NEDBANK GROUP

CREATING VALUE BY USING OUR FINANCIAL EXPERTISE TO DO GOOD.

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS AND TRADING STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2020

see money differently

IN A PERIOD OF UNPRECEDENTED HEALTH, ECONOMIC AND SOCIAL CHALLENGES THAT HAVE IMPACTED OUR STAFF AND OUR CLIENTS, NEDBANK GROUP REMAINED PROFITABLE AND OPEN FOR BUSINESS, WITH CAPITAL AND LIQUIDITY RATIOS WITHIN BOARD-APPROVED TARGETS AND WELL ABOVE ALL PRUDENTIAL REQUIREMENTS.

The Covid-19 pandemic has had a material impact on individuals, families, businesses, societies and countries in what is becoming known as the Great Lockdown Crisis (GLC). Unfortunately, as a result of consistently weak economic growth and an unsustainable fiscal position, the SA economy entered this crisis in a more challenging position than it did entering the Global Financial Crisis (GFC). The impact of the pandemic and the GLC has resulted in a revision of our 2020 SA GDP growth forecast to a contraction of 7,0%, with the second quarter expected to be most impacted and the Q2 GDP in SA forecast expected to decrease by more than 40%. By contrast, SA banks are in a more resilient position than they were during the GFC, with loan growth going into the GLC being more prudent, impairment coverage ratios being higher, funding tenor being longer and capital levels being stronger than they were during the GFC.

At Nedbank our primary focus since the crisis started has been on resilience: ensuring the health and safety of our staff and clients; invoking business continuity plans; ensuring IT systems stability; supporting our clients in managing their finances through this very difficult period; and managing liquidity, credit risk, capital and discretionary costs closely. We have provided payment relief to our qualifying clients in good standing on R119bn of loans under PA D3/2020, reduced various fees, and launched digital innovations to assist our clients during the lockdown, including the Avo app and Tap on Phone payments functionality. Throughout the crisis we have maintained a strong balance sheet, evident in a tier 1 capital ratio of 11,7% and CET1 ratio of 10,6% at 30 June 2020, as well as a strong liquidity profile. Both ratios are above board-approved minimum targets and well above all regulatory requirements. The Covid-19 health crisis morphed quickly into an economic crisis and is currently escalating to become a social crisis due to, among other things, increases in already unacceptable levels of unemployment. As Nedbank, we are committed to making a difference in this difficult environment and deliver on our purpose to use our financial expertise to do good for our clients and society.

Nedbank Group's HE in the six months to 30 June 2020 declined by 69% to R2,1bn, impacted by a significant increase in the impairment charge, including a provision build from forward-looking IFRS-9 macro-model adjustments and judgemental overlays for anticipated Covid-19-related impacts and expected job losses, in total amounting to R2,9bn. In addition, H1 was impacted by the effect of lower interest rates on endowment income (NII) and a decrease in NIR as a result of lower client transactional activity in Q2 2020 and negative revaluations to unrealised private-equity investments driven by lower listed market prices and increases in cost of equity. Expenses were well managed and declined on the prior period.

Forecasting in the current environment is complex and estimates are subject to a much higher level of forecast risk than usual, but we are hopeful that the worst impacts of Covid-19 and the GLC are behind us and that impairments in the second half will be lower than in the first half and client activity will continue to increase off a low base. Our focus in the second half of 2020 will remain on resilience as we reintegrate business functions in a phased manner, including delivering market-leading client experiences and innovative digital solutions, supporting our clients, and optimising on costs, while managing credit risks and maintaining resilient capital and liquidity ratios and remaining on high alert for subsequent waves of infection.

We thank our 29 000 dedicated staffmembers who have been observing the Covid-19 health protocols and supporting our clients and the economy during this difficult period. We also extend our deepest condolences to the families and friends of the five Nedbank staffmembers who have passed away as a result of Covid-19 and related illnesses.

Mike Brown
Chief Executive

OVERVIEW

HEADLINE EARNINGS ▼ (69,2%) R2 114m	**DHEPS** ▼ (69,2%) 434 cents	**ROE** ▼ 4,8% (June 2019: 16,8%)	**No interim dividend in line with Prudential Authority G4/2020**
REVENUE GROWTH ▼ (1,8%) (incl associate income: -2,9%)	**CLR** ▲ 194 bps (June 2019: 70 BPS)	**EXPENSES GROWTH** ▼ (1,1%) to R15,4bn	**COST-TO-INCOME RATIO** ▲ 56,4% (June 2019: 55,4%)
NAV PER SHARE ▲ 1,6% to 18 075 cents	**CET1 RATIO** ▼ 10,6% (June 2019: 11,3%)	**Prudential Authority D3/2020 relief** R119bn of client loans	**LCR** ▼ 114,5% above 80% requirement (June 2019: 115,4%)

2020 INTERIM RESULTS COMMENTARY

BANKING AND ECONOMIC ENVIRONMENT

Global economic conditions in the first quarter of 2020 were relatively weak as a result of the growth slowdown in China, but the global economy was severely impacted in the second quarter from the effects of the Covid-19 pandemic, aptly called the Global Lockdown Crisis (GLC). The GLC started out as a health crisis and quickly became an economic crisis, triggering a dominant risk-off environment and significantly higher levels of volatility across global financial markets. From the start of this crisis, the level of government stimulus has been unprecedented and global monetary policies have become more accommodative, with steep interest rate cuts from the first quarter through to the second quarter of 2020. Policy makers and central banks remained cautious even as lockdown restrictions have been eased or lifted from around mid-May in most developed countries. With the easing of lockdown restrictions in some geographies, global-activity indicators are starting to improve but most are still well below precrisis levels and much uncertainty still remains amid the resurgence of second-round infections. While a global recession in 2020 is a certainty, rising tensions between the US and China around trade, technology and investment could further deepen this recession.

The Covid-19-induced crisis has also inflicted considerable strain on emerging markets as global investors opt for safe-haven assets until the spread of the virus is contained and some of the extreme lockdown measures are lifted. Better-than-expected growth in China over the second quarter of 2020 was encouraging, but reflected mainly a rebound from a low base in the first quarter, as the economy was reopened after the strict lockdown. For much of sub-Saharan Africa, the number of Covid-19 cases has so far remained very low, but infections are still rising. In the region the immediate priority remains to protect lives, to strengthen local health systems, to contain the outbreak and to provide Covid-19-related fiscal support. The sub-Saharan Africa economy is expected to contract by 3,2% in 2020, reflecting not only the disruptions caused by the pandemic, but also other country-specific political and structural factors.

In SA recessionary conditions deepened in the first quarter of 2020, fuelled by power outages, the slow pace of structural reforms, a fiscal position that is unsustainable without a material increase in economic growth, as well as shrinking global activity due to the Covid-19 pandemic, which in turn prompted a strict economic lockdown at the end of March. The rapid escalation of the Covid-19 pandemic was followed by the Moody's and Fitch downgrades of the SA sovereign credit ratings, which combined to place unprecedented pressure on the local economy in the second quarter. The SA government responded by announcing a R500bn fiscal relief package. While the 2020 Supplementary Budget set out a roadmap to stabilise government debt and reprioritise expenditure, it also revealed the dramatic extent of the deterioration in government's finances, with the consolidated budget deficit set to rise to about 15% of GDP. The ongoing government support of many struggling state-owned enterprises (SOEs) and lack of growth enhancing reform have led to increased scepticism about the country's ability to execute on its debt consolidation plan. The poor fiscal outlook is likely to continue to hurt the global risk appetite for investing in SA assets.

Prior to the lockdown, disposable income had declined, with consumer spending over the first quarter held up by increased borrowing, albeit at a slower pace. As a result, the ratio of household debt to disposable income rose slightly to 73,7% from 73,0%, compared with a peak of 87,8% during the GFC. The lockdown placed significant pressure on households' already fragile finances and consumer spending is expected to contract sharply in the second quarter. Industry turnover data from our point-of-sale (POS) devices and digital channels highlight a large decline in overall sales activity in April and subsequent recovery in May, June and July. Compared to that for March, overall industry turnover data from our POS devices and digital channels for April, May, June and July was 47%, 73%, 82% and 89% respectively. Industries that held up well include telecommunications, grocery retail and wholesale stores, while airlines, entertainment, hotels and restaurants were most adversely affected.

Inflation surprised on the downside, decelerating to 2,1% in May 2020, contained mainly by weak domestic demand and lower oil prices, which largely outweighed the impact of the weaker rand. Inflation has likely troughed and is forecast to drift higher during the second half of the year. The upward trend is likely to remain muted, with inflation forecast to average 3,3% this year. In response to the Covid-19-induced crisis, subdued inflation outcomes and the muted inflation outlook, SARB's Monetary Policy Committee cut interest rates by a cumulative 300 bps from January up to July 2020.

In the first half of 2020, the SA banking sector operated under an increasingly challenging environment. Retail transactional activity was heavily impacted by the lockdown restrictions. While transactional activities are recovering, with the gradual easing of lockdown restriction, volumes, in general, remain below precrisis levels. Trading activities benefited from increased market volatility and showed strong increases. Corporate deal-flow across various sectors slowed down. Credit risks increased significantly, primarily impacted by the frontloading of forward-looking IFRS 9 portfolio impairments, based on a deteriorating macroeconomic outlook as well as increased levels of default and declining security values.

