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

Unaudited condensed consolidated interim financial results

for the six months ended 30 June 2019

see money differently

NEDBANK GROUP

GOOD STRATEGIC AND OPERATIONAL PROGRESS AND A RESILIENT FINANCIAL PERFORMANCE IN A DIFFICULT ENVIRONMENT

The SA economy performed worse than expected in the first six months of 2019 and our forecast for SA GDP growth for 2019 has been revised down from 1,3% to 0,5%. Significantly more urgency is required with the implementation of structural reforms to stem the economic and fiscal deterioration currently being experienced in the SA economy. If we are unable to do this, all the hard work done on maintaining our last investment grade rating from Moody's will be in vain, at great cost to all South Africans as a result of higher inflation and higher interest rates, as well as lower growth and lower levels of employment than would otherwise have been the case.

The group's financial performance was resilient as headline earnings increased 2,6% to R6,9bn and we produced an ROE (excluding goodwill) of 17,9%. Revenue growth was ahead of cost growth, resulting in preprovisioning operating-profit growth of 7,0% and the cost-to-income ratio improving to 55,4%. As expected, impairments increased off the low prior-year base and the CLR to within the bottom half of our through-the-cycle target range. We maintained a strong balance sheet with a CET1 ratio of 11,3% and a strong liquidity profile. The interim dividend per share increased by 3,6% to 720 cents per share.

A key milestone in our Managed Evolution digital journey, to position Nedbank as a market-leading digital bank, was reached in June 2019 as we operationalised a new and materially faster digital onboarding capability for individual clients in all our branches, alongside the ability to sell both a current account and personal loan digitally. Initial client feedback has been excellent, and we remain hard at work to deliver a similar capability for juristic client onboarding as well as the first release of an exciting new loyalty and rewards programme in the second half of 2019. We continued to grow main-banked clients across all our business clusters, underpinning solid NIR growth.

In support of our purpose of using our financial expertise to do good, we continue to play a leading role in contributing to society and the environment. We enabled more than 3 300 new job opportunities for previously unemployed youth as we activated our commitment to invest 1,5% of our SA net profit after tax in the Youth Employment Service (YES) initiative, we achieved level 1 BBBEE contributor status under the new Amended Financial Sector Code and we became SA's first commercial bank to launch a green bond on the JSE.

In the context of slower-than-expected SA GDP growth we have slightly revised our guidance for growth in diluted headline earnings per share for 2019 to around nominal GDP growth (from previously greater than or equal to nominal GDP growth).

Mike Brown
Chief Executive

HIGHLIGHTS

Headline earnings
▲ **2,6%**
to **R6 870m**

Revenue growth
▲ **5,5%**
(incl associate income: +6,3%)

CLR
▲ **70 bps**
(June 2018: 53 bps)

Expenses growth
▲ **5,5%**

DHEPS
▲ **3,7%**
to **1 411 cents**

Interim dividend per share
▲ **3,6%** to **720 cents**

ROE (excl goodwill)
▼ **17,9%**

CET1 ratio
▼ **11,3%**
(June 2018: 12,4%)

NAV per share
▲ **4,9%**
to **17 794 cents**

2019 INTERIM RESULTS COMMENTARY

BANKING AND ECONOMIC ENVIRONMENT

Global economic conditions softened in the first half of 2019, affected by an escalation in the trade and technology war between the US and China as well as by the impact of higher US interest rates. US GDP growth remained robust, while other developed countries either posted relatively steady or slightly slower growth. Key emerging markets lost momentum, with GDP growth in China slowing noticeably, negatively affected by the impact of US trade measures. These developments adversely impacted global trade volumes, resulting in stagnant commodity prices and weaker conditions in most commodity-exporting developing countries, affecting many countries in sub-Saharan Africa. Internationally, financial market volatility increased as doubts about global growth prospects persisted and investors became more risk-averse. However, sentiment improved towards the end of the second quarter as the major central banks adopted a more dovish tone, fuelling expectations of a change in direction in US interest rates in the second half of 2019.

SA is in the early stages of a political, institutional and economic turnaround and we are operating in a very difficult and low-growth economic environment. While the turnaround has started, progress has been slow. There have been some positive developments after the national elections in May 2019 with the appointment of a new National Director of Public Prosecutions, a new SARS Commissioner and changes to some ministerial positions, including a slightly smaller cabinet, but progress on structural reforms and policy certainty has remained far too slow. Significantly more urgency is required with the implementation of structural reforms to stem the current unsustainable fiscal deterioration. If we are unable to do this, all the hard work done on maintaining our last investment grade rating from Moody's will be in vain, at great cost to all South Africans as a result of higher inflation and higher interest rates, as well as lower growth and lower levels of employment than would otherwise have been the case. The SA economy encountered unexpected setbacks in early 2019, and real GDP contracted by a seasonally adjusted annualised 3,2% quarter-on-quarter in the first quarter. This decline in economic growth was largely a result of electricity shortages and loadshedding at a frequency and intensity not experienced since the 2008 electricity crisis, which impacted energy-intensive and export-oriented mining and manufacturing sectors. There was also pressure on the agricultural sector as a result of poor rainfall in selected parts of the country.

Households cut back on spending as increased unemployment levels, slowing income growth and rising fuel prices eroded household purchasing power. The gradual recovery in loans to households, which started in mid-2017, continued in the first half of the year. As a result, household debt burdens increased slightly, reaching 72,5% of personal disposable income in the first quarter after having receded to 71,3% in early 2018.

As a result of the ongoing uncertainty and lack of progress on structural reforms, the slump in fixed-investment activity intensified as capital outlays by public corporations, general government and the private sector contracted further. Despite these challenging conditions, loans to companies picked up slightly, off a low base, supported by the rollout of the fourth round of renewable-energy projects.

Inflation drifted moderately higher, mainly due to rising fuel prices although the impact was contained by weak demand, low food inflation and a relatively steady rand in the first six months of 2019. As a result, SARB's Monetary Policy Committee left interest rates unchanged in the first half of 2019.

Overall conditions in the banking sector remained very challenging into 2019, with the weak economic environment resulting in subdued client activity across all categories of credit and transactional banking. Credit risks increased given pressures on household incomes and company profits.

REVIEW OF RESULTS

Nedbank Group produced a resilient financial performance in a difficult macroeconomic environment. HE increased 2,6% to R6 870m, underpinned by revenue growth including associate income (+6,3%) being ahead of cost growth (+5,5%), leading to PPOP growth of 7,0%. This was offset by the normalisation of impairments off a low base to within the bottom half of our TTC target range. These, together with the impact of buying back and cancelling seven million shares as a result of the odd-lot offer in December 2018, supported an increase in DHEPS of 3,7% to 1 411 cents and an increase in HEPS of 3,5% to 1 435 cents.

Key ratios were impacted by accounting changes and the odd-lot offer that was concluded in December 2018. IFRS 16, dealing with the accounting for leases, was implemented on 1 January 2019 and resulted in lower levels of equity and higher levels of assets and liabilities, as well as accounting changes between NII and expenses. Prior-year results were not restated. The odd-lot offer that was concluded in December 2018 had an impact on equity and shares in issue. The IFRS 9 and 15 changes implemented on 1 January 2018 are now in the base and therefore have not had an impact on comparatives.

ROE (excluding goodwill) and ROE were down on June 2018 at 17,9% and 16,8% respectively but were in line with December 2018 outcomes. ROA decreased 7 bps to 1,30% and the return on RWA decreased from 2,48% to 2,29%.

NAV per share of 17 794 cents increased 4,9%. The benefit from earnings growth was partially offset by the day 1 impact of IFRS 16 (R0,7bn), Zimbabwe currency deterioration (R0,6bn) and the odd-lot offer (R2,0bn). Excluding these, as well as the IFRS 9 and 15 impact, NAV per share increased by 7,1% yoy.

Our IFRS 9 fully phased-in CET1 and tier 1 capital ratios of 11,3% and 12,3% respectively, average LCR for the second quarter of 115,4% and an NSFR of 109,6% are all Basel III-compliant and reflect a strong balance sheet. On the back of our solid capital and liquidity position an interim dividend of 720 cents was declared, an increase of 3,6%.

DELIVERING SUSTAINABLY TO ALL OUR STAKEHOLDERS

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

For staff

We currently employ 30 577 staffmembers and have paid salaries and benefits of R8,4bn over the period under review. Our bargaining unit staff received annual salary increases of 7,0% in 2019, ahead of inflation, and with management and executives receiving lower increases of between 4,0% and 4,5%, the blended average staff salaries increased by 5,4%. As part of our groupwide People 2020 programme aimed at transforming and aligning our culture and talent with our strategic objectives, our executive management programmes have been changed to be more digitally focused, with more than 95 senior leaders having participated in immersive learning experiences (the Executive Business Transformation Programme), with exposure to Silicon Cape, Silicon Savannah (Kenya) and Silicon Valley (USA). Our New Ways of Work (nWoW) practices to transform Nedbank into a more agile organisation, holistically rethinking the way we work, communicate and manage talent on our journey to creating a more high-performing culture are evident in the formation of more than 150 squads and 1 550 staffmembers working according to this new approach. We aim to increase these numbers incrementally to support an optimal agile scaling framework over the 2019 period. Our staff engagement score was strong at 75% and is 8% above industry levels. Transformation remains a key imperative to ensure Nedbank remains relevant in a transforming society and we have continued to focus on this across all levels at Nedbank, from our board of directors to all our staffmembers. Currently black representation at board level is 69%, at executive level it is 46% and for our total staff it is just more than 78%. Female representation at board level is 25%, at executive level is 46% and for total staff is 62%.

For clients

We supported our clients by advancing R94bn (2018: R82bn) of new loans to enable them to finance their homes, vehicles, education and to grow their businesses, while safeguarding R866bn of deposits at competitive rates. Our clients' access to banking improved as we increased the total number of digitally focused branches to 366 or 62% of all outlets, while digitally active retail users increased by 17% to 1,7 million, representing 28% of all clients that have been digitally enabled. We launched new market-leading digital innovations, such as end-to-end digital client onboarding of individuals (no paper, quicker and fully FICA-enabled), together with the ability to sell a transactional account and personal loan, HeyNed (digital concierge) and API Marketplace (an open banking API platform that allows approved technical partners to create new digital solutions for clients). The Nedbank Money app has been downloaded 2,65 million times since its launch in November 2017 and, together with the Nedbank Wealth app, remained the highest-rated SA banking apps on the iOS Apple store. To address the high cost of banking services for certain clients, we launched SA's first no-frills transparent account zero-monthly-fee account, aimed at the entry-level and youth market. CIB continued to lead industry league tables in various categories, including first in M&A Investment advice (value and dealflow), and as M&A Investment sponsor (dealflow). Our asset management business, Nedgroup Investments was named Offshore Management Company of the Year for the fourth consecutive year at the Raging Bull Awards.

For shareholders

On 20 August 2019 Nedbank will celebrate its 50th year of being listed on the JSE. We were disappointed that, following a strong performance in 2018, the Nedbank share price was down 7,8% in the first half of 2019 compared with the FINI 15, which was up 3,7%. At our 52nd annual general meeting (AGM) all resolutions were passed and, following engagements with shareholders and enhancements to our remuneration practices, we were pleased that our remuneration policy and disclosure resolutions received more than 98% of votes in favour. We continued to ensure transparent, relevant and timeous reporting and disclosure to shareholders, and were honoured to be acknowledged by the Investment Analyst Society as the leader in corporate reporting in the banking sector and overall winner among JSE-listed companies. In the context of greater shareholder focus on ESG matters, we plan to engage with shareholders ahead of our 2020 AGM on both our coal-lending policy and measurement of carbon-related activities. Nedbank's valuation metrics remain attractive with price/earnings and price-to-book ratios of 8,7 times and 1,4 times respectively and a dividend yield of 5,6% at 30 June 2019.

