)	Total assets 30 Jun 2013 (Reviewed)	Total assets 31 Dec 2013 (Audited)	Total liabilities 30 Jun 2014 (Reviewed)	Total liabilities 30 Jun 2013 (Reviewed)	Total liabilities 31 Dec 2013 (Audited)	Operating income 30 Jun 2014 (Reviewed)	Operating income 30 Jun 2013 (Reviewed)	Operating income 31 Dec 2013 (Audited)	Headline earnings 30 Jun 2014 (Reviewed)	Headline earnings 30 Jun 2013 (Reviewed)	Headline earnings 31 Dec 2013 (Audited)
Nedbank Capital	187 662	159 339	180 708	180 945	153 642	174 845	2 532	2 102	4 380	1 053	801	1 726
Nedbank Corporate	204 291	185 804	188 363	194 024	177 468	179 849	2 699	2 486	5 084	1 159	1 069	2 245
Total Nedbank Retail and Nedbank Business Banking	311 923	292 113	302 371	285 264	266 271	275 688	10 420	9 201	19 929	1 831	1 403	3 468
Nedbank Retail	206 701	200 339	203 155	185 327	179 136	181 252	8 074	7 196	15 502	1 319	1 054	2 539
Nedbank Business Banking	105 222	91 774	99 216	99 937	87 135	94 436	2 346	2 005	4 427	512	349	929
Nedbank Wealth	55 521	47 212	50 911	52 758	44 851	48 424	1 863	1 695	3 553	464	421	900
Shared Services	7 240	6 758	7 346	5 544	5 251	5 818	(55)	76	78	(1)	156	159
Central Management, including Rest of Africa	17 155	23 104	19 895	(1 821)	7 030	634	951	959	1 992	93	64	172
Total	783 792	714 330	749 594	716 714	654 513	685 258	18 410	16 519	35 016	4 599	3 914	8 670

CONDENSED GEOGRAPHICAL SEGMENTAL REPORTING

for the period ended

Rm	Operating income 30 Jun 2014 (Reviewed)	Operating income 30 Jun 2013 (Reviewed)	Operating income 31 Dec 2013 (Audited)	Headline earnings 30 Jun 2014 (Reviewed)	Headline earnings 30 Jun 2013 (Reviewed)	Headline earnings 31 Dec 2013 (Audited)
SA	17 111	15 515	32 721	4 256	3 742	8 054
Business operations	17 111	15 515	32 721	4 430	3 893	8 409
BEE transaction expenses				(16)	(19)	(63)
Profit attributable to non-controlling interest – preference shareholders				(158)	(132)	(292)
Rest of Africa	732	655	1 427	149	124	335
Rest of world – business operations	567	349	868	194	48	281
Total	18 410	16 519	35 016	4 599	3 914	8 670

FAIR-VALUE HIERACHY

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 a presumption 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 volume and frequency 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 a valuation technique. 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, 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 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 (see nedbankgroup.co.za).

FAIR-VALUE HIERARCHY

The financial instruments recognised at fair value have been categorised into the three input levels of the International Financial Reporting Standards (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 on (directly or indirectly) 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.

FAIR-VALUE HIERACHY

for the period ended

	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		
	30 Jun 2014 (Reviewed) Rm	30 Jun 2013 (Reviewed) Rm	31 Dec 2013 (Audited) Rm	**30 Jun 2014 (Reviewed) Rm**	30 Jun 2013 (Reviewed) Rm	31 Dec 2013 (Audited) Rm	**30 Jun 2014 (Reviewed) Rm**	30 Jun 2013 (Reviewed) Rm	31 Dec 2013 (Audited) Rm	**30 Jun 2014 (Reviewed) Rm**	30 Jun 2013 (Reviewed) Rm	31 Dec 2013 (Audited) Rm	**30 Jun 2014 (Reviewed) Rm**	30 Jun 2013 (Reviewed) Rm	31 Dec 2013 (Audited) Rm
Financial assets															
Cash and cash equivalents	27 625	28 252	34 073	27 625	28 252	34 073									
Other short-term securities	50 487	44 906	42 451	9 539	15 171	13 409	414	740	643	40 534	28 995	28 399			
Derivative financial instruments	13 393	13 004	13 390				69	53	67	13 324	12 951	13 323			
Government and other securities	30 551	25 022	32 091	12 371	10 091	13 932	10 298	10 171	10 685	7 882	4 760	7 474			
Loans and advances	608 210	557 349	579 372	502 103	463 129	480 952	86	62	90	105 988	94 103	98 297	33	55	33
Other assets	11 331	9 585	8 673	8 633	6 637	4 969	2 698	2 948	3 704						
Investments in private-equity associates, associate companies and joint arrangements[1]	1 428	800	860	496									932	800	860
Investment securities[1]	20 532	17 830	19 348				676	566	826	18 894	16 038	17 567	962	1 226	955
	763 557	696 748	730 258	560 767	523 280	547 335	14 241	14 540	16 015	186 622	156 847	165 060	1 927	2 081	1 848