SA entered the GLC in a much more difficult economic position than it did the GFC. However, when compared to its position during the GFC, the banking system is in a stronger position, as reflected in higher levels of capital and surplus liquidity (largely as a result of Basel III). Overall credit growth in the recent pre-GLC period (5% to 7%) has been slower than pre-GFC (more than 20%). Impairments during the GLC are likely to be higher when compared with GFC impairment levels, due to the frontloading of impairments under forward-looking IFRS 9 macro-factor models (faster impairment recognition), which is materially different from the previous IAS 39 accounting (slower impairment recognition) for incurred losses used during the GFC. While the GFC was a financial crisis, triggered by credit overextension (particularly in residential mortgage loans) and high levels of gearing, rippling through the financial markets and translating into an economic recession, this is a health crisis, which has morphed into an economic crisis.

REVIEW OF RESULTS

Nedbank Group's financial performance in the first half of 2020 reflects the impact of the Covid-19 pandemic and resultant lockdown from the end of March 2020 as HE declined by 69,2% to R2,1bn. The decline was driven by a significant increase in impairments, including R2,9bn related to IFRS-9 macro-model adjustments and judgemental overlays for estimated Covid-19-related impacts and expected future job losses. In addition, HE reflects the negative impact of lower interest rates on endowment income, as well as a slowdown in retail lending and transactional activity, particularly during Q2 2020, as well as negative revaluations to unrealised private-equity investments driven by lower listed market prices and increases in the cost of equity. Expenses were very well managed and declined on the prior period. Preprovisioning operating profit declined by 7,9%, largely reflecting the negative impacts on NIR. HEPS and EPS declined by 69,5% to 438 cents and by 81,0% to 270 cents respectively, in line with the trading statement released on 20 August 2020, which highlighted a decline of between 67% and 72% and between 79% and 84% respectively. The larger decline in EPS when compared with HEPS can be primarily attributed to a R750m impairment, in terms of IAS 36, of the group's investment in Ecobank Transnational Incorporated (ETI). DHEPS declined by 69,2% to 434 cents.

ROE was lower than in December 2019 at 4,8% and ROA decreased by 77 bps to 0,36%, reflecting the combined impact of lower earnings and higher capital. Return on RWA decreased from 2,02% to 0,66%.

NAV per share of 18 075 cents increased by 1,6% yoy as other comprehensive income of R1 659m increased by more than 100%, reflecting significant FCTR gains.

The group maintained strong capital and liquidity positions. Our IFRS 9 fully phased-in CET1 and tier 1 capital ratios of 10,6% and 11,7% respectively remained above our revised minimum board targets of 10,0% to 12,0% and greater than 11,25% respectively, and well above the SARB minimum requirements of 7,0% and 8,5% respectively (excluding D-SIB and idiosyncratic buffers). An average LCR for the second quarter of 114,5% was well above the adjusted regulatory minimum level of 80% under the PA's D1/2020 (revised from 100%) and an NSFR of 114% was well above the 100% regulatory minimum. Notwithstanding this, in line with the PA's G4/2020, the board deemed it appropriate not to declare an interim ordinary dividend for Nedbank Group for the period ended 30 June 2020.

Group strategic focus

The impact of the Covid-19 pandemic has resulted in a tilt in our strategic focus since the lockdown started towards the end of March 2020. Initially, our focus was on 'Resilience', as we managed the group through the most restrictive phases of the lockdown and the extreme volatility in financial markets. Our current focus on 'Transition' continues as the lockdown levels ease and we reintegrate our full suite of financial services, and our focus in H2 2020 and beyond is to 'Re-imagine' as we strategise for emerging stronger in a post-Covid-19 world.

Resilience (Manage the crisis) – The focus throughout the period of the pandemic has been on ensuring the health, safety and wellbeing of our staff. In level 4 and 5 of lockdown we invoked business continuity plans (BCPs) and enabled remote working across the enterprise as we continued to deliver essential banking services. Additionally, we focused on ensuring our IT systems were stable and available, undertaking stress-testing scenarios and modelling potential economic outcomes, educating clients and staff regarding digital solutions and capabilities available to them, providing debt relief to qualifying clients, launching new digital solutions such as Avo (a repurposed platform solution for essential services) and enabling clients to transact through digital channels. From a financial perspective, our focus was on managing liquidity, capital, market and credit risk, and at the same time managing discretionary costs with less focus on profitability other than as an initial buffer against capital.

Transition (Enable recovery) – The phase we are currently in entails moving from managing the crisis to dealing with the implications thereof and reintegration of the business in a phased manner (in line with government lockdown levels). The focus is mitigating downside risk, providing ongoing support to clients, managing costs and continuing to deliver world-class client experiences while remaining alert for any second wave of infections and market volatility.

Re-imagine (Strategise for a new normal) – Looking forward, the environment for our staff, clients and other stakeholders, as well as the world of financial services and banking, is likely to be materially different after the Covid-19 pandemic. We will seek to identify opportunities to create new streams of revenue, enhance operations and optimise the structure of our businesses. Key components of this strategy will include digital leadership and market-leading client experiences, Target Operating Model 2.0 (TOM 2.0, including optimising our branch infrastructure in the context of an increasingly digital world, a shift in our RBB structure to be more client-centred, as well as shared-services optimisation across the group), Strategic Portfolio Tilt 2.0 (including leveraging our balance sheet to grow transactional revenue) and exploring new growth vectors.

Leveraging our strategic foundations

Delivering the Nedbank strategy over the past few years has positioned us well in building foundational enterprise capabilities that have been beneficial during the Covid-19 pandemic. During the first six months of 2020, our focus on delivering market-leading client experiences was evident in the rollout of various new digital innovations and enhanced client satisfaction ratings. In particular, our technology investments [with our Managed Evolution (ME) IT strategy and Digital Fast Lane (DFL) as key components] have provided an enhanced digital platform to enable delivery of new digital products and services and faster product development, as well as operating efficiencies as we pivot our strategy in the current environment.

- **Delivering innovative, market-leading client experiences**
  - **Eclipse:** Our simplified digital client onboarding platform for individual clients continued to gather pace, allowing clients to open FICA-compliant accounts remotely through our staff-assisted and self-service channels. All new individual client applications, transactional products and personal-loan sales are now processed through Eclipse. During the period we expanded digital product sales to include personal loans, investments, and transactional and savings accounts, with overdrafts and card to be piloted over the coming few months. Juristic client onboarding in RBB was rolled out in the fourth quarter of 2019 and more than 90% of all juristic onboarding in RBB is being completed end-to-end on Eclipse, with progress in June at 96%. Juristic client onboarding in CIB is currently in rollout that started in July.
  - **Apps:** The Money app, which makes banking more convenient for our retail clients, has been downloaded 5,5 million times (including multiple devices), with more than 900 000 clients using it actively. The Nedbank Private Wealth app, which offers integrated local and international banking capabilities, has been downloaded 20 779 times.
  - **Avo:** In response to the crisis creating challenges for many clients to access essential services such as healthcare and home repair services, we launched our market-leading digital innovation Avo, which is a one-stop super app enabling clients to buy essential products and services online and have them delivered to their home. Since its launch in app stores on 19 June 2020, Avo has signed up more than 45 000 customers, along with over 750 businesses registering and offering their products and services on this e-commerce platform.
  - **Tap on Phone:** We launched SA's first tap-on-phone functionality, allowing all merchants and business owners to convert their cellphones into payment acceptance devices in order to meet the needs of customers who are increasingly looking for contactless ways to pay. This tap-on-phone functionality is a first for Africa, and Nedbank is currently the only bank to offer this capability.
  - **Loyalty and rewards:** Our enhanced loyalty and rewards solution – a money management programme offering triple benefits (incentives for better money management and doing good for society and towards clients earning rewards) continued to gain traction. To date we have 800 000 Greenbacks members on the new platform and have so far acquired 172 000 new members in 2020.
  - In Nedbank Africa Regions we launched a money transfer service (SendMoney) and a new personal online banking solution in Lesotho, Namibia and eSwatini. With SendMoney, clients using the Nedbank Money App (Africa), Online Banking and mobile banking can send cash to any local cellphone or account number.