For regulators

We attained compliance with Basel III requirements ahead of the full compliance timelines, including a strong capital position, achieving a CET1 ratio of 11,3% after the fully phased-in day 1 impact of IFRS 9 (if we had elected to phase in like our peers in SA, our CET1 ratio would be 11,4%), an average LCR of 115,4% in the second quarter of 2019 and an NSFR of 109,6% at June 2019. We have invested over R105bn in government and public sector bonds as part of our HQLA requirements and, in doing so, remain committed to making a meaningful contribution to the countries in which we operate, thereby appropriately supporting the funding needs of governments. Cash taxation contributions across the group of R6,3bn were made relating to direct, indirect, pay-as-you-earn and other taxation. We continued to work closely with all our regulators to ensure delivery of the various regulatory programmes, including a focus on market conduct and the finalisation of the SA remediation and thematic sanctions review within anti-money-laundering (AML), combating the financing of terrorism (CFT) and sanctions legislation. Our compliance model ensures that appropriate controls are in place to enable compliance with applicable regulatory requirements. We implemented IFRS 16 on 1 January 2019, with an impact of 17 bps on our CET1 ratio.

For society

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

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

- **Quality Education (SDG 4)** – Over the past three years Nedbank has provided approximately 1 484 first-year students with student loans to the value of R83,2m, with a further 1 173 students also having been granted loans to continue their studies to the value of R57,7m. During the first half of 2019 a total of R25m was disbursed to 401 first-year students, with an additional R13m granted to 232 students to continue their studies. In addition, we invested in education across a range of projects, including basic and tertiary education initiatives, graduate programmes and learnerships, as well as bursary support for our own staff and their families. We invested R54m in socioeconomic development, with more than 50% allocated to education. Our sponsorship of the Thuthuka Education Upliftment Fund supports 45 students a year and since inception we have contributed more than R23m and funded the qualification of 44 new black chartered accountants in SA.
- **Clean Water and Sanitation (SDG 6)** – We provided a R550m general banking facility for Rand Water to assist in the provision of bulk potable water in SA, as well as additional finance to the Lesotho Highlands Water Project, which is of key importance in SA's water mix. Through our support of the WWF-SA Water Balance Programme that removes alien invasive, water-hungry trees from our strategic water source areas (which will see the release of an additional one billion litres of water annually) we are effectively a net zero water user.
- **Affordable and Clean Energy (SDG 7)** – At the start of the year we undertook not to provide new project financing or other forms of asset-specific financing where the proceeds would be used to develop a new coal-fired power plant, regardless of country or technology. In all renewable-energy project deals completed to date, Nedbank has arranged a total of 42 transactions, underwriting a total of R40,4bn, and has paid out R24,6bn. In the past six months R800m of our lending into property finance incorporated the installation of solar power. Nedbank also became the first SA commercial bank to launch a green bond on the JSE, raising R1,7bn to fund solar and renewable-energy projects. In our insurance business we completed the pilot phase of the geyser telemetry product: Senseable. Once launched to clients it will provide energy savings and consequently reduce carbon emissions.
- **Decent Work and Economic Growth (SDG 8)** – The Nedbank Stokvel Account, which was launched in 2018 to provide safe, easy and effective ways for groups of individuals to pool their savings and grow their money, has attracted over 3 500 stokvel groups with more than 100 000 members. We continued to participate in the CEO Initiative, working with government, business and labour towards a more inclusive SA society. In April 2019 we activated our commitment to the Youth Employment Service (YES), in which corporate SA aims to provide internship opportunities for more than one million South Africans. This is estimated to translate into an annual investment of approximately 1,5% of net profit after tax (SA business). We have placed more than 3 300 previously unemployed youth internally and through sponsored placements to become the largest corporate contributor to date and we encourage other SA corporates to follow our example.
- **Industry, Innovation and Infrastructure (SDG 9)** – In addition to funding water and energy infrastructure, we participated in the loan facility for Ethiopian Railways to assist with the construction of a 404 km strategic railway corridor linking passengers and freight in the northern, central and eastern regions of Ethiopia.
- **Reduced Inequalities (SDG 10)** – We are driving financial inclusion and addressing the cost of banking services to certain clients through the launch of three zero-monthly-fee accounts: Pay As You Use (PAYU), Unlocked.Me and MobiMoney. From 1 April 2019 fees for the PAYU Account were reduced from R5,50 monthly to zero. Through MobiMoney, Nedbank is creating a first banking home for many South Africans, directly addressing the key concerns relating to financial inclusion by using unstructured supplementary service data (USSD) capability and saving clients time and money through a quick and frictionless mobile onboarding journey. Nedbank Private Wealth SA continues to assist clients to do good with their wealth, and in recognition won in the ESG/ Social Impact Investing category in the Euromoney Private Banking and Wealth Management Survey for the fourth consecutive year. In our own operations, we increased our BBBEE contributor status to level 1 as measured under the Amended Financial Sector Code (FSC), gazetted in terms of section 9(1) of the BBBEE Act, 53 of 2003, and have now maintained level 2 or higher for 10 consecutive years. Lastly, we raised R0,7m in support of the efforts of the International Federation of Red Cross and Red Crescent Societies (IFRC) in alleviating the challenges and suffering for millions of residents of Mozambique, Zimbabwe and Malawi after the devastating cyclone Idai in March. We donated R1 million to the SA Red Cross Society to assist with Durban flood relief efforts.
- **Sustainable Cities and Communities (SDG 11)** – We disbursed R660m towards the development of new affordable housing in commercial-property finance. We also provided funding of R277m for the construction of buildings that conform to green-building standards. Nedbank is partnering with the Department of Human Settlements to assist first-time homebuyers qualifying for the government's Finance Linked Individual Subsidy Programme (FLISP) with the application process. This is making it easier for our clients to access a subsidy that can be used to pay the deposit on a house or to decrease the size of their home loans.
- **Responsible Consumption and Production (SDG 12)** – A total of 78% of our procurement spend was used to support local SA business, up from 75% in H1 2018.
- **Life on Land (SDG 15)** – Nedbank has committed R25m over the next five years towards safeguarding critical water source areas, biodiversity hotspots and rural livelihoods. The money will be spent in partnership with WWF South Africa, which has a long-term working relationship with Nedbank. For the past eight years Nedbank and WWF have partnered to support sustainable farming across South Africa. The next five-year phase will be scaled up to secure water source areas, strengthen sustainable local economies and improve rural livelihoods to see more people living in harmony with nature.

CLUSTER FINANCIAL PERFORMANCE

Nedbank Group delivered HE growth of 2,6% to R6 870m and an ROE (excluding goodwill) of 17,9%, well above our estimated cost of equity of 14,2%. ROEs in most of our SA-focused clusters declined from June 2018 as HE growth was muted in a difficult environment, and capital levels increased in line with advances growth.

	Change (%)	HE (Rm)		ROE (excluding goodwill) (%)	
		Jun 2019	Jun 2018	**Jun 2019**	Jun 2018
CIB	0,1	**3 298**	3 296	**19,2**	20,1
RBB	0,3	**2 590**	2 581	**17,3**	18,6
Wealth	(12,3)	**455**	519	**22,3**	25,4
RoA	19,6	**293**	245	**9,8**	7,6
Centre	> 100	**234**	55		
Group	2,6	**6 870**	6 696	**17,9**	18,4

CIB HE was flat at R3,3bn, while delivering an ROE of 19,2%. Growth was impacted by normalisation of the CLR to 16 bps off a low prior-year base of 1 bps, offsetting solid revenue growth underpinned by faster growth in banking advances and good growth in commission and fees. Notwithstanding the increase in CLR to within the bottom end of CIB's TTC target range, credit quality remained sound, supported by proactive risk management and close monitoring and management of exposures to stressed sectors of the economy, such as cement, construction, retail, agriculture and selected state-owned enterprises (SOEs).

HE in RBB increased 0,3% to R2,6bn and ROE was 17,3%. The growth momentum in retail advances was maintained and transactional NIR growth was solid, supported by 4,9% growth in main-banked client numbers. This was offset by an increase in the CLR from the low prior-year base to just below the cluster's TTC target range. Low expense growth reflects the ongoing benefit of optimising processes and operations, including headcount reductions of 1 300 yoy (including temporary staff), largely through natural attrition combined with some internal staff transfers.

Nedbank Wealth HE declined 12,3% to R455m and delivered an ROE of 22,3%. The results were impacted by a decline in earnings across all business units due to subdued investor confidence, which impacted investment-related revenues, and higher weather-related insurance claims.

RoA's HE increased by 19,6% to R293m and ROE increased off a low base to 9,8% as our share of associate income from our investment in ETI continued to increase. The SADC business performance was affected by continued macroeconomic pressures across the region, monetary policy and currency changes in Zimbabwe and contagion effects of the difficult SA economy. SADC HE includes the negative impact of once-off accounting adjustments of R61m.

The performance in the Centre reflects the positive impact of the release of R50m (R36m after tax) central provisions as the underlying risks for which these central provisions had been raised, emerged in the cluster results (none released in the first half of 2018); fair-value gains of R59m (after tax) compared with a fair-value loss of R62m (after tax) in the first half of 2018; and a final postretirement medical aid (PRMA) credit amounting to R255m (after tax) compared with a R180m (after tax) credit in the first half of 2018, following finalisation of outstanding tax matters.

FINANCIAL PERFORMANCE

Net interest income

NII increased 5,8% to R14 819m, supported by AIEBA growth of 8,7%. The AIEBA growth was driven by solid growth in advances and higher levels of HQLA held in the banking book.

NIM decreased by 10 bps to 3,57% from 3,67% in June 2018. This decrease was primarily driven by a 2 bps negative endowment impact due to lower net endowment balances, partially offset by the slightly higher average prime rate in the first half of 2019 of 10,3% compared with 10,1% in the first half of 2018. Negative asset pricing and mix contributed a net 5 bps decline, with pressure most evident in Personal Loans. This was due to the implementation of IFRS 9 and the impact of NCA pricing caps. Competitive pricing on wholesale advances was partially offset by higher-yielding retail advances having grown faster than wholesale advances. Higher levels of low-yielding HQLA resulted in a negative impact on margin of 2 bps and the implementation of IFRS 16 on 1 January 2019 decreased NIM by 4 bps. These decreases in margin were partially offset by improved pricing on deposits, which added 3 bps.

Impairments charge on loans and advances

As expected, impairments increased off the low prior-year base. The impairment charge increased 40,1% to R2 543m. The CLR increased 17 bps to 0,70% and moved into the lower half of the group's TTC target range of 60 bps to 100 bps.

CLR (%)	Banking advances (%)	Jun 2019	Jun 2018	Dec 2018	TTC target ranges
CIB	**46,5**	**0,16**	0,01	0,04	0,15–0,45
RBB	**46,2**	**1,28**	1,06	1,06	1,30–1,80
Wealth	**4,2**	**0,14**	0,15	0,13	0,20–0,40
RoA	**3,1**	**1,08**	1,09	0,51	0,75–1,00
Group	**100,0**	**0,70**	0,53	0,53	0,60–1,00

Impairments in CIB increased off a low base, with its CLR at 16 bps now within the lower end of its TTC target of 15 bps to 45 bps. Credit rating migrations resulted in increased stage 1 and 2 impairments. While we continue to see stress in some sectors, particularly in cement, construction, retail, agriculture and selected SOEs, the CIB CLR still reflects a high-quality book. The outcome of our proactive credit processes resulted in a reduction in stage 3 impairments due to the rerating of clients in the construction, cement and commercial-property sectors from stage 3 into stage 2. Stage 3 impairments are individually determined in CIB and are dependent on the value of the security we hold for each exposure. Approximately 78% of stage 3 impairments are concentrated in 10 counters.

RBB's CLR at 128 bps increased to just below the bottom end of its TTC target range of 130 bps to 180 bps and reflects increased levels of default and therefore stage 3 impairments, given the impact of a macroeconomic environment that remains challenging for consumers.

The group's central provision decreased by R50m to R100m as the underlying risks for which these central provisions had been raised, emerged in the clusters. The remainder of the provision is held for emerging risks not yet reflected in impairment models or relates to elevated risks for certain wholesale clients and concerns around exposures in selected countries in the rest of Africa.

Stage 3 (defaulted) advances increased 17,8% yoy to R26,8bn, inclusive of a R1,9bn increase attributable to an extension of our point of writeoff in RBB in the December 2018 results to comply with IFRS 9. While stage 3 advances in CIB increased 4,9% yoy, they have declined 5,9% since December 2018 on the back of client resolutions across construction, cement, commercial property and aviation segments, partially offset by new defaults in commercial property and retail. Stage 3 defaults in RBB have increased 10,9% since December 2018 as the weakened economic environment placed additional stress on the consumer. As a result, defaults increased in MFC (vehicle finance), Business Banking and Unsecured Lending.