[1] *Investments to the amount of R315m were reclassified from investment securities to investments in private-equity associates, associate companies and joint arrangements to align better with industry practice. June 2013 comparatives have been restated accordingly. No adjustments to the carrying value of the financial instruments arose as a result of the reclassification. Furthermore, no changes were made to the categorisation of the financial instruments and they remain classified as designated at fair value through profit or loss.*

	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		
	30 Jun 2014 (Reviewed) Rm	30 Jun 2013 (Reviewed) Rm	31 Dec 2013 (Audited) Rm	**30 Jun 2014 (Reviewed) Rm**	30 Jun 2013 (Reviewed) Rm	31 Dec 2013 (Audited) Rm	**30 Jun 2014 (Reviewed) Rm**	30 Jun 2013 (Reviewed) Rm	31 Dec 2013 (Audited) Rm	**30 Jun 2014 (Reviewed) Rm**	30 Jun 2013 (Reviewed) Rm	31 Dec 2013 (Audited) Rm	**30 Jun 2014 (Reviewed) Rm**	30 Jun 2013 (Reviewed) Rm	31 Dec 2013 (Audited) Rm
Financial liabilities															
Derivative financial instruments	14 829	16 777	16 580				88	19	31	14 741	16 757	16 549		1	
Amounts owed to depositors	631 663	578 807	602 952	501 042	447 692	455 126				130 621	131 115	147 826			
Provisions and other liabilities	14 197	16 046	14 682	10 574	9 764	10 096	3 468	6 151	4 469	155	131	117			
Investment and insurance contract liabilities	16 153	13 665	14 844							16 153	13 665	14 844			
Long-term debt instruments	36 120	26 479	33 268	34 094	20 967	29 490	573	5 289	2 317	1 453	223	1 461			
	712 962	651 774	682 326	545 710	478 423	494 712	4 129	11 459	6 817	163 123	161 891	180 797	–	1	–

FAIR-VALUE HIERACHY

for the period ended

LEVEL 3 RECONCILIATION

June 2014 (Reviewed)	Opening balance at 1 Jan Rm	Gains/ (Losses) in profit for the period Rm	Gains/ (Losses) in compre-hensive income for the period Rm	Purchases and issues Rm	Sales and settle-ments Rm	Transfers in/(out) Rm	Closing balance at 30 Jun Rm
Financial assets							
Loans and advances	33						33
Investment securities	955	44		40	(77)		962
Investments in private-equity associates, associate companies and joint arrangements	860	60		89	(77)		932
	1 848	104	–	129	(154)	–	1 927
30 June 2013 (Reviewed)							
Financial assets							
Derivative financial instruments	2	3			(5)		–
Loans and advances	117	(66)	4				55
Investment securities[1]	1 073	81	14		(8)	66	1 226
Investments in private-equity associates, associate companies and joint arrangements[1]	1 000	(289)		269	(131)	(49)	800
	2 192	(271)	18	269	(144)	17	2 081
Financial liabilities							
Derivative financial instruments	1						1
	1	–	–	–	–	–	1

[1] *Investments to the amount of R315m were reclassified from investment securities to investments in private-equity associates, associate companies and joint arrangements to align better with industry practice. June 2013 comparatives have been restated accordingly. No adjustments to the carrying value of the financial instruments arose as a result of the reclassification. Furthermore, no changes were made to the categorisation of the financial instruments and they remain classified as designated at fair-value through profit or loss.*