- **Being operationally excellent in all we do**
  - Cost discipline during the period increased as we actively managed discretionary spend and leveraged existing initiatives to optimise our cost base. These included the reduction of our core systems from 250 to 106 since the inception of the Managed Evolution (ME) programme (11 since December 2019), and we are on track to reaching our target of fewer than 85 core systems by 2020. The rationalisation, standardisation and simplification of core banking operating systems leads to reductions in infrastructure, support and maintenance costs, and complexity, as well as and increased agility in adopting new innovations. Overall, investments in various foundational IT programmes are either complete or nearing completion and we expect IT cashflow spend to decline from 2021 onwards.
  - During H1 2020 additional self-service options for functions that were available previously only in branches or through staffed channels were released on our digital channels, taking the total digital functions to 168 (compared with 86 in H1 2019). This digitisation of services in RBB, along with the impact of the lockdowns, has enabled us to reduce branch teller volumes by 44%. Branch floor space decreased by almost 46 000 m^2 to date, and we plan to achieve more than 49 000 m^2 of optimisation by 2020 (equating to approximately 25% of our branch floor space in 2014 when we started the journey). Over the past 12 months we reduced total group headcount by 1 880 (mainly through natural attrition) and optimised our staffed points of presence by closing 24 points of presence.
  - Through our strategy of consolidating and standardising corporate real estate, our number of campus sites (offices) decreased from 31 to 26 over the past two years, with a longer-term target of 23. Since 2016 we have saved 59 000 m^2 (over and above the almost 46 000 m^2 saved in our branches). In the next few years we will continue to optimise the portfolio by enhancing workstation utilisation to greater than 100% (from the current 90%) by enabling flexible office constructs to support more dynamic ways of work as well as leveraging successful work-from-home experiences as a result of Covid-19, while creating further value and cost-reduction opportunities.
  - Our TOM 1.0 recorded savings of R353m in H1 2020 and cumulative savings of R1,5bn to date, which is ahead of our R1,2bn target by December 2020 as disclosed in the corporate performance targets in our long-term incentive scheme. As we progress our ME journey, we are finalising TOM 2.0, which will look at the shape of our branch infrastructure in the context of an increasingly digital world, a shift in our RBB structure to be more client-centred, as well as shared-services optimisation across the group. We anticipate targets for TOM 2.0 will be communicated to the market in early 2021 and savings and benefits to be significantly higher than TOM 1.0.
- **Strategic progress in Nedbank Africa Regions**
  - In Central and West Africa, where we have an alliance with ETI, we continue to work closely with the ETI board and other strategic shareholders to address ETI's challenges in the Nigerian business. Our focus on unlocking value from our strategic partnership continues, with more than 120 Nedbank wholesale clients banking with ETI, and we continue to work closely to leverage ETI's extensive local presence on the continent to increase the commercialisation of collaboration initiatives and business flows.
  - In SADC, where we currently own, manage and control five banks, the disposal of our 100% shareholding in Nedbank Malawi was finalised in H1 2020. On the back of a challenging macroeconomic environment in Zimbabwe we made progress on the restructure of Nedbank Zimbabwe and this will be completed in H2 2020. The increase of our shareholding in Banco Único (Mozambique) from 50% plus one share to 87,5% was finalised in H1 2020.

USING OUR FINANCIAL EXPERTISE TO DO GOOD

Nedbank continues to play an important role in society and in the economy, and this role has been elevated during the Covid-19 crisis. We remain committed to delivering on our purpose of using our financial expertise to do good and to contribute to the wellbeing and growth of the societies in which we operate by delivering value to our staff, clients, shareholders, regulators and society.

Staff

- We have not retrenched any staff as a result of Covid-19 and have paid our 28 697 staffmembers salaries and benefits of R8,1bn. Despite some staff qualifying, we have not claimed against any of the Unemployment Insurance Fund TERS subsidies.
  - Before the crisis emerged, we concluded annual salary increases with our bargaining-unit staff at 6,3% with non-bargaining-unit staff receiving increases of no more than 4,0% and the blended average staff salaries increasing by 4,7%.
- Our Nedbank Group executives, other senior management and boardmembers received nil increases in their guaranteed pay for 2020.
- We enhanced staff-related wellbeing services in light of Covid-19 and increased our focus on social distancing, sanitation and health practices, including the provision of personal protective equipment for our staffmembers.
- We significantly amplified our communication and established a dedicated Covid-19 portal to provide related news, updated policies, health guidelines, frequently asked questions and other related information.
- Our staffmembers completed online Covid-19 training and 86% acknowledged and signed the Nedbank Covid-19 pledge, which entails setting an example for fellow Nedbankers, our families, clients and communities in preventing the spread of Covid-19.
- We enabled more than 16 500 staffmembers to work from home (77% of campus-based staff) as BCPs were seamlessly activated with the ongoing support of our technology teams.
- We accommodated 619 staffmembers not falling into the essential-services category and unable to fulfil their daily functions from home with the provision of paid special leave.
- We grew online training exponentially and made LinkedIn licences available for staff to upskill themselves, with 22 085 online courses and over 37 000 hours of LinkedIn Learning courses completed to date.
- Notwithstanding the crisis, we continued to focus on transformation as a key imperative to ensuring Nedbank remains relevant in a transforming society. Black representation at board level is 67%, at executive level it is 50% and for our total staff it is just more than 79%. Female representation at board level is 27%, at executive level is 50% and for total staff is 62%.

Clients

- We safeguarded R944bn of deposits at competitive rates.
- We supported clients by advancing R104bn in new loans to enable them to finance their homes, vehicles and education, as well as to grow their businesses.
- Under the PA's D3/2020 we supported more than 375 000 clients who were in good standing at 29 February 2020, with payment relief (payment holidays) on R119bn of loans.
- We provided an online portal for clients to access various debt relief programmes by leveraging the onboarding capabilities that we have built and we digitised debt relief application processes on our digital channels.
- We reduced card minimum monthly repayment rates for clients from 5% to 2,5% and this benefit has been in place since level 5 of lockdown.
- Clients who have a Nedbank Personal Loan and who have lost

their income can claim against credit life protection, which covers up to 12 months of debt payments (amounting to R74m paid in H1 2020).

- We implemented our end-to-end digital onboarding, sales and servicing capabilities as part of our ME technology journey, which have proven to be beneficial in this time, with digital sales increasing to 53% (from 18% in H1 2019).
- Our clients' access to banking improved, as digitally active retail users increased by 8% to 1,85 million.
- Nedbank won various awards at the prestigious Global Banking and Finance Awards for Excellence 2020 in recognition of the progress we made and its leadership in digital banking. The awards included Best Banking Technology Implementation in South Africa (Managed Evolution), Most Innovative Digital Branch Design in South Africa, Most Innovative Retail Banking App (Nedbank Money app) in South Africa for the second year in a row, Best Retail Bank in South Africa and CIO of the Year in South Africa.
- Our focus on client satisfaction during the crisis enabled Nedbank to be ranked number one or two on social-media net sentiment by BrandsEye, and Nedbank has held the number one position for three months of the lockdown.
- Nedbank's brand ranking among SA companies increased from 11th in 2019 to eighth in 2020 and it was only one of two banking brands to improve yoy in the 2020 annual review by Brand Finance of the most valuable brands in SA.

Shareholders

- Globally, bank share prices have been impacted by the advent of the Covid-19 pandemic and similarly bank share prices in SA declined. We are disappointed that the Nedbank share price declined 53% in the period to June 2020 (compared with the SA bank index decline of 41%) and are focused on ensuring we can return our financial performance to pre-Covid-19 levels as soon as possible.
- We paid the final 2019 dividend to the value of R3,4bn in April 2020.
- We successfully hosted our first virtual AGM in 2020 and recorded good voting outcomes.
- Nedbank became the first company in SA to proactively table two climate-change-related resolutions, which shareholders unanimously supported as both received 100% votes of approval.
- We ensured transparent, relevant and timeous reporting and disclosure to shareholders as we proactively leveraged our virtual platforms during the lockdown in support of social-distancing measures.
- We hosted numerous virtual investor engagements in the first six months of 2020, which were accompanied by a significant increase in investor attendance and participation.

Regulators

- We worked closely with the government, regulators and the Banking Association SA in an effort to mitigate the risks of Covid-19 and the associated lockdowns on the economy and the safety and soundness of the SA banking system.

  Key developments included:

  » SARB changing its liquidity management strategy to assist with the orderly transmission of liquidity through the financial system. Through D1/2020 the regulatory minimum for the LCR was reduced from 100% to 80%.

  » The PA issuing D3/2020, amending the requirements specified in D7/2015 to provide temporary relief to banks for qualifying clients whose loans were up to date at 29 February 2020 when dealing with any Covid-19-related distressed restructures.

  » The PA issued D2/2020, which allows for the temporary removal of the systemic risk buffer, or Pillar 2A capital requirement, which was reduced from 1% in total CAR to zero. Banks are allowed to use their capital conservation buffers, including the additional loss absorbency requirements that were built up by D-SIBs. In the event that the capital conservation buffer must be utilised, banks must individually consult the PA.

  » A block exemption was issued by the Department of Trade, Industry and Competition allowing the banks to collectively formulate the SME loan guarantee scheme with National Treasury and SARB and to engage and agree on client relief measures, such as assisting Sassa beneficiaries and announcing payment holidays during the pandemic.

- We achieved a strong capital position, with a tier 1 capital ratio of 11,7% and CET1 ratio of 10,6%.
- We achieved a strong liquidity position, with an average LCR of 114,5% in the second quarter of 2020 and an NSFR of 114% at 30 June 2020.
- We hold investments of over R125bn in government and public sector bonds as part of our HQLA requirements.
- We made cash taxation payments across the group of R4,7bn relating to direct, indirect and employee taxes, as well as other taxation.

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 and through our own operations, we aim to play our part to enable a thriving society, create long-term value and maintain trust to ensure the success of our brand. This is particularly important in the current context of SA as well as the broader African continent.
- We have adopted the United Nations SDGs as a framework for measuring delivery on our purpose, and this has proven very important during this time. We continued to make progress in driving groupwide adoption, awareness and delivery of the SDGs in order to bring our purpose to life. Key highlights include the following:

Good health and wellbeing (SDG 3)

- We donated R14m towards Covid-19 relief efforts: R5m provided to The South African Red Cross Society and R2m to Doctors Without Borders.
- We actively engaged in numerous health and economic interventions through the Banking Association SA, Business Leadership SA and Business Unity SA (including Business4SA).