The stage 1 and 2 coverage ratio declined marginally to 0,89% (December 2018: 0,91%) as portfolio provisioning levels increased largely in line with advances growth. The stage 3 coverage ratio increased from 35,2% (June 2018) and 36,8% (December 2018) to 37,1% given the mix impact from higher levels of RBB stage 3 advances. RBB stage 3 coverage was 44,8% as a result of increased levels of provisioning in line with higher defaults in Unsecured Lending. Stage 3 coverage for CIB increased to 12,8%.

Non-interest revenue

NIR growth of 5,2% to R12 874m was supported by solid gains in main-banked clients across our retail and wholesale businesses in SA and the rest of Africa, although client transactional activity remained subdued, impacted by weak business and consumer confidence.

- Commission and fee income grew 5,0% to R9 076m as RBB reported solid underlying retail transactional NIR growth of 6,8%, supported by main-banked client growth across entry-level, middle-market, professional and small-business client segments. CIB delivered strong growth, benefiting from transactional client wins and high levels of deal activity.
- Insurance income was flat at R897m, due to higher weather-related claims offsetting good sales volume growth and lower claims in the credit life portfolio.
- Trading income increased 3,7% to R2 174m, notwithstanding a decrease in overall market volumes and low levels of volatility.
- Fair-value gains of R82m in the Centre were attributable to volatility in the hedged interest rate risk positions in the group's banking book, where movements between the designated hedged exposures and the underlying hedges culminated in a net gain as opposed to losses of R86m in the previous period.

Expenses

Expenses grew 5,5% to R15 565m. Higher levels of amortisation from our IT and digital investments were offset by optimisation initiatives and once-off cost benefits. IFRS 16 replaced straight-line operating lease expenses with a depreciation charge for the leased asset and an interest expense on the lease liability (in NII). The underlying movements included:

- Staff-related costs increasing at 3,3%, following:
  - average annual salary increases of 5,4% and a reduction in staff numbers of 1 015 since June 2018;
  - a 9,9% decrease in STIs in line with the group's financial performance relative to the high base in the first half of 2018 and a 7,4% increase in LTIs as expected vesting ratios have progressively improved due to performance against corporate performance targets; and
  - finalisation of the settlement with our staff with regard to PRMA obligations and benefits, resulting in a final pretax credit of R354m, in respect of a reversal of actuarially estimated liabilities previously expensed. In the first half of 2018 an initial pretax credit of R250m was raised.
- Computer processing costs increasing 13,9% to R2 311m, driven by the expected increases in software amortisation (+28,2%), incremental software licence costs and higher volumes, offset by reduced network-related costs as a result of efficiency savings.
- Fees and insurance increasing 13,5% as a result of association fees driven by card-related volume increases and fees related to digital innovations.
- Other cost lines are being well managed, with increases below inflation. In addition, we unlocked cumulative benefits of R826m from process enhancements and implementing our Target Operating Model. Other costs also include Nedbank's participation in the YES initiative to the value of R56m.

The group's growth in expenses of 5,5% was below total revenue and associate income growth of 6,3%, resulting in a positive JAWS ratio of 0,8% and an cost-to-income ratio of 55,4%, compared with 55,8% in June 2018. The JAWS ratio, excluding associate income, was a positive 0,05%.

Earnings from associates

Associate income includes R381m (H1 2018: R247m) relating to ETI as a result of ETI reporting an attributable profit in the fourth quarter of 2018 and the first quarter of 2019, in line with our policy of accounting for our share of ETI's attributable earnings a quarter in arrear. The total effect of ETI on the group's HE was a profit of R264m (H1 2018: R134m), including the R117m impact of funding costs.

Accounting for associate income, together with Nedbank's share of ETI's other comprehensive income and movements in Nedbank's FCTR, resulted in the carrying value of the group's strategic investment in ETI decreasing from R3,2bn at 31 December 2018 to R2,9bn at 30 June 2019. ETI's listed share price on the Nigerian Stock Exchange decreased 21,4% during the first half of 2019, which resulted in the market value of the group's investment in ETI (at the NAFEX rate) decreasing to R2,3bn at 30 June 2019. In context, the Nigerian banking index declined by 8,0% during the period, reflecting general pressure on Nigerian bank share prices.

Due to the prolonged decline of ETI's listed share price below its carrying value, Nedbank reviewed its impairment provision at 30 June 2019. Management's value-in-use analysis supports the current carrying value of our investment. Our position will be reassessed again at year-end.

The payment mechanism for industrywide infrastructure costs of the cash-processing supplier to SA banks has now been resolved. As a result, associate losses were not repeated in the first half of 2019, however, operating expenses increased by R41m.

STATEMENT OF FINANCIAL POSITION

Capital

The group remains well capitalised at levels significantly above the minimum regulatory requirements. The CET1 ratio of 11,3% was impacted by 17 bps as a result of the implementation of IFRS 16 on 1 January 2019 (R658m reduction in equity and R3,4bn increase in RWA), the ongoing investment in software development costs as part of the group's Managed Evolution programme, the adverse impact of changes in foreign currency translation reserves and RWA migration in certain credit portfolios.

The total tier 1 CAR was positively impacted by the issuance of additional tier 1 instruments totalling R1,6bn. This was offset by the further grandfathering of old-style preference shares (R531m) in January 2019 in line with the Basel III transitional arrangements. The total CAR was further impacted by the redemption of R2,2bn tier 2 capital instruments (NED 15 and NED 16) and the issuance of new-style tier 2 capital of R2,5bn in line with the group's capital plan.

Basel III (%)	Jun 2019	Dec 2018	Jun 2018	Internal target range	Regulatory minimum[1]
CET1 ratio	**11,3**	11,7	12,4	10,5–12,5	7,5
Tier 1 ratio	**12,3**	12,5	13,2	> 12,0	9,25
Total capital ratio	**14,6**	14,8	15,6	> 14,0	11,5

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

[1] *The Basel III regulatory requirements exclude any idiosyncratic or systemically important bank minimum requirements.*

Funding and liquidity

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

The group's three-month average long-term funding ratio was 28,8% for the second quarter of 2019, supported by the successful capital market issuances of R1,6bn AT1, R2,5bn tier 2 capital and R4,5bn senior unsecured debt, which included the issuance of Nedbank's inaugural green bond (R1,7bn) used to finance renewable-energy projects, with Nedbank being the first commercial bank in SA to issue such an instrument.

The group's June 2019 quarterly average LCR of 115,4% exceeded the minimum regulatory requirement of 100% effective from 1 January 2019, representing the end of the Basel III LCR phase-in from a minimum regulatory requirement of 60% in 2015. To ensure ongoing compliance Nedbank maintains appropriate operational buffers designed to absorb seasonal and cyclical volatility in the LCR.

Nedbank Group LCR	Jun 2019	Jun 2018	Dec 2018
HQLA (Rm)	**171 909**	148 675	162 678
Net cash outflows (Rm)	**148 985**	139 043	148 694
Liquidity coverage ratio (%)[2]	**115,4**	106,9	109,4
Regulatory minimum (%)	**100,0**	90,0	90,0

[2] *Average for the quarter.*

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

Nedbank's portfolio of LCR-compliant HQLA increased by 15,6% to a June 2019 quarterly average of R171,9bn. Looking forward, growth in the HQLA portfolio will be more aligned with balance sheet growth, without the incremental HQLA growth requirements that have emanated from the LCR phase-in of minimum regulatory requirements since 2015. The HQLA portfolio, together with Nedbank's portfolio of other sources of quick liquidity, equates to total available sources of quick liquidity of R218,3bn, representing 19,8% of total assets.

Nedbank exceeded the minimum NSFR regulatory requirement of 100% effective from 1 January 2018 and reported a June 2019 ratio of 109,6% compared with the December 2018 ratio of 114,0%. The focus going forward will be on achieving continued NSFR compliance within the context of balance sheet optimisation.

Loans and advances

Loans and advances increased by 6,5% to R759,1bn, driven by continued solid growth in RBB and an increase in CIB banking advances growth.

Loans and advances by cluster are as follows:

Rm	Yoy change (%)	Jun 2019	Jun 2018	Dec 2018
CIB	5,5	**364 711**	345 783	358 639
Banking activities	6,0	**341 909**	322 492	335 002
Trading activities	(2,1)	**22 802**	23 291	23 637
RBB	7,6	**339 416**	315 516	326 763
Wealth	0,8	**31 331**	31 089	31 111
RoA	1,7	**22 497**	22 123	21 037
Centre[3]	> 100	**1 136**	(1 843)	(1 243)
Group	6,5	**759 090**	712 668	736 305

[3] *Intercompany eliminations.*

CIB loans and advances grew 5,5% to R364,7bn. The banking book increased 6,0%, driven by a strong pipeline conversion and momentum from the second half of 2018, partially offset by early repayments. Property Finance in CIB decreased 0,7% to R142,8bn, impacted by increased competition and muted industry growth in a difficult commercial-property market. The CPF portfolio contains good-quality collateralised assets with low loan-to-value ratios and is managed by a highly experienced property finance team.

RBB loans and advances grew 7,6% to R339,4bn, supported by growth across all asset classes in line with our risk appetite and selective origination strategies. Business Banking grew advances 10,4%, due to an increase in new-loan payouts coupled with an increase in client drawdowns of existing facilities as well as new-client acquisitions. MFC (vehicle finance) advances increased 7,1% as business volumes remained robust despite a muted new-vehicle sales market. Unsecured Lending grew 10,9% as a result of product and process enhancements, mostly through digital channels, driving increased takeup. Card advances increased 5,1% in line with our transactional banking strategy. Residential-mortgage loans grew 3,4%, slightly ahead of the industry.

Deposits

Deposits grew 8,1% to R865,8bn, with total funding-related liabilities increasing 7,9% to R922,1bn, while the loan-to-deposit ratio declined to 87,7%.

RBB, Wealth and CIB grew deposits faster than nominal GDP with growth rates of 7,9%, 8,4% and 11,3% respectively, in line with Nedbank's objective of growing the retail and commercial franchises. RoA deposits declined 3,3%, largely driven by the depreciation of the Zimbabwean currency versus the rand. Growth in RoA deposits, excluding Zimbabwe, was 4,8%.

Transactional deposits increased 10,3% in line with Nedbank's strategy of growing the transactional banking franchise. Call and term deposits grew 5,7%, partly offset by marginal decreases in savings and fixed deposits. NCDs and other deposits, which include structured deposits, grew 10,7% and contributed positively to managing Nedbank's contractual longer-term funding ratio. Foreign currency liabilities, which represent only 3,0% of Nedbank's total deposits, increased 41,0% off an abnormally low base observed in June 2018 and are largely matched against foreign currency assets, resulting in an insignificant foreign currency liquidity mismatch.

Group strategic focus

During the first half of 2019 we continued to focus on delivering on our five strategic focus areas, which are designed to create market-leading client experiences delivered through technology and people and as a result drive sustainable earnings growth and improve ROE. We made good progress in delivering market-leading CVPs and digital innovations. This focus enabled us to grow revenues and unlock operating efficiencies. Our strategic enablers – which include technology investments (with our Managed Evolution IT strategy and Digital Fast Lane (DFL) as key components), our people and our brand – are delivered through process and operational excellence, our target operating model and by embracing nWoW. This is enabling us to create a more client-focused, agile, competitive and digital Nedbank.

- **Delivering innovative market-leading client experiences**
  - A key highlight in the first six months of the year was the operationalisation of Eclipse, our new platform that enables simplified digital client onboarding for individual clients by allowing them to open a FICA-compliant account through our staff- and self-assisted channels. The staff-assisted channel was rolled out to all frontline users in RBB. Client and transactional product onboarding for individual clients are now following the full end-to-end process on this platform and resulted in the following benefits: client-centered onboarding (once for life), single

onboarding foundation for most of our core products (transactional account and personal loans delivered in the first half of 2019), automated front-, middle- and backoffice processes (reduced account opening times and disbursals), digital FICA, biometrics and signing of contracts (no paper) and lower cost of client onboarding. The web and app self-service channels are expected to be rolled out to clients in the second half of 2019, along with juristic client onboarding.