FAIR-VALUE HIERACHY

for the period ended

31 December 2013 (Audited)	Opening balance at 1 Jan Rm	Gains/ (Losses) in profit for the period Rm	Gains/ (Losses) in compre-hensive income for the period Rm	Purchases and issues Rm	Sales and settle-ments Rm	Transfers in/(out) Rm	Closing balance at 30 Jun Rm
Financial assets							
Derivative financial instruments	2				(2)		–
Loans and advances	117				(84)		33
Investment securities	1 073	21		200	(339)		955
Investments in private-equity associates, associate companies and joint arrangements	1 000	(22)		59	(177)		860
	2 192	(1)	–	259	(602)	–	1 848
Financial liabilities							
Derivative financial instruments	1				(1)		–
	1	–	–	–	(1)	–	–

EFFECT OF CHANGES IN SIGNIFICANT UNOBSERVABLE ASSUMPTIONS TO REASONABLE POSSIBLE ALTERNATIVES

The fair value of financial instruments is, under certain circumstances, measured by means of valuation techniques based on assumptions that are not market-observable. Where these scenarios apply, the group performs stress testing on the fair value of the relevant instruments. In stress testing, appropriate levels are chosen for the unobservable input parameters so that they are consistent with prevailing market evidence and in line with the group's approach to valuation control.

The sensitivity of the fair-value measurement is dependent on the unobservable inputs. Significant changes to the unobservable inputs in isolation will have either a positive or a negative impact on the fair value. The following information is intended to illustrate the potential impact of the relative uncertainty in the fair value of financial instruments, the valuation of which depends on unobservable input parameters. However, it is unlikely in practice that all unobservable parameters would simultaneously be at the extremes of their ranges of reasonably possible alternatives. Furthermore, the disclosure is neither predictive nor indicative of future movements in fair value.

FAIR-VALUE HIERACHY
for the period ended

30 June 2014 (Reviewed)	Valuation technique	Principal assumption stressed	Stress parameters Rm	Value per statement of financial position Rm	Favourable change in fair value due to stress test Rm	Unfavourable change in fair value due to stress test Rm
Financial assets						
Loans and advances	Discounted cashflow model	Credit spreads and discount rates	Between (14) and 14	33	3	(4)
Investment securities	Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations, dividend yields	Valuation multiples, correlations, volatilities and credit spreads	Between (25) and 25	962	95	(113)
Investments in private-equity associates, associate companies and joint arrangements	Discounted cashflows, earnings multiples	Valuation multiples	Between (11) and 11	932	79	(90)
Total financial assets classified as level 3				1 927	177	(207)
30 June 2013 (Reviewed)						
Financial assets						
Loans and advances	Discounted cashflow model	Credit spreads	between (14) and 14	55	6	(8)
Investment securities	Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations, dividend yields	Valuation multiples, correlations, volatilities and credit spreads	between (25) and 25	1 226	155	(164)
Investments in associate companies and joint ventures	Discounted cashflows, earnings multiples	Valuation multiples	between (11) and 11	800	57	(57)
Total financial assets classified at level 3				2 081	218	(229)
Financial liabilities						
Derivative financial instruments		Correlations, volatilities and credit spreads	between (25) and 25	1	[1]	[1]

[1] *Represents amounts less than R1m.*

[2] *Investments to the amount of R315m were reclassified from investment securities to investments in private-equity associates, associate companies and joint arrangements to align better with industry practice. June 2013 comparatives have been restated accordingly. No adjustments to the carrying value of the financial instruments arose as a result of the reclassification. Furthermore, no changes were made to the categorisation of the financial instruments and they remain classified as designated at fair value through profit or loss.*

FAIR-VALUE HIERACHY

for the period ended

31 December 2013 (Audited)	Valuation technique	Principal assumption stressed	Stress parameters Rm	Value per statement of financial position Rm	Favour-able change in fair value due to stress test Rm	Unfavour-able change in fair value due to stress test Rm
Financial assets						
Loans and advances	Discounted cashflow model	Credit spreads and discount rates	Between (14) and 14	33	3	(4)
Investment securities	Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations, dividend yields	Valuation multiples, correlations, volatilities and credit spreads	Between (25) and 25	955	104	(119)
Investments in private-equity associates, associate companies and joint arrangements	Discounted cashflows, earnings multiples	Valuation multiples	Between (11) and 11	860	83	(93)
Total financial assets classified as level 3				1 848	190	(216)

UNREALISED GAINS AND LOSSES

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

	30 Jun 2014 (Reviewed) Rm	30 Jun 2013 (Reviewed) Rm	31 Dec 2013 (Audited) Rm
Trading income/(losses)	(26)	18	11
Private-equity losses	130	(289)	(12)
	104	(271)	(1)

FAIR-VALUE HIERACHY (CONTINUED)