Quality education (SDG 4)

- We provided student loans to the value of R30m to 476 students in the first six months of 2020.
- Our sponsorship of the Thuthuka Education Upliftment Fund annually supports 45 students who are pursuing an academic qualification towards becoming chartered accountants in SA, and we have funded the qualification of 55 black chartered accountants.
- Our CSI spend totalled R64m in the first half of 2020 and included R28m allocated to basic and tertiary education.

Clean water and sanitation (SDG 6)

- We continued to work with key water players to address issues with services, including providing advisory services and funding for significant water projects, such as Nafasi Water.
- We decreased our own total water consumption by 1,6% as a result of strict water restriction measures, floorspace consolidation and reduced levels of staff at our campus sites.

Affordable and clean energy (SDG 7)

- Nedbank launched a R2,0bn SDG-linked, tier 2 capital instrument (SDG green bond), which is the first of its kind in SA, listed on the Green Bonds segment of the JSE and created in partnership with the African Development Bank. Proceeds will be used to fund solar and wind renewable-energy projects.
- To date we have arranged 42 renewable-energy projects in SA's Renewable Energy Independent Power Producer Procurement programme, paying out R29bn as part of a R40bn commitment

that has recently been increased by the board to R50bn as we await bids to open for the fifth round of projects.

- We concluded financing transactions worth over R700m with leading developers in the embedded-generation space as well as our commercial and agriculture clients.

Decent work and economic growth (SDG 8)

- We developed new digital solutions to facilitate greater banking access and lower banking costs for our clients, including a USSD-based application process for onboarding informal traders allowing them to accept payments digitally at no cost to them and limiting handling of cash for their safety during the pandemic.
- We launched the Nedbank Small Business Services Startup Bundle, which is a bank account for new small businesses offering zero monthly maintenance fees for the first six months.
- We facilitated the distribution of R297m of loans to small businesses as one of the banks administering the South African Future Trust scheme, at no cost to the fund, while we also waived our normal fees for all loans approved under the scheme.
- We enabled our staff and clients to contribute R143m to the Solidarity Fund through the Money app, Online Banking and the Nedbank website.

Reduced inequalities (SDG 10)

- We waived ATM withdrawal charges for Sassa clients and Saswitch fees for all clients during levels 4 and 5 of the Covid-19 lockdown.
- Nedbank partnered with the Department of Small Business and Development to assist spaza shops and general dealers to access support during the Covid-19 crisis, with 2 066 spaza shop owners assisted to date, including the supply of prefunded procurement cards allowing purchases at selected wholesalers and onboarding through our Nedbank branches and Boxer stores.
- We added the Nedbank Insurance Funeral Plan onto five Nedbank digital platforms, including the Money app, Online Banking, USSD, API_Marketplace and Avo, to provide online access to our clients and enable financial inclusion.
- In our own operations 78% of our procurement spend was used to support local SA business and we processed early payments due to 925 SMME suppliers during the Covid-19 lockdown to support and improve their cashflows.

Sustainable cities and communities (SDG 11)

- We disbursed R409m towards the development of affordable housing for lower-income households, bringing our five-year investment in this key sector to R4,6bn.
- We provided funding of R263m for the construction of buildings that conform to green building standards, bringing to over R10bn the amount of funding provided to this important sector to date.
- We provided further funding for the development of student accommodation of R472m, creating 4 772 beds.

Responsible consumption and production (SDG 12)

- We donated R1m to SA's largest food redistribution charity, FoodForward SA, to help commercial farmers scale up and provide critical food provisions to the most vulnerable groups across the country that are urgently needed during the Covid-19 crisis.

CLUSTER FINANCIAL PERFORMANCE

Nedbank Group's HE declined by 69,2% to R2 114m and our ROE of 4,8% was below our estimated cost of equity of 14,6% for the first time since the GFC. ROEs were lower across all our frontline clusters as HE declined given the difficult macroeconomic environment and added impact of the Covid-19 crisis.

	Change (%)	HE (Rm)		ROE (%)	
		Jun 2020	Jun 2019	**Jun 2020**	Jun 2019
CIB	(57,1)	**1 416**	3 298	7,3	19,2
RBB	(91,2)	**228**	2 590	1,5	17,3
Wealth	(20,5)	**362**	455	17,1	22,3
NAR	> (100)	**(24)**	293	(0,8)	9,8
Centre	(43,6)	**132**	234		
Group	(69,2)	**2 114**	6 870	4,8	16,8

CIB HE declined by 57,1% to R1,4bn, while the division delivered an ROE of 7,3%. HE were primarily impacted by an increase in the CLR to 127 bps from 16 bps in the prior year, as IFRS 9 macro-model adjustments and overlays of R1,2bn were raised and stage 3 impairments increased as a number of watchlist clients came under pressure. NII growth of 2,1% was underpinned by strong growth in average banking advances as clients drew down on committed facilities to manage their businesses through the crisis. NIR declined by 11,9%, impacted by client activity and negative private-equity revaluations, notwithstanding strong trading income growth given increased market volatility. JAWS remained resilient at -0,2%.

HE in RBB declined by 91,2% to R228m and ROE declined to 1,5%. The lower HE were mainly due to higher impairment charges, including R1,9bn of Covid-19-related overlays (R500m of this offsetting macro-model adjustments). The CLR increased to 269 bps and is above the cluster's TTC target range of 130 bps to 180 bps. Revenue growth was impacted by muted advances growth, especially in April and May, and NIM pressure from lower interest rates, while NIR decreased as client-related transactional activity slowed during the lockdown. A reduction in expenses was supported by the management of discretionary spend and ongoing optimisation of processes and operations, including headcount reductions of 1 228, largely through natural attrition.

Nedbank Wealth HE were down by 20,5% to R362m, with an ROE of 17,1%. Wealth Management experienced a decline in earnings due to a reduction in global interest rates and as impairments increased locally. Asset Management delivered robust growth, benefiting from higher performance fees and 13,7% growth in AUM to R367bn. Insurance was negatively impacted by the lower interest rates on actuarial reserves, the effect of poor JSE market performance on shareholder funds and an increase in retrenchment claims. This was offset by an improved non-life claims experience relative to the prior year.

As of January 2020 the Rest of Africa business rebranded and changed its name to Nedbank Africa Regions. Africa Regions' HE decreased by 108% to a loss of R24m and ROE declined to -0,8%, due mainly to the impact of Covid-19 on the SADC operations, with higher impairments (up by 94%) and the continued impact of hyperinflation accounting in Zimbabwe. A headline loss of R28m from our investment in ETI was recorded, inclusive of our share of a 2018 ETI restatement reported in their 2019 results and now included in Nedbank's H1 2020 results. Excluding the restatement, HE from ETI declined by 22% to R208m, reflecting a challenging operating environment in Nigeria before the advent of the Covid-19 pandemic.

The performance in the Centre reflects a R150m (pretax) increase in the central impairment and the base effect in 2019 of the final postretirement medical-aid (PRMA) credit amounting to R255m (after tax). This was offset by fair-value gains as a result of the group's fair-value hedge accounting solution that will partially unwind in H2 2020.

FINANCIAL PERFORMANCE

Net interest income

NII increased 1,0% to R14 969m, supported by strong AIEBA growth of 8,2%. The AIEBA growth was driven by solid growth in CIB advances and higher levels of HQLA held in the banking book.

NIM decreased by 24 bps to 3,33% from 3,57% in June 2019. A negative endowment impact due to 275 bps of rate cuts to June decreased NIM by 18 bps. Liability pricing and the narrowing of the prime-JIBAR spread reduced NIM by a further 6 bps and 3 bps respectively, while HQLA optimisation contributed a 5 bps increase.

Impairments charge on loans and advances

Impairments increased significantly, driven by the impact of Covid-19 on consumers and businesses, and the deteriorating SA macroeconomic environment. The group's impairment charge increased 202% to R7 675m and the CLR was up from 70 bps to 194 bps and as a result moved to above the group's TTC target range of 60 bps to 100 bps. The increase was driven by a R2,9bn charge for Covid-19-related judgemental overlays and IFRS 9 forward-looking macro-model adjustments, as well as the 42% increase in stage 3 advances as clients increasingly came under pressure. The impact of the overlays in H1 2020 was accentuated given the annualisation of the CLR ratio in the first half of the year and is therefore not yet comparable to the full-year GFC CLR peak of 152 bps.

During the period, the group provided D3/2020 payment relief on R119bn of client loans across the portfolio, representing 15% of total loans and advances. The support included R30,5bn for clients in CIB, R78,4bn in RBB, R7,1bn in Wealth and R2,6bn in Africa Regions. R3,0bn of impairments were held against these loans, as they remained mainly in stage 1 or stage 2 of the IFRS 9 models.

Impairments in CIB increased by more than 100% to R2 380m and its CLR, at 127 bps, is above its TTC target range of 15 bps to 45 bps and compares with the 43 bps peak during the GFC. Stage 1 and 2 impairments increased as a result of IFRS 9 macro-model adjustments and overlays amounting to R1,2bn, as well as stage 3 impairments relating to specific counters (most notably those operating in the aviation, business services and selected SOE sectors).