- The Nedbank Money app, which makes banking more convenient for our retail clients, has been downloaded 2,65 million times, with more than 668 000 clients having used it actively since November 2017, representing a 25% penetration of downloads. Building on our capability of rolling out new functionality on our apps, we introduced a market-first lifestyle capability, HeyNed, a digital concierge that gives clients a 24/7 personal assistant in their pockets. The Nedbank Private Wealth app, which ranked second-best globally by Cutter Associates International Research, increased app downloads by 28% yoy. Client ratings for iOS and Android Nedbank apps remained at the top end among its SA banking peers. MobiMoney, a mobile-based account with zero monthly fees that anyone with a valid SA identity number can open anywhere in seconds, attracted more than 170 000 users, up 174% yoy.
- Unlocked.Me (an account with zero monthly maintenance fees) for the youth segment, which was launched at the start of 2018, has slowed down losses of main-banked clients in this segment as 48 000 accounts have been sold to date.
- Our Stokvel Account, which offers members of stokvels up to 10% discount at our retail partners, burial benefits of R10 000 per member for only R15 a month, zero transaction fees and good interest rates, has attracted over 3 500 stokvel groups since its launch in March 2018, representing more than 100 000 members. We have enhanced our digital onboarding process to enable account opening on any USSD-enabled phone, catering for all cellphone users.
- MyPocket, a free budgeting and savings pocket linked to any Nedbank transactional account, was launched during the period. It offers clients up to 10 savings pockets with each dedicated to a specific saving goal such as daily expenses and emergencies. Clients earn more interest than with a normal savings account and have instant access to their money – no notice period is required to access funds.
- The Karri app has continued to achieve exponential growth throughout the first half of the year, with strong growth in both active users and transaction value and volume. The payment app is now used in more than 340 schools and has achieved mostly five-star reviews in app stores.
- As far as our integrated channels are concerned, we have converted 62% of our outlets to new-image digital branches to date. The introduction of new channels such as chatbots and robo-advisors will continue to enhance client experience and increase the efficiencies of our contact centre and web-servicing capabilities.
- Nedbank was the first bank in Africa to launch an application programming interface (API) platform that is aligned with the Open Banking Standard. The Nedbank API Marketplace is an easy-to-use, secure offering that allows approved partners to create innovative and disruptive solutions that put client experience first. By using Nedbank API Marketplace, approved partners can leverage the bank's data and financial capabilities to integrate with our standard, secure and scalable APIs.
- In 2018 Nedbank Insurance was the first insurer in SA to have chatbot functionality. The business was recognised by Celent as the Model Insurer of the Year in the category legacy and ecosystem transformation for our single-policy administration system that was completed in August 2018.
- Asset Management introduced Extraordinary Life™, an automated online investment portal. The business launched digital onboarding and automated 50% of all transactions.
- With the foundations put in place through Managed Evolution (our system and technology platform transformation), digital enhancements and nWoW we are delivering ongoing benefits and enhanced client service. The second half of 2019 will see the launch of the first phase of our new and exciting loyalty and rewards solution offering triple benefits (incentives for better money management, earning rewards and doing good for society); as well as further rollout of chatbots, robo-advisors and software robots (robotic process automation).

- **Growing our transactional banking franchise faster than the market**
  - Our SA retail main-banked client numbers have grown yoy by 4,9% to 2,9 million, driven largely by growth in the entry-level, middle-market, professional and small-business segments and supporting solid underlying retail transactional NIR growth of 6,8%. The 2018 Consulta survey estimated Nedbank's share of main-banked clients at 13,1%, up from 12,7% in 2017, as we aim to reach a share of more than 15% by end 2020. Although this survey is done only once a year, our internal POS data shows continued growth in main-banked market share.
  - Our SADC businesses grew their client base by 7,4% to 359 000, supporting NIR growth of 6,3% (excluding Zimbabwe) as the newly launched products and digital innovations started delivering benefits. NIR growth in the SADC subsidiaries was down 11,9%.
  - Our integrated model in CIB enabled deeper client penetration and increased cross-sell, resulting in 16 primary-bank client wins in the first six months. This supported fee and commission growth in CIB of 7,8%.

- **Being operationally excellent in all we do**
  - Cost discipline remains an imperative as we balance investment with growth. We have ongoing initiatives to optimise our cost base. These include the reduction of our core systems from 250 to 112 since the inception of the Managed Evolution programme, and we are well on our way to reaching a target end state of less than 60 core systems by 2020. The rationalisation, standardisation and simplification of core banking operating systems enables reduced infrastructure, support and maintenance costs, as well as reduced complexity and increased agility in adopting new innovations. The time and cost of bringing new products and services to market have been reduced significantly as many of the foundational capabilities are built into our onboarding and servicing programmes. Overall, investments in various foundational IT programmes are either complete or nearing completion and we expect IT cashflow spend to peak in 2019 and capitalised IT costs to peak at just above R9bn in 2020.
  - During the first half of 2019 additional self-service options for functions that were available previously only in branches or through staffed channels were released on the Nedbank Money app and the new Nedbank Online Banking site, taking the total digital functions to 86 (compared with 42 in the first half of 2018). We also

deployed 411 self-service kiosks across our branch network, enabling clients to undertake a range of self-service transactions, including ATM limit changes and overseas travel notifications. This digitisation of services in RBB has enabled us to reduce branch teller volumes by 23% and branch floor space by 37 155 m² to date, and we plan to achieve more than 47 000 m² of optimisation by 2020 (equating to approximately 20% of our branch floor space in 2014 when we started the journey). Over the past 12 months we reduced total group headcount by 1 015 (mainly through natural attrition) and optimised our staffed points of presence by closing 14 points of presence. Through our Intelligent Depositor devices we now process more than one million deposits and more than 335 000 requests for bank statements monthly, things that previously could be done only over the counter in a branch. Self-service cash deposit volumes increased to 71%, up from 58% in the first half of 2018.

- We implemented 92 software robots to date (robotic process automation), up from 51 in H1 2018, to enhance efficiencies and reduce processing errors in administratively intense processes.
- Through our strategy of consolidating and standardising corporate real estate, our number of campus sites (offices) decreased from 31 to 27 over the year, with a longer-term target of 23. Since 2016 we have saved 45 000 m² (over and above the 37 155 m² saved in our branches). In the next four years we will continue to optimise the portfolio by enhancing workstation utilisation to greater than 95% (from the current 88%), by enabling flexible office constructs to support more dynamic ways of work, while creating further value and cost reduction opportunities.
- Our Target Operating Model recorded cumulative savings of R826m to June 2019, with the aim of generating a cumulative R1,0bn pretax benefits for Nedbank by 2019 and a cumulative R1,2bn by 2020, as disclosed in the corporate performance targets in our long-term incentive scheme.

- **Managing scarce resources to optimise economic outcomes**
  - We maintained our focus on growing activities that generate higher levels of EP, such as transactional deposits and transactional-banking revenues.
  - Our selective origination of personal loans, home loans and commercial-property finance has proactively limited downside credit risk in this challenging operating climate.
  - During the first half of 2019 we embedded our commitment to the United Nations SDGs, which will see lending flowing into targeted areas that contribute to a better society. A key example is our renewable-energy funding solutions, where R24,6bn has been drawn as part of a R40,4bn of commitment to the SA Department of Energy's renewable-energy independent power producer procurement programme. We also became SA's first commercial bank to launch a green bond on the JSE.

- **Providing our clients with access to the best financial services network in Africa**
  - In Central and West Africa, where we have adopted a partnership approach, Ecobank Transnational Incorporated (ETI) remains an important strategic investment for us by providing us with access to dealflow in Central and West Africa and our clients with access to a pan-African transactional banking network across 36 countries. ETI has reported 10 consecutive quarters of profit to 30 June 2019 and is making good progress with its transactional-banking and digital strategy while optimising its cost base. Asset quality and risk management remain key priorities for the ETI board and executive. The credit loss experience has improved and the movement towards risk appetite in the key risk metrics continues, while management remains committed to resolving legacy risk matters. We continue to be supportive of ETI's endeavours to deliver an ROE of more than its COE over time. For the first quarter of 2019 ETI achieved a strong performance from core West African operations and an improved performance in the Central, Eastern and Southern Africa (CESA) business, while the economic environment and ETI's performance in Nigeria remained challenging. Through our collaboration more than 110 Nedbank wholesale clients are banking with ETI across the continent in countries where Nedbank is not present. Our gross return on the original cost of our ETI investment improved to 12,3%.
  - In SADC, where we own, manage and control six banks, we continue to build scale and optimise costs. To drive digital and transactional business we launched the Nedbank Money app in Namibia, Eswatini, Malawi and Lesotho, leveraging off the Nedbank Money app platform in SA. Excluding Zimbabwe, where local tax rules and the economic environment have reduced usage, there has been a continual increase in the use of digital channels. Client numbers grew by 7,4%, while the number of point-of-sale devices increased by 29% to 7 000. Up to 30 June 2019 Zimbabwe had an insignificant impact on the group's results as it made a profit of R3m (at an average RTGS dollar exchange rate of 4,34) compared with a profit of R38m in the first half of 2018. The NAV of Nedbank's share of the Zimbabwe business after FCTR losses was R64m at 30 June 2019 (at a RTGS dollar exchange rate of 7,25) and represents 0,1% of the total Nedbank Group NAV. For the second half of 2019, we remain cautious of the impacts of monetary policy influences which could further impact RTGS dollar rates.

Economic outlook

The outlook for the global economy remains uncertain. Hopes of some resolution in the trade war between the US and China have grown as talks between the countries having resumed, but recent additional tariff announcements by the US are concerning. Following a recent cut, investors are also counting on further easing in US interest rates to support global sentiment and activity. Recent indicators suggest that underlying conditions have either stabilised or improved slightly in most major economies. However, the IMF expects softer global growth of 3,3% in 2019, down from 3,6% in 2018. Growth in both advanced and developing countries is forecast to moderate slightly to 1,8% and 4,4% respectively. Encouragingly, sub-Saharan Africa is still expected to fare slightly better, with growth forecast at 3,5% in 2019, up from 3,0% in 2018.

When we started this year, our forecast for SA GDP growth in 2019 was to improve off the low 2018 base of 0,8% to around 1,3%. In April 2019 we revised this GDP growth forecast down to 0,9% given, in particular, our estimate of the impact of loadshedding in the first quarter of 2019. After the release of the worse-than-expected SA GDP numbers in the first quarter of 2019 we have again revised our forecast for GDP growth in 2019, now to only 0,5%. This is less than our population growth rate, which means that on average all South Africans are getting poorer. Economic conditions in SA are expected to remain subdued and challenging, but some improvement is expected off a low base in the quarters ahead and the SA economy should perform slightly better in the second half of 2019.

The public sector's finances are too weak to increase either consumption or capital expenditure. Added to this, the possibility of a SA sovereign credit risk ratings downgrade to below investment grade by Moody's has increased due to government's weak fiscal position and the impact of taxpayer funded bailouts of many struggling SOEs (particularly Eskom). Fixed investment is forecast to stay low as underlying conditions remain unfavourable, given spare capacity in many industries, unreliable electricity supply and uncertainty over prices, high domestic cost structures and continued policy uncertainties. Consumer spending is expected to grow at a moderate pace, but any upside will be contained by limited job creation, effects of fading wealth and relatively high debt burdens.

After the 25 bps cut in July 2019 interest rates are forecast to remain flat until the end of 2022 (with short-term downside risk) on a benign inflation outlook, with cost push pressures kept in check by the absence of any demand pressure on prices.

SA's banking system remains sound, liquid and well capitalised. The operating environment remains difficult, but the moderate upward trend in credit demand is forecast to continue in the second half of the year, supported by slightly easier monetary policy, some recovery in consumer spending and ongoing investment in the renewable-energy sector.

Prospects

On the back of the group's performance in the first half of 2019 and slower-than-expected SA GDP growth, we have updated our guidance on financial performance and currently expect the following for the full year 2019:

- Average interest-earning banking assets to grow at upper single digits (no change).
- NIM to be below the 2018 level of 3,65% (no change).
- CLR to be within the bottom half of our target range of 60 bps to 100 bps (no change).
- NIR to grow around mid-single digits (revised from mid-to-upper single digits).
- Expenses to increase around mid-single digits (revised from slightly above mid-single digits.

Growth in DHEPS for the full 2019 year has accordingly been revised slightly to around nominal GDP growth (from at or above nominal GDP growth).