SUMMARY OF PRINCIPAL VALUATION TECHNIQUES — LEVEL 2 INSTRUMENTS

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:

	Valuation technique	Key inputs
Assets		
Other short-term securities	Discounted cashflow model	Discount rates
Derivative financial instruments	Discounted cashflow model	Discount rates
	Black-Scholes model	Risk-free rate 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 rate and volatilities
	Multiple valuation techniques	Valuation multiples
Amounts owed to depositors	Discounted cashflow model	Discount rates
Provisions and liabilities	Discounted cashflow model	Discount rates
Investment and insurance contract liabilities	Adjusted net asset value	Underlying price of market-traded instruments
Long-term debt instruments	Discounted cashflow model	Discount rates

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In accordance with the requirements of IFRS 7 Financial Instruments: Disclosures, the table below sets out the impact of:

- recognised financial instruments that are set off in the statement of financial position in accordance with the requirements of IAS 32 Financial Instruments: Presentation; and
- financial instruments that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions that did not qualify for presentation on a net basis.

The group reports financial assets and financial liabilities on a net basis in the statement of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Certain master netting arrangements may not meet the criteria for offsetting in the statement of financial position because:

- these agreements create a right of setoff that is enforceable only following an event of default, insolvency or bankruptcy; and
- the group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Master netting arrangements and similar agreements include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements.

Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the table below unless they are offset in the statement of financial position.

30 June 2014 (Reviewed)	Effects of netting on the statement of financial position			Related amounts not set off in the statement of financial position				
Rm	Gross amounts	Amounts set off in the statement of financial position in accordance with IAS 32	Net amounts included in the statement of financial position[1]	Amounts that may be netted off on the occurrence of a future event	Financial collateral	Net amounts reflecting the effect of master netting arrangements	Amounts not subject to IFRS 7 offsetting disclosure[2]	Total amounts recognised in the statement of financial position
Derivative financial instruments	(2 020)	1 561	(459)	459			(977)	(1 436)
– Assets			10 260				3 133	13 393
– Liabilities			(10 719)				(4 110)	(14 829)
Assets excluding derivative financial instruments	6 500	(2 019)	4 481	(247)	(241)	3 993	615 060	619 541
– Loans and advances	4 190	(2 019)	2 171			2 171	606 039	608 210
– Other assets	2 310		2 310	(247)	(241)	1 822	9 021	11 331
Liabilities excluding derivative financial instruments	(97 088)	39 438	(57 650)	2 295	–	(55 355)	(588 210)	(645 860)
– Amounts owed to depositors	(94 793)	39 438	(55 355)			(55 355)	(576 308)	(631 663)
– Provisions and other liabilities	(2 295)		(2 295)	2 295		–	(11 902)	(14 197)

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

30 June 2013 (Reviewed)	Effects of netting on the statement of financial position			Related amounts not set off in the statement of financial position				
Rm	Gross amounts	Amounts set off in the statement of financial position in accordance with IAS 32	Net amounts included in the statement of financial position[1]	Amounts that may be netted off on the occurrence of a future event	Financial collateral	Net amounts reflecting the effect of master netting arrangements	Amounts not subject to IFRS 7 offsetting disclosure[2]	Total amounts recognised in the statement of financial position
Derivative financial instruments	(3 866)	688	(3 178)	3 178			(595)	(3 773)
– Assets			11 869				1 135	13 004
– Liabilities			(15 047)				(1 730)	(16 777)
Assets excluding derivative financial instruments	6 004	(1 131)	4 873	–	(175)	4 698	562 061	566 934
– Loans and advances	3 302	(1 131)	2 171			2 171	555 178	557 349
– Other assets	2 702		2 702		(175)	2 527	6 883	9 585
Liabilities excluding derivative financial instruments	(73 329)	14 080	(59 249)	–	2 981	(56 268)	(535 604)	(594 853)
– Amounts owed to depositors	(70 348)	14 080	(56 268)			(56 268)	(522 539)	(578 807)
– Provisions and other liabilities	(2 981)		(2 981)		2 981	–	(13 065)	(16 046)

[1] *Includes the net amount of financial assets and financial liabilities where offsetting has been applied in terms of IAS 32 and financial instruments that are subject to master netting agreements but no offsetting has been applied. Excludes financial instruments that are subject neither to setoff nor to master netting agreements.*
[2] *Includes financial instruments that are subject neither to setoff nor to master netting agreements.*