RBB's impairments increased by 122% yoy to R4 836m and its CLR, at 269 bps, increased to above the top end of its TTC target range of 130 bps to 180 bps as a result of R1,9bn judgemental overlays and increased levels of consumer stress resulting in stage 3 impairments increasing 155% yoy to R4,3bn. RBB's CLR compares with 256 bps during the GFC.

The group's central provision was increased by R150m to R400m to account for any additional impairment required due to uncertainty pertaining to, among other things, unemployment rates (job losses), client behaviour and distress beyond the D3 relief period and as other emerging risks, which are not yet reflected in the data, impairment models or macroeconomic forecasts.

CLR (%)	Average banking advances (%)	Jun 2020	Jun 2019	Dec 2019	TTC target ranges
CIB	**47,3**	**1,27**	0,16	0,26	0,15–0,45
RBB	**45,4**	**2,69**	1,28	1,38	1,30–1,80
Wealth	**4,1**	**0,50**	0,14	0,18	0,20–0,40
NAR	**2,9**	**2,10**	1,08	1,01	0,75–1,00
Group	**100,0**	**1,94**	0,70	0,82	0,60–1,00

Overall coverage increased from 2,21% at June 2019 and 2,31% at December 2019 to 2,95% at June 2020 as a result of clients' moving into worse risk buckets and overlays being raised to cater for Covid-19-related risk that is currently not reflected in the ECL models. The stage 1 coverage ratio increased to 0,65% (June 2019: 0,46%), while the stage 2 coverage ratio decreased to 4,68% (June 2019: 4,99%). Stage 3 coverage ratio decreased slightly to 35,4% (June 2019: 37,1%) given the mix impact of CIB increasing faster than that the increase of RBB, some highly secured Property Finance counters moving into stage 3 and the increase in D3 and D7 restructures in Retail, which attract a lower coverage than non-D7 restructures.

Non-interest revenue

NIR decreased by 5,1% to R12 220m, primarily driven by lower levels of client-related transactional activity and lower private-equity revaluations.

- Commission and fee income declined by 9,2% to R8 243m. Transactional activity declined significantly in April, but improved in May and June, although still below the levels achieved prior to lockdown. Main-banked clients declined by 8,8%, particularly in the youth (-25%), entry level (-12%) and SME (-9%) client segments, reflecting lower transactional activity (our measure of main-banked clients) as a result of the lockdown. In the more profitable middle and professional client segments, main-banked client growth was 1% and 4% respectively. Consistently main-banked clients, however, increased by 3,6% (defined as clients who met our transactional activity criteria for each of the past 12 months). Fee concessions in the months of April and May reduced NIR by R104m and has since been reinstated. Commission and fee income in CIB fell by 7,9%, adversely impacted by subdued client activity.
- Insurance income declined by 7,8% to R827m due to the impacts of higher actuarial reserves and the effect of poor JSE market performance on shareholder funds. This was offset by an improved non-life claims experience relative to the prior year due to the absence of catastrophic weather-related events. While retrenchment claims increased by 25% to R74m, these had a relatively small impact on NIR.
- Trading income increased strongly by 43,8% to R3 129m given increased market volatility and higher client volumes in the first half of the year but is expected to slow in the second half of the year on the back of reduced volatility.
- Private-equity income declined to a loss of R765m, primarily due to downward revaluations of unrealised investments as the subdued macroeconomic environment impacted the profitability of investee counters, listed market prices declined and cost of equity increased.
- Fair-value gains from the group's fair-value hedge accounting solution increased more than 100% to R836m and will partially unwind in H2 2020.

Expenses

In response to slower revenue growth, expenses declined by 1,1% to R15 391m as discretionary spend was well managed, incentives declined and optimisation initiatives continued, despite increased levels of Covid-19-related spend.

- Staff-related costs decreased by 2,9% following:
  - average annual salary increases of 4,7% and a reduction in staff numbers of 1 880 since June 2019 (706 since December 2019) largely through natural attrition and including the impact of the sale of Nedbank Malawi (171 staff) in Q1 2020 (total 6,1% reduction in headcount yoy);
  - a 53% decrease in STIs impacted by the group's financial performance and a 73% decrease in LTIs as expected vesting ratios have decreased due to underperformance against corporate performance targets; and
  - the decline was partially offset by the base effect of the PRMA pretax credit of R354m in H1 2019 and a R121m increase in the leave expense as locked-down staffmembers took less leave.
- Computer-processing costs increased by 16,7% to R2 698m, driven by the increase in the amortisation charge of 22,8%, which slowed from the prior-year growth of 28,2%.

- Other cost lines were well managed and reflect the management of discretionary spend during the crisis. Savings were recorded across travel, communication, marketing and training. In addition, we unlocked cumulative benefits of R1 500m (H1 2019: R826m) from process enhancements and implementing our Target Operating Model (TOM 1.0), mainly in RBB.
- Covid-19-related spend of R40m includes the provision of personal protective equipment, additional spend to comply with health and safety regulations, and international consulting support relating to impairment model development and provisioning. Increasing demand on technology as a result on Covid-19, such as that arising from working from home, has not had a material impact on our cost base.

The group's decline in expenses of 1,1% was less than the decline in revenue and associate income of 2,9%, resulting in a negative JAWS ratio of 1,8% and the cost-to-income ratio increasing to 56,4% (June 2019: 55,4%).

Hyperinflation accounting in Zimbabwe

In the second half of 2019 the Nedbank Group adopted hyperinflation accounting in Zimbabwe. Given the further depreciation of the Zimbabwean dollar, a R47m net monetary loss was recorded (H1 2019: nil, 2019: R142m loss). The net monetary loss is lower than in H2 2019, as the Zimbabwean dollar depreciated in line with the underlying CPI inflation, whereas in H2 2019 the Zimbabwean dollar depreciated more slowly than the underlying CPI inflation.

Earnings from associates

Associate income of R76m, relating to the Nedbank Group's 21% shareholding in ETI for the period ended 30 June 2020, has been recognised. This includes accounting for our share of ETI's Q4 2019 and Q1 2020 earnings (in line with our policy of accounting for our share of ETI's attributable earnings a quarter in arrear), as well as Nedbank's share of the US$79,5m restatement of ETI's 2018 income statement for interest accruals on oil market exposures that had to be reversed in terms of Central Bank of Nigeria regulations as disclosed by ETI in its 2019 results announcement on 24 March 2020. The impact of the restatement was a R236m reduction in Nedbank's associate income in H1 2020. Excluding accounting for this ETI restatement, associate income relating to ETI was R312m (H1 2019: R381m). The total effect of ETI on the group's HE was a loss of R28m (H1 2019: R264m profit), including R104m of funding costs.

Due to the prolonged decline of ETI's listed share price below its carrying value, Nedbank reviewed its impairment provision at 30 June 2020. While various scenarios supported a value-in-use calculation above the carrying value of our investment, in the current environment more weight was given to downside scenarios and an additional impairment of R750m was raised. Our position will be reassessed again at 31 December 2020 year-end.

Accounting for associate income and the impairment of our investment in ETI, 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 R2,7bn at 31 December 2019 to R2,4bn at 30 June 2020. ETI's listed share price on the Nigerian Stock Exchange decreased 23,9% during the first half of 2020 (broadly in line with the Nigerian Banks Index), which resulted in the market value of the group's investment in ETI decreasing to R1,2bn at 30 June 2020.

Total comprehensive income

Other comprehensive income increased by more than 100% to R1 720m primarily as a result of R1 444m foreign currency translation gains in the period as the rand weakened against most currencies. This gain partially offset the 69,2% decline in HE, resulting in total comprehensive income declining by 40,4% to R3 561m.

STATEMENT OF FINANCIAL POSITION

Capital

The group remains adequately capitalised, at levels significantly above the minimum regulatory requirements and well above the levels during the GFC, with a tier 1 ratio of 11,7% and a CET1 ratio of 10,6%. The CET1 ratio was achieved after absorbing the final 2019 ordinary-dividend distribution of R3,4bn, an impairment of the group's investment in ETI (R750m), further investment in software development as part of the ME programme and an increase in RWA driven by credit growth, credit migration in some CIB portfolios and the effect of significant volatility in market risk RWA.

The tier 1 CAR was impacted by the further grandfathering of old-style preference shares (R531m) in January 2020 in line with the Basel III transitional arrangements. The total CAR included the redemption of R225m tier 2 capital instrument (NED18) and the issuance of new-style tier 2 capital of R2,0bn on 30 June 2020, in line with the group's capital plan. On 1 July 2020 we redeemed R2 031m tier 2 capital instruments (NED19 and NED20) and issued further new-style tier 2 capital of R2 050m.

Basel III capital ratios (%)	Jun 2020	Dec 2019	Jun 2019	Internal target range	Regulatory minimum[1]
CET1	**10,6**	11,5	11,3	10,0–12,0	7,0
Tier 1	**11,7**	12,8	12,3	> 11,25	8,5
Total CAR	**14,3**	15,0	14,6	> 13,0	10,5

(Ratios calculated with full IFRS 9 phase-in and include unappropriated profits. Nedbank's internal board-approved target ranges have been revised so they are aligned with industry benchmarks and align with the lower new regulatory minimum requirements flowing from D2/2020.)