At the start of 2018 we set ourselves specific 2020 targets of an ROE (excluding goodwill) of greater than or equal to 18% and a cost-to-income ratio of lower than or equal to 53% as a pathway to ongoing and sustainable improvements in the key metrics that support shareholder value creation. Given resilient earnings, the impact of IFRS changes and the odd-lot offer, which reduced equity, we remain confident that we should meet our ROE (excluding goodwill) target on a sustainable basis. As previously disclosed, while we remain committed to our cost-to-income ratio target, it has become more challenging to achieve. This is the result of a combination of weaker-than-anticipated economic growth, primarily resulting in slower growth in wholesale advances and retail transactional activity; lower-than-expected interest rates (including the 25 bps cut in July 2019); IFRS changes impacting the shape of the income statement and negatively impacting the cost-to-income ratio; new costs relating to YES, deposit insurance and Twin Peaks; and a decision to increase our investments in platform-related activities in RBB as we continually evolve our business model to underpin future growth. Our medium-to-long-term targets have not changed from what we published in 2018. The current outlook for these targets in 2019 is as follows:

Metric	Jun 2019 performance	Full-year 2019 outlook	Medium-to-long-term (MLT) target
ROE (excluding goodwill)	**17,9%**	Around MLT target	5% above COE[4] (> 18% by 2020)
Growth in DHEPS	**3,7%**	Around consumer price index + GDP growth	> consumer price index + GDP growth + 5%
CLR	**0,70%**	Within the bottom half of our target range	Between 0,6% and 1,0% of average banking advances
NIR-to-expense ratio	**82,7%**	Increase (on 2018) but remain below MLT target	> 85%
Cost-to-income (including associate income)	**55,4%**	Decrease (on 2018) but remain above MLT target	50–53% (< 53% by 2020)
CET1 capital adequacy ratio (Basel III)	**11,3%**	Within target range	10,5–12,5%
Dividend cover	**1,99 times**	Within target range	1,75–2,25 times

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

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

Board and leadership changes during the period

Malcolm Wyman retired as Lead Independent Director with effect from the close of Nedbank Group's AGM on 10 May 2019. Mpho Makwana was appointed in the role of Lead Independent Director effective from the same date. Professor Tshilidzi Marwala was appointed as an independent non-executive director on 27 May 2019.

Basis of preparation*

Nedbank Group Limited is a company domiciled in SA. The unaudited condensed consolidated interim financial results of the group at and for the six months ended 30 June 2019 comprise those of the company and its subsidiaries (the 'group') and the group's interests in associates and joint arrangements.

The condensed consolidated interim financial statements comprise the condensed consolidated statement of financial position at 30 June 2019, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cashflows for the six months ended 30 June 2019 and selected explanatory notes, which are indicated by the symbol*. The condensed consolidated interim financial statements have been prepared under the supervision of Raisibe Morathi CA(SA), the Chief Financial Officer.

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act (71 of 2008) of SA. The accounting policies applied in the preparation of these condensed consolidated interim financial statements 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 16, as set out in the notes to the condensed consolidated interim financial statements.

The directors of the group take full responsibility for the preparation of this report. The condensed consolidated interim financial results have not been audited or independently reviewed by the group's external auditors. The group's 2018 annual financial information has been correctly extracted from the underlying audited consolidated annual financial statements.

Events after the reporting period*

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

Forward-looking statements

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

Interim dividend declaration

Notice is hereby given that an interim dividend of 720 cents per ordinary share has been declared, payable to shareholders for the six months ended 30 June 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) or 144 cents per ordinary share, resulting in a net dividend of 576 cents per ordinary share, unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate in terms of an applicable double-tax agreement.

Nedbank Group's tax reference number is 9375/082/71/7 and the number of ordinary shares in issue at the date of declaration is 497 053 536.

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

Event	Date
Last day to trade (cum dividend)	Tuesday, 10 September 2019
Shares commence trading (ex dividend)	Wednesday, 11 September 2019
Record date (date shareholders recorded in books)	Friday, 13 September 2019
Payment date	Monday, 16 September 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 11 September 2019 and Friday, 13 September 2019, both days inclusive.

On Monday, 16 September 2019 the dividend will be electronically transferred to the bank accounts of shareholders. Holders of dematerialised shares will have their accounts credited at their participant or broker on Monday, 16 September 2019.

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

For and on behalf of the board

Vassi Naidoo
Chairman

Mike Brown
Chief Executive

6 August 2019

Registered office

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Transfer secretaries in Namibia

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PO Box 2401, Windhoek, Namibia.

Directors

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

*** Executive *** Lead Independent Director*

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

Nedbank Group Limited: JSE alpha code: NEDI

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

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

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

FINANCIAL HIGHLIGHTS

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	Change (%)		30 June 2019 (Unaudited)	30 June 2018 (Unaudited)	31 December 2018 (Audited)
Statistics					
Number of shares listed		m	**497,1**	500,2	493,2
Number of shares in issue, excluding shares held by group entities		m	**481,2**	484,2	477,1
Weighted-average number of shares		m	**478,7**	482,7	483,2
Diluted weighted-average number of shares		m	**487,0**	492,0	493,2
Preprovisioning operating profit	7,0	Rm	**11 635**	10 873	21 990
Economic profit[1]	(16,3)	Rm	**1 411**	1 685	2 868
Headline earnings per share	3,5	cents	**1 435**	1 387	2 793
Diluted headline earnings per share	3,7	cents	**1 411**	1 361	2 736
Ordinary dividends declared per share	3,6	cents	**720**	695	1 415
Interim	3,6	cents	**720**	695	695
Final		cents			720
Ordinary dividends paid per share	6,7	cents	**720**	675	1 370
Dividend cover	(0,5)	times	**1,99**	2,00	1,97
Net asset value per share	4,9	cents	**17 794**	16 956	17 560
Tangible net asset value per share	4,3	cents	**15 068**	14 440	14 917
Closing share price	1,5	cents	**25 320**	24 958	27 472
Price/earnings ratio		historical	**8,7**	8,9	9,8
Price-to-book ratio		historical	**1,4**	1,5	1,6
Market capitalisation	0,9	Rbn	**125,9**	124,8	135,5
Number of employees (permanent staff)[1]	(3,0)		**30 335**	31 272	30 877
Number of employees (permanent and temporary staff)[1]	(3,2)		**30 577**	31 592	31 277
Key ratios (%)					
Return on ordinary shareholders' equity (ROE)[1]			**16,8**	17,2	16,8
ROE, excluding goodwill[1]			**17,9**	18,4	17,9
Return on tangible equity[1]			**19,9**	20,2	19,8
Return on total assets (ROA)[1]			**1,30**	1,37	1,33
Return on average risk-weighted assets[1]			**2,29**	2,48	2,40
Net interest income to average interest-earning banking assets[1]			**3,57**	3,67	3,65
Credit loss ratio – banking advances[1]			**0,70**	0,53	0,53
Gross operating income growth rate less expense growth rate (jaws ratio)			**0,8**	6,5	2,7
Non-interest revenue to total operating expenses			**82,7**	82,9	82,1
Non-interest revenue to total income			**46,5**	46,6	47,4
Cost-to-income ratio			**55,4**	55,8	57,2
Effective taxation rate			**23,4**	25,1	25,2
Group capital adequacy ratios (including unappropriated profits):[1]					
– Common-equity tier 1			**11,3**	12,4	11,7
– Tier 1			**12,3**	13,2	12,5
– Total			**14,6**	15,6	14,8
Statement of financial position statistics (Rm)					
Total equity attributable to equity holders of the parent	4,3		**85 627**	82 101	83 778
Total equity	6,4		**94 637**	88 962	91 271
Amounts owed to depositors	8,1		**865 815**	801 165	825 804
Loans and advances	6,5		**759 090**	712 668	736 305
Gross	6,7		**775 363**	726 934	751 793
Impairment of loans and advances	(14,1)		**(16 273)**	(14 266)	(15 488)
Total assets administered by the group	6,8		**1 424 361**	1 333 188	1 341 250
Total assets	8,1		**1 101 595**	1 019 015	1 043 912
Assets under management	2,7		**322 766**	314 173	297 338
Life insurance embedded value[1]	24,7		**3 347**	2 684	2 786
Life insurance value of new business[1]	33,5		**231**	173	380

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

Nedbank Group Limited Reg No 1966/010630/06
Prepared under the supervision of the Nedbank Group CFO, Raisibe Morathi CA(SA)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended

	Change (%)	30 June 2019 (Unaudited) Rm	30 June 2018 (Unaudited) Rm	31 December 2018 (Audited) Rm
Interest and similar income	9,1	**41 136**	37 716	75 941
Interest expense and similar charges	11,0	**26 317**	23 710	47 122
Net interest income	5,8	**14 819**	14 006	28 819
Impairments charge on financial instruments	40,1	**2 543**	1 815	3 688
Income from lending activities	0,7	**12 276**	12 191	25 131
Non-interest revenue	5,2	**12 874**	12 236	25 976
Operating income	3,0	**25 150**	24 427	51 107
Total operating expenses	5,5	**15 565**	14 756	31 632
Indirect taxation	9,0	**519**	476	942
Profit from operations before non-trading and capital items	(1,4)	**9 066**	9 195	18 533
Non-trading and capital items	(96,3)	**(106)**	(54)	(164)
Profit from operations	(2,0)	**8 960**	9 141	18 369
Share of income of associate companies	>100	**422**	207	528
Profit before direct taxation	0,4	**9 382**	9 348	18 897
Total direct taxation	(6,6)	**2 192**	2 346	4 762
Direct taxation		**2 222**	2 362	4 807
Taxation on non-trading and capital items		**(30)**	(16)	(45)
Profit for the period	2,7	**7 190**	7 002	14 135
Other comprehensive (losses)/income (OCI) net of taxation	>(100)	**(1 212)**	(135)	(341)
Items that may subsequently be reclassified to profit or loss				
Exchange differences on translating foreign operations		**(326)**	846	449
Share of OCI of investments accounted for using the equity method		**(687)**	(194)	(318)
Debt investments at FVOCI – net change in fair value		**(300)**	(138)	(20)
Items that may not subsequently be reclassified to profit or loss				
Gains/(Losses) on property revaluations		**93**	(2)	(91)
Remeasurements on long-term employee benefit assets		**22**	(631)	(345)
Share of OCI of investments accounted for using the equity method		**(14)**	(16)	(16)
Total comprehensive income for the period	(12,9)	**5 978**	6 867	13 794
Profit attributable to:				
– Ordinary shareholders	2,0	**6 794**	6 658	13 376
– Holders of preference shares	8,2	**171**	158	323
– Holders of additional tier 1 capital instruments	38,9	**175**	126	267
– Non-controlling interest – ordinary shareholders	(16,7)	**50**	60	169
Profit for the period	2,7	**7 190**	7 002	14 135
Total comprehensive income attributable to:				
– Ordinary shareholders	(11,7)	**5 674**	6 423	13 175
– Holders of preference shares	8,2	**171**	158	323
– Holders of additional tier 1 capital instruments	38,9	**175**	126	267
– Non-controlling interest – ordinary shareholders	>(100)	**(42)**	160	29
Total comprehensive income for the period	(12,9)	**5 978**	6 867	13 794
Basic earnings per share (cents)	2,9	**1 419**	1 379	2 768
Diluted earnings per share (cents)	3,1	**1 395**	1 353	2 712

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at

	Change (%)	30 June 2019 (Unaudited) Rm	30 June 2018 (Unaudited) Rm	31 December 2018 (Audited) Rm
Assets				
Cash and cash equivalents	14,9	**12 896**	11 222	13 162
Other short-term securities	(25,3)	**70 369**	94 226	79 362
Derivative financial instruments	20,6	**33 841**	28 058	22 692
Government and other securities	64,4	**126 172**	76 730	96 791
Loans and advances	6,5	**759 090**	712 668	736 305
Other assets	(30,5)	**16 294**	23 441	19 836
Current taxation assets	(79,9)	**185**	922	186
Investment securities	23,7	**25 773**	20 837	22 404
Non-current assets held for sale	(65,4)	**132**	382	305
Investments in associate companies	22,9	**3 814**	3 103	4 041
Deferred taxation assets	10,9	**378**	341	254
Property and equipment	38,8	**11 977**	8 630	9 371
Long-term employee benefit assets	8,1	**5 054**	4 675	4 966
Mandatory reserve deposits with central banks	4,2	**22 500**	21 596	21 629
Intangible assets	7,7	**13 120**	12 184	12 608
Total assets	8,1	**1 101 595**	1 019 015	1 043 912
Equity and liabilities				
Ordinary share capital	(0,4)	**482**	484	477
Ordinary share premium	(6,3)	**18 116**	19 332	17 315
Reserves	7,6	**67 029**	62 285	65 986
Total equity attributable to equity holders of the parent	4,3	**85 627**	82 101	83 778
Holders of preference shares		**3 222**	3 222	3 222
Holders of additional tier 1 capital instruments	88,4	**4 963**	2 634	3 397
Non-controlling interest attributable to ordinary shareholders	(17,9)	**825**	1 005	874
Total equity	6,4	**94 637**	88 962	91 271
Derivative financial instruments	20,0	**30 470**	25 394	20 003
Amounts owed to depositors	8,1	**865 815**	801 165	825 804
Provisions and other liabilities	8,9	**27 928**	25 638	25 602
Current taxation liabilities	38,1	**330**	239	363
Deferred taxation liabilities	(1,6)	**753**	765	669
Long-term employee benefit liabilities	(15,2)	**2 384**	2 812	2 749
Investment contract liabilities	18,7	**21 742**	18 316	20 035
Insurance contract liabilities	(38,6)	**1 255**	2 044	1 829
Long-term debt instruments	4,8	**56 281**	53 680	55 587
Total liabilities	8,3	**1 006 958**	930 053	952 641
Total equity and liabilities	8,1	**1 101 595**	1 019 015	1 043 912

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Total equity attributable to equity holders of the parent Rm	Holders of preference shares Rm	Holders of additional tier 1 capital instruments Rm	Non-controlling interest attributable to ordinary shareholders Rm	Total equity Rm
Audited balance at 31 December 2017	78 605	3 222	2 635	845	85 307
Dividend to shareholders	(3 347)				(3 347)
Additional tier 1 capital instruments interest paid			(127)		(127)
Preference share dividend		(158)			(158)
Issues of shares net of expenses	628				628
Shares (acquired)/no longer held by group entities and BEE trusts	(12)				(12)
Total comprehensive income for the period	6 423	158	126	160	6 867
Share-based payment reserve movement	(191)				(191)
Other movements	(5)				(5)
Unaudited balance at 30 June 2018	82 101	3 222	2 634	1 005	88 962
Additional tier 1 capital instruments issued			750		750
Dividend to shareholders	(3 397)				(3 397)
Additional tier 1 capital instruments interest paid			(128)		(128)
Preference share dividend		(165)			(165)
Repurchase of odd-lot holdings	(1 979)				(1 979)
Shares (acquired)/no longer held by group entities and BEE trusts	(74)				(74)
Total comprehensive income for the period	6 752	165	141	(131)	6 927
Share-based payment reserve movement	368				368
Other movements	7				7
Audited balance at 31 December 2018	**83 778**	**3 222**	**3 397**	**874**	**91 271**
Impact of adopting IFRS 16, net of taxation	**(651)**			**(7)**	**(658)**
Unaudited balance at 1 January 2019	**83 127**	**3 222**	**3 397**	**867**	**90 613**
Additional tier 1 capital instruments issued			**1 613**		**1 613**
Dividend to shareholders	**(3 541)**				**(3 541)**
Additional tier 1 capital instruments interest paid			**(222)**		**(222)**
Preference share dividend		**(171)**			**(171)**
Shares (acquired)/no longer held by group entities and BEE trusts	**(24)**				**(24)**
Total comprehensive income for the period	**5 674**	**171**	**175**	**(42)**	**5 978**
Share-based payment reserve movement	**375**				**375**
Other movements	**16**				**16**
Unaudited balance at 30 June 2019	**85 627**	**3 222**	**4 963**	**825**	**94 637**

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

for the period ended

	30 June 2019 (Unaudited) Rm	30 June 2018 (Unaudited) Rm	31 December 2018 (Audited) Rm
Cash generated by operations	**14 488**	13 052	26 974
Change in funds for operating activities	**(5 686)**	(10 130)	(12 369)
Net cash from operating activities before taxation	**8 802**	2 922	14 605
Taxation paid	**(2 126)**	(2 414)	(4 684)
Cashflows from operating activities	**6 676**	508	9 921
Cashflows utilised by investing activities	**(5 368)**	(2 576)	(6 848)
Cashflows utilised by financing activities	**(786)**	(882)	(4 012)
Effects of exchange rate changes on opening cash and cash equivalents	**83**	(354)	(392)
Net increase/(decrease) in cash and cash equivalents	**605**	(3 304)	(1 331)
Cash and cash equivalents at the beginning of the period[1]	**34 791**	36 122	36 122
Cash and cash equivalents at the end of the period[1]	**35 396**	32 818	34 791

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

FINANCIAL RESULTS

Notes to the unaudited condensed consolidated financial statements for the period ended 30 June 2019*

SIGNIFICANT ACCOUNTING POLICIES

CHANGE IN ACCOUNTING POLICIES – IFRS 16: LEASES

THE GROUP AS A LESSEE

IFRS 16 was issued in January 2016 and replaces IAS 17: Leases and its related interpretations for reporting periods that began on or after 1 January 2019.

Transitional approach and initial impact

The group has elected to apply IFRS 16 retrospectively, using the modified approach. In terms of the modified approach comparative figures under the previously effective accounting requirements of IAS 17: Leases, IFRIC 4: Determining Whether an Arrangement Contains a Lease and SIC 27: Evaluating the Substance of Transactions in the Legal Form of a Lease are not restated. Corresponding transitional adjustments are made through opening retained earnings (including reversals of existing balances under the old lease accounting standards).

Under IFRS 16 a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for a consideration. The new lease definition under IFRS 16 has been applied only to contracts entered into on or after 1 January 2019.

On transition to IFRS 16 the group applied the following practical expedients permitted by the standard:

- The group elected not to reassess whether a contract is or contains a lease, based on the new lease definition, for contracts entered into before the date of initial application.
- The group relied on previous assessments of whether leases are onerous when determining the impairment of right-of-use assets on transition. There were no onerous leases on the transition date.
- The group did not include the initial direct costs for the measurement of the right-of-use asset at the date of initial application.
- The group applied the use of hindsight in determining the lease term where contracts contained options to extend or terminate the lease.

The group has exercised significant judgements in determining the discounting rate where the incremental borrowing rate was used. The group's incremental borrowing rate is lease-specific and is determined using an array of assumptions and judgements surrounding the characteristics of the contract. The group considered the following factors:

- The credit risk of the group
- The tenure of the lease
- The economic environment in which the transaction occurs

On adoption of IFRS 16 the group recognised a right-of-use asset and accompanying lease liability.

Lease liability (initial and subsequent measurement)

The lease liability is initially measured at the present value of unpaid lease payments on the commencement date (the date the underlying asset is available for use). On transition the carrying amount of the lease liability was measured as if IFRS 16 had been applied since the commencement date using the discount rate at the date of initial application. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the group uses the incremental borrowing rate, being the rate that the group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease liability is subsequently measured under IFRS 9 at amortised cost using the effective-interest-rate method.

Right-of-use asset (Initial and subsequent measurement)

The right-of-use asset is initially measured at cost on the commencement date. On transition the carrying amount of the right-of-use asset was measured as if IFRS 16 had been applied since the commencement date using the discount rate at the date of initial application. The right-of-use asset is subsequently measured at cost less any accumulated depreciation and impairment losses, adjusted for certain remeasurements of the lease liability. Impairment losses are determined in accordance with IAS 36: Impairment of assets.

Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise information technology equipment and small items of office furniture. Leases with values of less than R20 000 are considered as low-values leases. The group does not recognise right-of-use assets and lease liabilities for short-term and low-value leases.

THE GROUP AS A LESSOR

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, the group continues to classify and account for its leases as operating leases or finance leases.

TRANSITIONAL IMPACT

The group recognised lease liabilities of R3,8bn and accompanying right-of-use assets of R2,7bn. An IAS 17 straight-lining balance of R126m and an accompanying deferred tax entry of R35m was reversed against retained earnings. The equity impact (net of tax) is R658m.

The weighted-average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 8,0% and the reclassifications and the adjustments arising from the new leasing rules were recognised in the opening statement of financial position on 1 January 2019.

Impact on the condensed consolidated statement of financial position at 1 January 2019

	Balance at 31 December 2018 (Audited) Rm	IFRS 16 transitional adjustments (posttax) (Unaudited) Rm	Adjusted balance at 1 January 2019 (Unaudited) Rm
Ordinary share capital and share premium	17 792		**17 792**
Retained earnings	63 159	**(651)**	**62 508**
Other reserves	2 827		**2 827**
Total equity attributable to equity holders of the parent	83 778	**(651)**	**83 127**
Holders of preference shares	3 222		**3 222**
Holders of additional tier 1 capital instruments	3 397		**3 397**
Non-controlling interest attributable to ordinary shareholders	874	**(7)**	**867**
Total equity	91 271	**(658)**	**90 613**

	Balance at 31 December 2018 (Audited) Rm	IFRS 16 transitional adjustments (Unaudited) Rm	Adjusted balance at 1 January 2019 (Unaudited) Rm
Property and equipment (including right-of-use asset)	9 371	**2 711**	**12 082**
Total assets	9 371	**2 711**	**12 082**
Provisions and other liabilities (including lease liability)	25 602	**3 751**	**29 353**
Total liabilities	25 602	**3 751**	**29 353**

Impact on the condensed consolidated statement of comprehensive income for the period ended 30 June 2019

	30 June 2019 (Unaudited) Rm
Finance cost on lease liability (included in interest expense and similar charges)	144
Net interest income	144
Total operating expenses includes	432
Depreciation expense on right-of-use asset	432
Total adjustment to profit from operations before non-trading and capital items	576
Adjustment to earnings per share (cents)	120
Adjustment to diluted earnings per share (cents)	118

	2019 (Unaudited) Rm
Right-of-use assets reconciliation[1]	
Balance at 1 January	2 711
Depreciation charge for the period	(432)
Acquisitions	82
Lease modifications[2]	66
Impairment losses	(33)
Effect of movements in foreign exchange rates and other movements	(5)
Balance at 30 June	2 389
Lease liabilities reconciliation[3]	
Balance at 1 January	3 751
Interest expense	144
Acquisitions	82
Lease modifications[3]	66
Lease payments	(634)
Effect of movements in foreign exchange rates and other movements	(5)
Balance at 30 June	3 404

[1] *The right of use asset is included as part of property and equipment on the statement of financial position.*

[2] *Relates to amendments to existing lease contracts subsequent to 1 January 2019.*

[3] *The lease liability is included as part of provisions and other liabilities on the statement of financial position.*

CONDENSED CONSOLIDATED SEGMENTAL REPORTING

for the period ended

	Total assets			Total liabilities			Revenue[1]			Headline earnings/(losses)		
	30 Jun 2019 (Unaudited) Rm	30 Jun 2018 (Unaudited) Rm	31 Dec 2018 (Audited) Rm	30 Jun 2019 (Unaudited) Rm	30 Jun 2018 (Unaudited) Rm	31 Dec 2018 (Audited) Rm	30 Jun 2019 (Unaudited) Rm	30 Jun 2018 (Unaudited) Rm	31 Dec 2018 (Audited) Rm	30 Jun 2019 (Unaudited) Rm	30 Jun 2018 (Unaudited) Rm	31 Dec 2018 (Audited) Rm
Nedbank Corporate and Investment Banking	**533 177**	497 796	507 807	**498 489**	464 671	474 252	**7 901**	7 407	15 767	**3 298**	3 296	6 714
Nedbank Retail and Business Banking	**365 990**	337 549	355 614	**335 845**	309 621	327 143	**16 175**	15 181	31 283	**2 590**	2 581	5 379
Nedbank Wealth	**74 150**	69 778	71 142	**70 036**	65 662	66 917	**2 224**	2 229	4 597	**455**	519	1 133
Rest of Africa	**38 377**	39 540	37 518	**32 348**	33 018	30 706	**1 260**	1 301	2 833	**293**	245	702
Centre	**89 901**	74 352	71 831	**70 240**	57 081	53 623	**133**	124	315	**234**	55	(433)
Total	**1 101 595**	1 019 015	1 043 912	**1 006 958**	930 053	952 641	**27 693**	26 242	54 795	**6 870**	6 696	13 495

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

During the period management determined that the results of the group's investment in Ecobank Transnational Incorporated (ETI) should be reported solely as part of the Rest of Africa Cluster's performance, and the previous distinction between managed operations and ETI is therefore no longer required.