[1] *PA minimum requirements are disclosed excluding bank-specific Pillar 2b and D-SIB capital requirements. The PA issued D2/2020 in April 2020, which provided capital relief to banks in light of the Covid-19 pandemic and temporarily relaxed the Pillar 2A to nil, resulting in regulatory minimum requirements decreasing CET1 by 50 bps, tier 1 by 75 bps and total CAR by 100 bps.*

Funding and liquidity

Maintaining a strong liquidity position remains a priority for the group during the crisis.

The group's three-month average long-term funding ratio was 30,4% for the second quarter, supported by the group's successful capital market issuances.

The group's June 2020 average LCR of 114,5% exceeded the minimum regulatory requirement, with the group maintaining appropriate operational buffers designed to absorb seasonal, cyclical and systemic volatility observed in the LCR. On 31 March 2020 the PA issued D1/2020 reducing the minimum LCR requirement from 100% to 80%, with effect from 1 April 2020.

Nedbank Group LCR	Jun 2020	Jun 2019	Dec 2019
HQLA (Rm)	**187 012**	171 909	177 985
Net cash outflows (Rm)	**163 273**	148 985	142 421
Liquidity coverage ratio (%)[2]	**114,5**	115,4	125,0
Regulatory minimum (%)	**80,0**	100,0	100,0

[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 5,1% to a June 2020 quarterly average of R187,0bn. The increase in HQLA is primarily attributable to an increase in the modelled quarterly average net cash outflows driven by the Covid-19 pandemic where corporates increased holdings of short-term deposits. In response to the higher-quarterly arithmetic average in net cash outflows, Nedbank proactively increased HQLA liquidity buffers. The HQLA portfolio, together with Nedbank's portfolio of other sources of quick liquidity, equated to total available sources of quick liquidity of R235,7bn, representing 19,3% of total assets.

Nedbank exceeded the minimum NSFR regulatory requirement of 100% effective from 1 January 2018 and reported a June 2020 ratio of 114%, compared with the June 2019 ratio of 109,6%.

Banking loans and advances

Gross banking loans and advances increased by 6,8% (ytd annualised) to R808bn (7,4% yoy), driven primarily by an increase in CIB banking advances growth as clients drew on committed facilities during the lockdown.

Gross banking loans and advances growth by cluster was as follows:

Rm	Ytd annualised growth (%)	Jun 2020	Jun 2019	Dec 2019
CIB	9,9	**383 165**	343 786	365 128
RBB	0,8	**364 911**	352 724	363 471
Wealth	8,3	**32 242**	31 528	30 970
NAR	9,5	**23 490**	23 272	22 427
Centre[3]	> 100	**4 218**	1 251	(307)
Group	6,8	**808 026**	752 561	781 689

[3] *Macro fair-value hedge-accounted portfolios and disclosure reallocations.*

CIB gross banking loans and advances grew by 9,9% (ytd annualised) to R383bn, driven by increased levels of client drawdowns, particularly during March and April 2020, foreign currency impacts and new-loan payouts. Commercial Property Finance loans and advances increased by 8,1% to R155bn, as CIB supported clients with drawdowns on existing facilities.

RBB gross loans and advances grew by 0,8% (ytd annualised) to R365bn, impacted by the closure of the deeds office and motor dealerships in April 2020. Applications volumes in April declined to 30%, 17% and 38% for home loans, MFC (vehicle finance) and personal loans respectively as a percentage of March levels. In June 2020 this improved to 133%, 126% and 75% respectively. BB grew advances by 0,4% (the core growth of 6,6% is exclusive of the client migrations to RRB) due to an increase in new-loan payouts, client drawdowns of existing facilities as well as new-client acquisitions. MFC advances increased by 1,1% due to a combination of increases in average payout per deal as well as a slowdown in rundown/attrition. Unsecured Lending grew by 5,0% as a result of product and process enhancements, mostly through digital channels, driving increased takeup. Card advances decreased by 12,9%, challenged by the impact of Covid-19 and clients' reduced ability to spend during the period. Consumer segment residential-mortgage loans grew broadly in line with the industry.

Deposits

Deposits grew by 8,8% (ytd annualised) to R944bn (9,0% yoy), with total funding-related liabilities increasing by 8,8% to R1 006bn, while the loan-to-deposit ratio improved to 87,3%.

CIB grew deposits by 11,6%, RBB by 4,2%, Wealth by 26,5%, Africa Regions by 19,2% and the Centre by 4,4%. The strong growth in Wealth deposits can be attributed to the translation effect of foreign currency deposits being impacted by the weaker rand.

From a group perspective, current and savings accounts (CASA), along with cash management deposits, increased by 13,7%, driven by increased short-term operational cash requirements by businesses impacted by Covid-19. In contrast, call and term deposits decreased by 2,4% and fixed deposits increased by only 8,2%, due to the beforementioned shift towards short-term operational deposits. NCDs and other deposits grew by 17,0% as a result of increased institutional and financial corporate demand for term deposits following the interest rate cuts and the steepness of the yield curve. The demand for other deposits was also linked to client appetite for increased deposit duration in an environment of slow growth and lower interest rates and contributed positively to managing Nedbank's contractual longer-term funding ratio. Foreign funding, although small in relative terms for Nedbank, increased by 22,7% given the depreciation of the rand.

Economic outlook

The global economic outlook remains weak, clouded by the uncertainty surrounding the spread of Covid-19. Global developments in the third quarter are showing some recovery in the northern hemisphere, whereas infection rates are still peaking in the southern hemisphere and therefore an uneven and moderate global recovery is expected during the second half of 2020 and into 2021. On the upside global financial markets have rebounded strongly from the selloff in March, supported by hopes that the pandemic will be defeated through either effective treatments or a vaccine and that the world economy will make some recovery. However, the trajectory beyond the third quarter is generally expected to be slow. The outlook remains uncertain, undermined by the threat of a second wave of Covid-19 infections; the escalation in geopolitical tensions between the US and China; and the likely significant indirect effects of the lockdown on global trade, company earnings and employment levels the world over. The IMF has revised its projected world GDP contraction to 4,9% from the 3,0% anticipated in April, while the World Bank expects a deeper recession of a 5,2% contraction in global output. The outlook for developing economies is considerably worse than initially expected, as global restrictions on the movement of people and goods, as well as domestic containment measures, have reduced economic activity at a steep rate. Growth in sub-Saharan Africa has been revised down by the IMF to a contraction of 3,2%, double the 1,6% decline anticipated in April.

The outlook for the SA economy remains weak. Household finances are forecast to remain under pressure in the second half of the year. Unemployment is expected to rise sharply over the next two quarters and is unlikely to recover quickly. Some improvement is expected later in the year, which, coupled with record low interest rates, is forecast to provide some support to consumers, reducing debt service costs and freeing up disposable income for discretionary spending. However, the recovery is expected to be weak and too late to prevent a sharp contraction in real GDP over the year as a whole. We currently forecast a contraction of around 7,0% in 2020, followed by a modest growth of around 2,5% in 2021.

Inflation bottomed in May and is forecast to drift higher during the remainder of 2020, primarily on the back of higher fuel prices, annual increases of administered prices and a fragile rand vulnerable to abrupt changes in foreign investor sentiment, with the rand remaining volatile given mounting fiscal risks. Inflation is expected to end the year at around 3,2% and average only 3,3% in calendar 2020. Interest rates are probably close to the trough in this cycle and are forecast to remain steady at current levels for an extended period. In the very short term the risk to the interest rate outlook resides on the downside, with the possibility of a further 25 bps cut in September or November.

Despite the difficult and uncertain operating environment as the Covid-19 crisis is still unfolding, the SA banking system remains sound, liquid and well capitalised. Significantly lower interest rates and the easing in prudential requirements should translate into some credit growth. Nonetheless, underlying conditions are unsupportive. Household credit demand will be undermined by job losses, declining incomes and weak confidence. Corporate credit demand will decline in line with the drop in earnings and remain contained by weak levels of confidence, unreliable electricity supply and expectations of a slow recovery.

Prospects

Our guidance on financial performance for the full year 2020, in a global and domestic macroeconomic environment with significantly increased forecast risk, is currently as follows:

- **NII** growth to be between 0% and a decline of 5% compared with the +1% growth in H1 2020 as loan growth for the full year is expected to remain positive, but slow from H1 levels, and the NIM is expected to contract further on the back of the run rate of the full impact of interest rate cuts on endowment. Our current forecast is for interest rates to remain flat for the remainder of the year. The key risks include a significant decline in retail and/or wholesale loan growth as consumer and business confidence levels remain depressed. Key risks for the NIM include the impact of a significant change in interest rates given our R1,3bn NII sensitivity for a 100 bps change in interest rates over a 12-month period and/or a material change in advances mix.
- **CLR** to be between 150 bps and 185 bps, above our TTC target range of 60 bps to 100 bps, but below the H1 2020 level of 194 bps given the annualisation impact of the IFRS 9 macro-factor adjustments and judgemental overlays in H1 2020. Key risks for the CLR falling outside this range include a better- or worse-than-expected macroeconomic environment, a better- or worse-than-expected performance of the D3 restructured loans (including the extent of job losses) and/or a significant unsecured corporate default/s.
- **NIR** to decline by between 7% and 11% compared with the -5% in H1 2020 as transactional activity remains depressed as a result of the lockdown. Key risks for NIR growth to performing outside this range include the impact of any changes in future lockdown levels on transactional activity, movements in macro fair-value hedge portfolios, further material revaluations of the private-equity portfolio and possible benefits from volatility in trading income (our expectation is for trading income to slow considerably in H2).
- **Expenses** growth to be between a decline of 1% and a decline of 4%, compared with the -1% growth in H1 2020. While our expense forecast is less volatile and less dependent on external factors, the group's financial performance would impact incentives (STI and LTI).
- **Liquidity** metrics, including the LCR and NSFR ratios, to remain well above PA minimum requirements.
- **Dividends** – In line with the G4/2020 the board will continue to monitor regulatory developments and the group's liquidity and solvency position, as well as earnings growth prospects, but it is unlikely to declare any ordinary dividends for so long as G4/2020 is in place.