HEADLINE EARNINGS RECONCILIATION

for the period ended

	Change (%)	30 June 2019 (Unaudited) Rm Gross	30 June 2019 (Unaudited) Rm Net of taxation	30 June 2018 (Unaudited) Rm Gross	30 June 2018 (Unaudited) Rm Net of taxation	31 December 2018 (Audited) Rm Gross	31 December 2018 (Audited) Rm Net of taxation
Profit attributable to equity holders of the parent	2,0		**6 794**		6 658		13 376
Non-trading and capital items	100,0	**106**	**76**	54	38	164	119
IAS 16 loss/(profit) on disposal of property and equipment		**7**	**5**	(2)	(2)	29	21
IAS 36 impairment of right-of-use assets		**33**	**24**				
IAS 36 impairment of property, equipment and intangible assets		**66**	**47**	56	40	135	98
Headline earnings	2,6		**6 870**		6 696		13 495

CONTINGENT LIABILITIES AND COMMITMENTS

CONTINGENT LIABILITIES AND UNDRAWN FACILITIES

at

	30 June 2019 (Unudited) Rm	30 June 2018 (Unaudited) Rm	31 December 2018 (Audited) Rm
Guarantees on behalf of clients	**31 543**	29 601	29 802
Letters of credit and discounting transactions	**7 861**	2 938	9 654
Irrevocable unutilised facilities and other	**139 784**	137 860	136 381
	179 188	170 399	175 837

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

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

COMMITMENTS

Capital expenditure approved by directors

at

	30 June 2019 (Unudited) Rm	30 June 2018 (Unaudited) Rm	31 December 2018 (Audited) Rm
Contracted	**424**	348	530
Not yet contracted	**2 462**	2 446	2 811
	2 886	2 794	3 341

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

INVESTMENTS IN ASSOCIATE COMPANIES

at

	30 June 2019 (Unudited) Rm	30 June 2018 (Unaudited) Rm	31 December 2018 (Audited) Rm
Listed associates[1]	**2 865**	2 865	3 245
Unlisted associates	**949**	238	796
	3 814	3 103	4 041

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

Listed associates: ETI			
Carrying value	**2 865**	2 865	3 245
Fair value of investment[1]	**2 260**	3 983	2 908

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

CASHFLOW INFORMATION

for the period ended

	30 June 2019 (Unudited) Rm	30 June 2018 (Unaudited) Rm	31 December 2018 (Audited) Rm
Acquisition of property and equipment, computer software and development costs and investment property	**(1 969)**	(1 765)	(4 250)
Issue of additional tier 1 capital instruments	**1 613**		750
Issue of long-term debt instruments	**7 026**	4 503	9 504
Redemption of long-term debt instruments	**(6 343)**	(2 370)	(5 495)
Dividends to ordinary shareholders	**(3 541)**	(3 347)	(6 744)
Preference share dividends paid	**(171)**	(158)	(323)
Additional tier 1 capital instruments interest paid	**(175)**	(126)	(267)

The following table presents a reconciliation from the opening balance to the closing balance of the loss allowance, and indicates how significant changes in the gross carrying amount of financial instruments contributed to changes in the loss allowance:

Loans and advances	Not credit-impaired						Credit-impaired			Total		
	Subject to 12-month ECL			Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
Rm	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
Audited balance at 1 January 2018	604 150	2 775	601 375	75 886	3 884	72 002	19 859	7 754	12 105	699 895	14 413	685 482
New financial assets originated or purchased	167 656	2 280	165 376			–			–	167 656	2 280	165 376
Financial assets written off			–			–	(3 310)	(3 340)	30	(3 310)	(3 340)	30
Repayments net of readvances, capitalised interest and fees	(115 776)	2 394	(118 170)	(20 404)	(401)	(20 003)	(4 438)	402	(4 840)	(140 618)	2 395	(143 013)
Transfers to 12-month ECL	23 600	242	23 358	(22 110)	(190)	(21 920)	(1 491)	(51)	(1 440)	(1)	1	(2)
Transfers to lifetime ECL (not credit-impaired)	(43 694)	(1 882)	(41 812)	46 840	2 186	44 654	(3 147)	(304)	(2 843)	(1)	–	(1)
Transfers to lifetime ECL (credit-impaired)	(10 029)	(2 967)	(7 062)	(7 491)	(1 899)	(5 592)	17 518	4 867	12 651	(2)	1	(3)
Foreign exchange and other movements	(1 793)	39	(1 832)	(99)	7	(106)	191	24	167	(1 701)	70	(1 771)
Audited net balances at 31 December 2018	**624 114**	**2 881**	**621 233**	**72 622**	**3 587**	**69 035**	**25 182**	**9 352**	**15 830**	**721 918**	**15 820**	**706 098**
New financial assets originated or purchased	**89 353**	**1 017**	**88 336**			**–**			**–**	**89 353**	**1 017**	**88 336**
Financial assets written off			**–**			**–**	**321**	**(2 182)**	**2 503**	**321**	**(2 182)**	**2 503**
Repayments net of readvances, capitalised interest and fees	**(60 695)**	**1 407**	**(62 102)**	**(6 479)**	**443**	**(6 922)**	**(4 161)**	**212**	**(4 373)**	**(71 335)**	**2 062**	**(73 397)**
Transfers to 12-month ECL	**17 683**	**283**	**17 400**	**(16 362)**	**(266)**	**(16 096)**	**(1 321)**	**(17)**	**(1 304)**	**–**	**–**	**–**
Transfers to lifetime ECL (not credit-impaired)	**(21 715)**	**(1 265)**	**(20 450)**	**25 589**	**1 573**	**24 016**	**(3 874)**	**(308)**	**(3 566)**	**–**	**–**	**–**
Transfers to lifetime ECL (credit-impaired)	**(4 602)**	**(1 239)**	**(3 363)**	**(5 867)**	**(1 758)**	**(4 109)**	**10 469**	**2 997**	**7 472**	**–**	**–**	**–**
Foreign exchange and other movements	**124**	**(25)**	**149**	**(560)**	**2**	**(562)**	**109**	**(43)**	**152**	**(327)**	**(66)**	**(261)**
Net balances	**644 262**	**3 059**	**641 203**	**68 943**	**3 581**	**65 362**	**26 725**	**10 011**	**16 714**	**739 930**	**16 651**	**723 279**
Total credit and zero balances	**5 943**	**(47)**	**5 990**	**16**	**(5)**	**21**	**45**		**45**	**6 004**	**(52)**	**6 056**
Unaudited balance at 30 June 2019	**650 205**	**3 012**	**647 193**	**68 959**	**3 576**	**65 383**	**26 770**	**10 011**	**16 759**	**745 934**	**16 599**	**729 335**
Loans and advances at fair-value through profit or loss												**26 867**
Loans and advances at FVOCI impairment allowance												**168**
Off-balance sheet impairment allowance												**212**
Other												**2 508**
Unaudited loans and advances at 30 June 2019												**759 090**

FAIR-VALUE HIERARCHY

FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

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

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

Where a quoted price does not represent fair value at the measurement date or where the market for a financial instrument is not active, the group establishes fair value by using valuation techniques. These valuation techniques include reference to the current fair value of another instrument that is substantially the same in nature, to the value of the assets of underlying business, to earnings multiples, to a discounted-cashflow analysis and to 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 whether the transaction is 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		
	30 Jun 2019 (Unaudited) Rm	30 Jun 2018 (Unaudited) Rm	31 Dec 2018 (Audited) Rm	30 Jun 2019 (Unaudited) Rm	30 Jun 2018 (Unaudited) Rm	31 Dec 2018 (Audited) Rm	30 Jun 2019 (Unaudited) Rm	30 Jun 2018 (Unaudited) Rm	31 Dec 2018 (Audited) Rm	30 Jun 2019 (Unaudited) Rm	30 Jun 2018 (Unaudited) Rm	31 Dec 2018 (Audited) Rm	30 Jun 2019 (Unaudited) Rm	30 Jun 2018 (Unaudited) Rm	31 Dec 2018 (Audited) Rm
Cash and cash equivalents	**35 396**	32 818	34 791	**35 396**	32 818	34 791									
Other short-term securities	**70 369**	94 226	79 362	**12 430**	30 497	24 282				**57 939**	63 729	55 080			
Derivative financial instruments	**33 841**	28 058	22 692				**11**	24	38	**33 830**	28 034	22 654			
Government and other securities	**126 172**	76 730	96 791	**86 037**	49 385	67 824	**36 769**	22 818	25 505	**3 366**	4 527	3 462			
Loans and advances	**759 090**	712 668	736 305	**717 399**	676 319	694 124	**171**	591	159	**41 520**	35 758	42 022			
Other assets	**14 987**	23 441	18 507	**12 796**	14 298	12 312	**2 191**	9 143	6 195						
Investment securities	**25 773**	20 837	22 404				**5**	508	18	**17 274**	14 109	15 930	**8 494**	6 220	6 456
	1 065 628	988 778	1 010 852	**864 058**	803 317	833 333	**39 147**	33 084	31 915	**153 929**	146 157	139 148	**8 494**	6 220	6 456

FINANCIAL LIABILITIES

	Total financial liabilities			Total financial liabilities recognised at amortised cost			Total financial liabilities classified as level 1			Total financial liabilities classified as level 2			Total financial liabilities classified as level 3		
	30 Jun 2019 (Unaudited) Rm	30 Jun 2018 (Unaudited) Rm	31 Dec 2018 (Audited) Rm	30 Jun 2019 (Unaudited) Rm	30 Jun 2018 (Unaudited) Rm	31 Dec 2018 (Audited) Rm	30 Jun 2019 (Unaudited) Rm	30 Jun 2018 (Unaudited) Rm	31 Dec 2018 (Audited) Rm	30 Jun 2019 (Unaudited) Rm	30 Jun 2018 (Unaudited) Rm	31 Dec 2018 (Audited) Rm	30 Jun 2019 (Unaudited) Rm	30 Jun 2018 (Unaudited) Rm	31 Dec 2018 (Audited) Rm
Derivative financial instruments	**30 470**	25 394	20 003				**23**	17	8	**30 447**	25 377	19 995			
Amounts owed to depositors	**865 815**	801 165	825 804	**834 493**	765 981	804 146				**31 322**	35 184	21 658			
Provisions and other liabilities	**20 678**	23 601	18 477	**11 686**	14 498	6 614	**8 549**	8 506	11 432		145		**443**	452	431
Investment contract liabilities	**21 742**	18 316	20 035							**21 742**	18 316	20 035			
Long-term debt instruments	**56 281**	53 680	55 587	**56 281**	53 528	55 587					152				
	994 986	922 156	939 906	**902 460**	834 007	866 347	**8 572**	8 523	11 440	**83 511**	79 174	61 688	**443**	452	431

LEVEL 3 RECONCILIATION

30 June 2019 (Unaudited)	Opening balance at 1 January Rm	Gains in non-interest revenue in profit for the period Rm	Purchases and issues Rm	Sales and settlements Rm	Closing balance at 30 June Rm
FINANCIAL ASSETS					
Investment securities	**6 456**	**378**	**2 989**	**(1 329)**	**8 494**
	6 456	**378**	**2 989**	**(1 329)**	**8 494**
FINANCIAL LIABILITIES					
Provisions and other liabilities	**431**	**12**			**443**
	431	**12**	**–**	**–**	**443**

30 June 2018 (Unaudited)	Opening balance at 1 January Rm	Gains/ (Losses) in non-interest revenue in profit for the period Rm	Gains relating to investments in equity instruments at FVOCI and debt instruments at FVOCI in OCI for the period Rm	Purchases and issues Rm	Sales and settlements Rm	Transfers in Rm	Closing balance at 30 June Rm
FINANCIAL ASSETS							
Investment securities	5 457	(149)	4	1 020	(135)	23	6 220
	5 457	(149)	4	1 020	(135)	23	6 220
FINANCIAL LIABILITIES							
Provisions and other liabilities	435	17					452
	435	17	–	–	–	–	452

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

EFFECT OF CHANGES IN SIGNIFICANT UNOBSERVABLE ASSUMPTIONS

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.

30 June 2019 (Unaudited)	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 (17) and 21**	**8 494**	**1 787**	**(1 407)**
Total financial assets classified as level 3				**8 494**	**1 787**	**(1 407)**
FINANCIAL LIABILITIES						
Provisions and other liabilities				**(443)**	**(44)**	**44**

30 June 2018 (Unaudited)	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 (10,0) and 13,0	6 220	787	(636)
Total financial assets classified as level 3				6 220	787	(636)

30 June 2018 (Unaudited)	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 LIABILITIES						
Provisions and other liabilities	Discounted cashflows and earnings multiples	Discount rates and forecasts	Between (10,0) and 10,0	(452)	45	(45)

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

UNREALISED GAINS (UNAUDITED)

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

	30 June 2019 (Unaudited) Rm	30 June 2018 (Unaudited) Rm	31 December 2018 (Audited) Rm
Private-equity (losses)/gains	**378**	(149)	240

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 models	Money market rates and interest rates
	Adjusted net asset value	Underlying price of market-traded instruments
	Dividend yield method	Dividend growth rates
Liabilities		
Derivative financial instruments	Discounted-cashflow model	Discount rates
	Black–Scholes model	Risk-free rates and volatilities
	Multiple valuation techniques	Valuation multiples
Amounts owed to depositors	Discounted-cashflow model	Discount rates
Provisions and other liabilities	Discounted-cashflow model	Discount rates
Investment contract liabilities	Adjusted net asset value	Underlying price of market-traded instruments
Long-term debt instruments	Discounted-cashflow model	Discount rates

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

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

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
30 June 2019 (Unaudited)					
Financial assets	**815 866**	**796 371**	**62 200**	**12 434**	**721 737**
Other short-term securities	**12 430**	**12 434**		**12 434**	
Government and other securities	**86 037**	**86 338**	**62 200**		**24 138**
Loans and advances	**717 399**	**697 599**			**697 599**
Financial liabilities	**56 281**	**59 355**	**36 141**	**23 214**	**–**
Long-term debt instruments	**56 281**	**59 355**	**36 141**	**23 214**	

Rm	Carrying value	Fair value	Level 1	Level 2	Level 3
30 June 2018 (Unaudited)					
Financial assets	756 201	751 766	24 679	54 758	672 329
Other short-term securities	30 497	30 457		30 457	
Government and other securities	49 385	48 980	24 679	24 301	
Loans and advances	676 319	672 329			672 329
Financial liabilities	53 528	55 042	20 758	34 284	–
Long-term debt instruments	53 528	55 042	20 758	34 284	

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

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

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 2020 to 2022 (2018: for periods 2019 to 2021) are based on the latest available internal data and applied to the projected cashflows of the first three years. Thereafter, PDs and LGDs are gradually reverted to their long-run averages and 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 high-quality SA government bonds listed in an active market is based on the available market prices (level 1). The fair value of corporate bonds not quoted or traded in an active market is based on the discounted cashflow methodology that uses significant unobservable inputs (level 3). The discounted cashflow methodology principles are the same as those use to determine the fair value of loans and advances.

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 not quoted or where the market is considered to be inactive is based on the available market prices (level 1) or the discounted cashflow analysis (level 2).

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 are repriced to current market rates at frequent intervals. In addition, a significant portion of the balance is callable or 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

LIQUIDITY COVERAGE RATIO

Rm	Total unweighted value[1] (average)	Total weighted value[2] (average)
Total high-quality liquid assets		**171 909**
Cash outflows		
Retail deposits and deposits from small-business clients	**197 573**	**19 579**
Stable deposits	**3 566**	**178**
Less stable deposits	**194 007**	**19 401**
Unsecured wholesale funding	**266 225**	**132 717**
Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	**127 213**	**31 815**
Non-operational deposits (all counterparties)	**137 965**	**99 855**
Unsecured debt	**1 047**	**1 047**
Secured wholesale funding	**22 821**	
Additional requirements	**140 203**	**19 149**
Outflows related to derivative exposures and other collateral requirements	**1 793**	**1 793**
Credit and liquidity facilities	**138 410**	**17 356**
Other contingent funding obligations	**163 988**	**8 202**
Total cash outflows	**790 810**	**179 647**
Cash inflows		
Secured lending (eg reverse repurchase agreements)	**9 982**	**19**
Inflows from fully performing exposures	**43 750**	**29 809**
Other cash inflows	**4 419**	**4 308**
Total cash inflows	**58 151**	**34 136**

	Total adjusted value
Total HQLA	**171 909**
Total net cash outflows[3]	**148 985**
Liquidity coverage ratio (%)	**115,4%**

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

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

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

The figures above reflect a simple average of daily observations over the quarter ending June 2019 for Nedbank Limited and the simple average of the month-end values at 30 April 2019, 31 May 2019 and 30 June 2019 for all non-SA banking entities, based on regulatory submissions to SARB. This section on the liquidity coverage ratio has not been audited or reviewed by the group's auditors.

NET STABLE FUNDING RATIO

Rm	Unweighted value by residual maturity				
	No maturity	Six months or less	Between six months and one year	More than one year	Weighted value
Available stable funding (ASF)					
Capital	96 742	–	–	–	96 742
Regulatory capital	92 648				92 648
Other capital instruments	4 094				4 094
Retail deposits and deposits from small-business clients	53 747	177 719	14 833	22 624	244 455
Stable deposits		3 261		1	3 098
Less stable deposits	53 747	174 458	14 833	22 623	241 357
Wholesale funding	89 031	372 686	95 451	118 931	338 718
Operational deposits	84 915	62 692		1 137	74 941
Other wholesale funding	4 116	309 994	95 451	117 794	263 777
Other liabilities	12 324	4 916	55	12 702	3 963
Net stable funding ratio (NSFR) derivative liabilities				8 766	
All other liabilities and equity not included in the above categories	12 324	4 916	55	3 936	3 963
Total ASF					**683 878**
Required stable funding					
Total NSFR high-quality liquid assets (HQLA)					15 789
Performing loans and securities	–	157 863	81 014	544 911	542 618
Performing loans to financial institutions secured by level 1 HQLA		9 615			961
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions		43 055	10 448	35 690	47 372
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		95 414	65 529	369 069	391 049
with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk				15 656	10 176
Performing residential mortgages, of which		2 740	2 791	132 917	92 444
with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		2 740	2 791	116 502	78 492
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		7 039	2 246	7 235	10 792
Other assets	29 687	1	–	41 139	54 758
Physical traded commodities, including gold					
Assets posted as an initial margin for derivative contracts and contributions to default funds of central counterparties		1			1
NSFR derivative assets				8 177	
NSFR derivative liabilities before deduction of variation margin posted				8 769	877
All other assets not included in the above categories	29 687			24 193	53 880
Off-balance-sheet items				308 595	10 912
Total required stable funding					**624 077**
NSFR (%)					**109,6%**

The figures above reflect the quarter ending June 2019 , based on regulatory submissions to SARB, where applicable. This section on the net stable funding ratio has not been audited or reviewed by the group's auditors.

DEFINITIONS

12-month ECL This ECL represents an ECL that results from a default event on financial instruments occurring within the 12 months after the reporting date (or a shorter period if the expected life of the financial instrument is less than 12-months), weighted by the probability of that default occurring.

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

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

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

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

Coverage (%) On-balance-sheet ECLs divided by gross banking loans and advances. Coverage excludes ECLs on off-balance-sheet amounts, ECL and gross banking loans and advances on the fair value through other comprehensive income (FVOCI) portfolio.

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

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

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

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

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

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

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

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

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

Forward-looking economic expectations The impact of forecast macroeconomic expectations in determining significant increase in credit risk (SICR) and the measurement of ECL.

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

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

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

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

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

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

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

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

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

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

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

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

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

Performing stage 3 loans and advances (Rm) Loans that would otherwise not be in default, but are classified as defaulted due to regulatory requirements, ie directive 7 and the new curing definition.

Preprovisioning operating profit (PPOP) (Rm) Headline earnings plus direct taxation plus an impairments charge on loans and advances.

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

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

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

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

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

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

Stage 1 Financial assets for which the credit risk (risk of default) at the reporting date has not significantly increased since initial recognition.

Stage 2 Financial assets for which the credit risk (risk of default) at the reporting date has significantly increased since initial recognition.

Stage 3 (Defaulted loans and advances, non-performing defaulted advances) Any advance or group of loans and advances that has triggered the Basel III definition of default criteria and is in line with the revised SA banking regulations. For retail portfolios this is product-centred and a default would therefore be specific to a client or borrower account (a specific advance). For all other portfolios, except specialised lending, it is client- or borrower-centred, meaning that should any transaction within a borrowing group default, all transactions within the borrowing group would be treated as having defaulted. At a minimum a default is deemed to have occurred where a material obligation is past due for more than 90 days or a client has exceeded an advised limit for more than 90 days. A specific impairment is raised against such a credit exposure due to a significant perceived decline in the credit quality.

Stage 3 ECL (Rm) ECL for banking loans and advances that have been classified as stage 3 advances and specifically impaired, net of the present value of estimated recoveries.

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

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

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

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

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

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

ABBREVIATIONS AND ACRONYMS

AFR available financial resources

AIEBA average interest-earning banking assets

AIRB Advanced Internal Ratings-based

AUA assets under administration

AUM assets under management

BBBEE broad-based black economic empowerment

BEE black economic empowerment

bn billion

bps basis point(s)

CAGR compound annual growth rate

CAR capital adequacy ratio

CET1 common equity tier 1

CIB Corporate and Investment Banking

CLR credit loss ratio

COE cost of equity

CPI consumer price index

CPF commercial-property finance

CVP client value proposition

DHEPS diluted headline earnings per share

D-SIB domestic systemically important bank

ECL expected credit loss

EP economic profit

EPS earnings per share

ESG environmental, societal and government

EV embedded value

ETI Ecobank Transnational Incorporated

FVOCI Fair value through other comprehensive income

FVTPL Fair value through profit or loss

GDP gross domestic product

GLAA gross loans and advances

GOI gross operating income

group Nedbank Group Limited

HE headline earnings

HEPS headline earnings per share

HQLA high-quality liquid asset(s)

IAS International Accounting Standard(s)

ICAAP Internal Capital Adequacy Assessment Process

IFRS International Financial Reporting Standard(s)

ILAAP Internal Liquidity Adequacy Assessment Process

JIBAR Johannesburg Interbank Agreed Rate

JSE JSE Limited

LAA loans and advances

LAP liquid-asset portfolio

LCR liquidity coverage ratio

LIBOR London Interbank Offered Rate

m million

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

MRC minimum required capital

NAFEX The Nigerian Autonomous Foreign Exchange Rate Fixing Methodology

NCA National Credit Act, 34 of 2005

NCD negotiable certificate of deposit

NCOF net cash outflows

NGN Nigerian naira

NII net interest income

NIM net interest margin

NIR non-interest revenue

NPL non-performing loan(s)

NSFR net stable funding ratio

OM Old Mutual

plc public listed company

PPOP preprovisioning operating profit

qoq quarter on quarter

R rand

RBB Retail and Business Banking

Rbn South African rands expressed in billions

Rm South African rands expressed in millions

RoA Rest of Africa (cluster name)

ROA return on total assets

ROE return on equity

RORWA return on risk-weighted assets

RRB Retail Relationship Banking

RWA risk-weighted assets

SA South Africa

SADC Southern African Development Community

SAICA South African Institute of Chartered Accountants

SARB South African Reserve Bank

SDGs Sustainability Development Goals

SICR Significant increase in credit risk

STI short-term incentive

TTC through the cycle

UK United Kingdom

US United States

VAF vehicle and asset finance

VaR value at risk

VIU value in use

VNB value of new business

yoy year on year

ytd year to date

ZAR South African rand (currency code)

NEDBANK SAYS 'YES' TO YES

The Youth Employment Service (YES) was launched by President Cyril Ramaphosa in 2018 as an initiative between government, business, labour and civil society to tackle a national plan to build economic pathways for the youth with the aim of reducing the youth unemployment rate in SA through the creation of one million work opportunities over three years. At Nedbank we are committed to our role in the broader SA society and to delivering on our purpose of using our financial expertise to do good. On 26 April Nedbank signed the YES CEO Pledge, committing to go beyond business as usual by creating meaningful job opportunities for our youth, thereby becoming the biggest corporate contributor to the YES initiative to date. Of the more than 3 300 YES recruits for 2019 Nedbank is onboarding 250 into the organisation and the balance will be placed with our sponsored implementation partners.