Trading Statement

Full-year HEPS and EPS are expected to decline by more than 20% when compared to the 12-month period ended 31 December 2019 (HEPS: 2 605 cents, EPS: 2 500 cents). A further trading statement will be issued to provide specific guidance once there is reasonable certainty regarding the extent of the decline and the relevant HEPS and EPS ranges. As noted in the Nedbank Group SENS announcement on 14 April 2020, given the uncertain environment, we have withdrawn our 2020 financial guidance and at the same time noted that our medium- and long-term targets are under review. We are in the process of developing and finalising our business plans for the next three to five years and expect to update investors on the group's revised targets as part of the 2020 full-year results announcement around March 2021.

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

Peter Moyo tendered his resignation as a non-executive director of Nedbank Group Limited and Nedbank Limited with effect from 19 March 2020. Joel Netshitenzhe retired as an independent non-executive director with effect from the close of Nedbank Group's AGM on 22 May 2020. Iain Williamson was appointed as a non-executive director with effect from 1 June 2020. Iain's appointment is in terms of the relationship agreement previously concluded between Old Mutual Limited (OML) and Nedbank Group and published on 20 April 2018 on the Nedbank Group website (nedbankgroup.co.za), which provides for OML to nominate one director to the boards of Nedbank Group and Nedbank Limited for as long as OML's shareholding is equal to or greater than 15% in Nedbank Group.

Brian Kennedy, Group Managing Executive: Nedbank CIB, reached the mandatory retirement age of 60 and retired on 31 March 2020 after more than 24 years at Nedbank. Following an extensive internal and external process, Anél Bosman was appointed to succeed Brian as the Group Managing Executive: Nedbank CIB and as a member of the Group Executive Committee with effect from 1 April 2020. Given Nedbank's ongoing focus on growth in the rest of Africa, Dr Terence Sibiya, Managing Executive: Nedbank Africa Regions, was appointed as a member of the Group Executive Committee with effect from 1 April 2020.

On 25 August 2020 Raisibe Morathi resigned as the Chief Financial Officer (CFO) and executive director on the Nedbank Group and Nedbank Boards, with effect from 30 September 2020. She will remain employed by Nedbank until the end of October to ensure an orderly handover. In accordance with Nedbank Group's executive succession plan and after a process overseen by a panel of non-executive directors, Mike Davis, currently Group Executive: Balance Sheet Management and an existing member of Group Exco, has been appointed as CFO-designate with immediate effect, and as the Group's CFO and to the Group's Boards on 1 October 2020.

Forward-looking statements

This announcement is the responsibility of the directors and 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 health; 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, the financial information on which all forward-looking statements is based has not been reviewed or reported on by the group's auditors.

Interim dividend

Notice is hereby given that no interim dividend has been declared. This is in line with G4/2020 released by the PA on 6 April 2020, notwithstanding the group's strong liquidity and capital positions. The board will give due consideration to this guidance note in future dividend cycles.

For and on behalf of the board

Vassi Naidoo
Chairman

Mike Brown
Chief Executive

26 August 2020

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), MC Nkuhlu* (Chief Operating Officer), S Subramoney, IG Williamson.

* Executive** Lead Independent Director

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 2020 comprise 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 2020, 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 2020 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 (CFO).

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard (IFRS) 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 provisions of the Companies Act, 71 of 2008, of SA as required in terms of the JSE Listings Requirements. The accounting policies applied in the preparation of the condensed consolidated interim financial statements are in terms of IFRS and are consistent with those used for the previous annual 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 2019 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.

FINANCIAL HIGHLIGHTS

at

	Change (%)		30 June 2020 (Unaudited)	30 June 2019 (Unaudited)	31 December 2019 (Audited)
Statistics					
Number of shares listed		m	**502,1**	497,1	497,1
Number of shares in issue, excluding shares held by group entities		m	**483,9**	481,2	481,2
Weighted-average number of shares		m	**482,5**	478,7	480,0
Diluted weighted-average number of shares		m	**487,3**	487,0	487,5
Preprovisioning operating profit	(7,9)	Rm	**10 717**	11 635	22 577
Economic profit[1]	>(100)	Rm	**(3 990)**	1 412	1 412
Headline earnings per share	(69,5)	cents	**438**	1 435	2 605
Diluted headline earnings per share	(69,2)	cents	**434**	1 411	2 565
Ordinary dividends declared per share	(100)	cents	**–**	720	1 415
Interim	(100)	cents	**–**	720	720
Final		cents			695
Ordinary dividends paid per share	(3,5)	cents	**695**	720	1 440
Dividend cover		times	**N/A**	1,99	1,84
Net asset value per share	1,6	cents	**18 075**	17 794	18 204
Tangible net asset value per share	1,2	cents	**15 244**	15 068	15 426
Closing share price	(59,9)	cents	**10 155**	25 320	21 430
Price/earnings ratio		historical	**11,5**	8,7	8,2
Price-to-book ratio		historical	**0,6**	1,4	1,2
Market capitalisation	(59,5)	Rbn	**51,0**	125,9	106,5
Number of employees (permanent staff)[1]	(5,9)		**28 559**	30 335	29 213
Number of employees (permanent and temporary staff)[1]	(6,1)		**28 697**	30 577	29 403
Key ratios (%)					
ROE[1]			**4,8**	16,8	15,0
ROE, excluding goodwill[1]			**5,1**	17,9	16,0
Return on tangible equity[1]			**5,7**	19,9	17,8
ROA[1]			**0,36**	1,30	1,13
Return on average RWA[1]			**0,66**	2,29	2,02
NII to average interest-earning banking assets[1]			**3,33**	3,57	3,52
CLR – banking advances[1]			**1,94**	0,7	0,82
Gross operating income growth rate less expense growth rate (JAWS ratio)			**(1,8)**	0,8	1,3
NIR to total operating expenses			**79,4**	82,7	80,8
NIR to total income			**44,9**	46,5	46,3
Cost-to-income ratio			**56,4**	55,4	56,5
Effective taxation rate			**25,9**	23,4	22,8
Group capital adequacy ratios (including unappropriated profits):[1]					
– CET 1			**10,6**	11,3	11,5
– Tier 1			**11,7**	12,3	12,8
– Total			**14,3**	14,6	15,0
Statement of financial position statistics (Rm)					
Total equity attributable to ordinary equity holders	2,2		**87 514**	85 627	87 597
Total equity	3,6		**98 020**	94 637	98 449
Amounts owed to depositors	9,0		**944 011**	865 815	904 382
Loans and advances	8,5		**823 864**	759 090	796 833
Gross	9,2		**846 568**	775 363	814 365
Impairment of loans and advances	(39,5)		**(22 704)**	(16 273)	(17 532)
Total assets administered by the group	11,6		**1 588 951**	1 424 361	1 474 485
Total assets	10,9		**1 222 053**	1 101 595	1 143 349
Assets under management	13,7		**366 898**	322 766	331 136
Life insurance embedded value[1]	(5,1)		**3 175**	3 347	3 188
Life insurance value of new business[1]	(49,8)		**116**	231	421

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

Unaudited condensed consolidated financial statements for the period ended 30 June 2019

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended

	Change (%)	30 June 2020 (Unaudited) Rm	30 June 2019 (Unaudited) Rm	31 December 2019 (Audited) Rm
Interest and similar income	(4,9)	**39 105**	41 136	83 680
Interest expense and similar charges	(8,3)	**24 136**	26 317	53 513
Net interest income	1,0	**14 969**	14 819	30 167
Impairments charge on financial instruments	>100	**7 675**	2 543	6 129
Income from lending activities	(40,6)	**7 294**	12 276	24 038
Non-interest revenue	(5,1)	**12 220**	12 874	25 997
Operating income	(22,4)	**19 514**	25 150	50 035
Total operating expenses	(1,1)	**15 391**	15 565	32 179
Zimbabwe hyperinflation		**47**		296
Indirect taxation	14,1	**592**	519	1 096
Profit from operations before non-trading and capital items	(61,6)	**3 484**	9 066	16 464
Non-trading and capital items	>(100)	**(833)**	(106)	(651)
Profit from operations	(70,4)	**2 651**	8 960	15 813
Share of gains of associate companies	(76,8)	**98**	422	793
Profit before direct taxation	(70,7)	**2 749**	9 382	16 606
Total direct taxation	(58,6)	**908**	2 192	3 796
Direct taxation		**928**	2 222	3 942
Taxation on non-trading and capital items		**(20)**	(30)	(146)
Profit for the period	(74,4)	**1 841**	7 190	12 810
Other comprehensive income/(losses) (OCI) net of taxation	>100	**1 720**	(1 212)	(1 075)
Items that may subsequently be reclassified to profit or loss				
Exchange differences on translating foreign operations		**2 043**	(326)	(159)
Share of OCI of investments accounted for using the equity method		**(598)**	(687)	(1 025)
Debt investments at fair value through OCI (FVOCI) – net change in fair value		**(109)**	(300)	(232)
Items that may not subsequently be reclassified to profit or loss				
(Losses)/Gains on property revaluations		**(4)**	93	186
Remeasurements on long-term employee benefit assets		**36**	22	300
Share of OCI of investments accounted for using the equity method		**352**	(14)	(145)
Total comprehensive income for the period	(40,4)	**3 561**	5 978	11 735
Profit attributable to:				
– Ordinary shareholders	(80,9)	**1 301**	6 794	12 001
– Holders of preference shares	(50,3)	**85**	171	313
– Holders of additional tier 1 capital instruments	>100	**408**	175	478
– Non-controlling interest – ordinary shareholders	(6,0)	**47**	50	18
Profit for the period	(74,4)	**1 841**	7 190	12 810
Total comprehensive income attributable to:				
– Ordinary shareholders	(47,8)	**2 960**	5 674	11 017
– Holders of preference shares	(50,3)	**85**	171	313
– Holders of additional tier 1 capital instruments	>100	**408**	175	478
– Non-controlling interest – ordinary shareholders	>100	**108**	(42)	(73)
Total comprehensive income for the period	(40,4)	**3 561**	5 978	11 735
Basic earnings per share (cents)	(81,0)	**270**	1 419	2 500
Diluted earnings per share (cents)	(80,9)	**267**	1 395	2 462

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at

	Change (%)	30 June 2020 (Unaudited) Rm	30 June 2019 (Unaudited) Rm	31 December 2019 (Audited) Rm
Assets				
Cash and cash equivalents	23,8	**15 968**	12 896	14 149
Other short-term securities	(5,2)	**66 741**	70 369	64 451
Derivative financial instruments	>100	**76 799**	33 841	35 243
Government and other securities	12,7	**142 225**	126 172	128 510
Loans and advances	8,5	**823 864**	759 090	796 833
Other assets	(20,5)	**12 948**	16 294	15 393
Current taxation assets	>100	**711**	185	281
Investment securities	(2,1)	**25 230**	25 773	28 961
Non-current assets held for sale	(31,8)	**90**	132	735
Investments in associate companies and joint arrangements	(9,4)	**3 456**	3 814	3 917
Deferred taxation assets	5,8	**400**	378	389
Investment property		**56**		56
Property and equipment	(1,2)	**11 834**	11 977	11 977
Long-term employee benefit assets	11,3	**5 623**	5 054	5 602
Mandatory reserve deposits with central banks	(0,4)	**22 412**	22 500	23 486
Intangible assets	4,4	**13 696**	13 120	13 366
Total assets	10,9	**1 222 053**	1 101 595	1 143 349
Equity and liabilities				
Ordinary share capital	0,4	**484**	482	481
Ordinary share premium	2,6	**18 582**	18 116	18 096
Reserves	2,1	**68448**	67 029	69 020
Total equity attributable to equity holders	2,2	**87 514**	85 627	87 597
Holders of preference shares	(1,6)	**3172**	3 222	3 222
Holders of additional tier 1 capital instruments	38,0	**6 850**	4 963	6 850
Non-controlling interest attributable to ordinary shareholders	(41,3)	**484**	825	780
Total equity	3,6	**98 020**	94 637	98 449
Derivative financial instruments	>100	**63 288**	30 470	27 991
Amounts owed to depositors	9,0	**944 011**	865 815	904 382
Provisions and other liabilities	3,2	**28 811**	27 928	23 297
Current taxation liabilities	(45,8)	**179**	330	161
Non-current liabilities held for sale				598
Deferred taxation liabilities	13,8	**857**	753	939
Long-term employee benefit liabilities	1,5	**2 420**	2 384	2 533
Investment contract liabilities	(1,7)	**21 370**	21 742	24 571
Insurance contract liabilities	(31,2)	**863**	1 255	715
Long-term debt instruments	10,6	**62 234**	56 281	59 713
Total liabilities	11,6	**1 124 033**	1 006 958	1 044 900
Total equity and liabilities	10,9	**1 222 053**	1 101 595	1 143 349

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Total equity attributable to equity holders 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 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
Additional tier 1 capital instruments issued			1 887		1 887
Dividend to shareholders	(3 571)			(14)	(3 585)
Additional tier 1 capital instruments interest paid			(303)		(303)
Preference share dividend		(142)			(142)
Shares (acquired)/no longer held by group entities and BEE trusts	(20)				(20)
Total comprehensive income for the period	5 343	142	303	(31)	5 757
Share-based payment reserve movement	216				216
Other movements	2				2
Audited balance at 31 December 2019	**87 597**	**3 222**	**6 850**	**780**	**98 449**
Shares issued in terms of long-term incentive scheme	**296**				**296**
Shares (acquired)/no longer held by group entities and BEE trusts	**(296)**				**(296)**
Dividend to shareholders	**(3 445)**			**(24)**	**(3 469)**
Preference share dividend		**(135)**	**(408)**		**(543)**
Total comprehensive income for the period	**2 960**	**85**	**408**	**108**	**3 561**
Share-based payment reserve movement	**97**				**97**
Settlement of put option	**307**			**(307)**	**–**
Acquisition of additional shares in subsidiary	**(41)**			**(73)**	**(114)**
Other movements	**39**				**39**
Unaudited balance at 30 June 2020	**87 514**	**3 172**	**6 850**	**484**	**98 020**

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

for the period ended

	30 June 2020 (Unaudited) Rm	30 June 2019 (Unaudited) Rm	31 December 2019 (Audited) Rm
Cash generated by operations	**14 824**	14 488	29 357
Change in funds for operating activities	**(12 380)**	(5 686)	(9 853)
Net cash from operating activities before taxation	**2 444**	8 802	19 504
Taxation paid	**(1 833)**	(2 126)	(4 726)
Cashflows from operating activities	**611**	6 676	14 778
Cashflows utilised by investing activities	**(116)**	(5 368)	(11 362)
Cashflows from/(utilised by) financing activities	**703**	(786)	(630)
Effects of exchange rate changes on opening cash and cash equivalents	**(453)**	83	58
Net increase in cash and cash equivalents	**745**	605	2 844
Cash and cash equivalents at the beginning of the period[1]	**37 635**	34 791	34 791
Cash and cash equivalents at the end of the period[1]	**38 380**	35 396	37 635

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

CONDENSED CONSOLIDATED SEGMENTAL REPORTING

for the period ended

	30 Jun 2020 (Unaudited) Rm	30 Jun 2019 (Unaudited) Rm	31 Dec 2019 (Audited) Rm	30 Jun 2020 (Unaudited) Rm	30 Jun 2019 (Unaudited) Rm	31 Dec 2019 (Audited) Rm	30 Jun 2020 (Unaudited) Rm	30 Jun 2019 (Unaudited) Rm	31 Dec 2019 (Audited) Rm	30 Jun 2020 (Unaudited) Rm	30 Jun 2019 (Unaudited) Rm	31 Dec 2019 (Audited) Rm
	Total assets			Total liabilities			Revenue[1]			Headline earnings/(losses)		
Nedbank Corporate and Investment Banking	**622 461**	533 177	543 726	**583 543**	498 489	508 841	**7 486**	7 901	15 565	**1 416**	3 298	6 167
Nedbank Retail and Business Banking	**383 933**	365 990	377 751	**353 977**	335 845	347 178	**15 195**	16 175	33 149	**228**	2 590	5 293
Nedbank Wealth	**80 859**	74 150	77 433	**76 614**	70 036	73 229	**2 103**	2 224	4 584	**362**	455	1 042
Nedbank Africa Regions	**40 936**	38 377	38 385	**34 426**	32 348	32 442	**1 369**	1 260	2 767	**(24)**	293	457
Centre	**93 864**	89 901	106 054	**75 473**	70 240	83 210	**1 036**	133	99	**132**	234	(453)
Total	**1 222 053**	1 101 595	1 143 349	**1 124 033**	1 006 958	1 044 900	**27 189**	27 693	56 164	**2 114**	6 870	12 506

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

HEADLINE EARNINGS RECONCILIATION

for the period ended

	Change (%)	30 June 2020 (Unaudited) Rm Gross	30 June 2020 (Unaudited) Rm Net of taxation	30 June 2019 (Unaudited) Rm Gross	30 June 2019 (Unaudited) Rm Net of taxation	31 December 2019 (Audited) Rm Gross	31 December 2019 (Audited) Rm Net of taxation
Profit attributable to equity holders	(80,9)		**1 301**		6 794		12 001
Non-trading and capital items	>100	**833**	**813**	106	76	651	505
IAS 16 loss on disposal of property and equipment		**16**	**11**	7	5	18	13
IFRS 10 loss on sale of subsidiaries		**28**	**28**				
IFRS 27 impairment of subsidiaries		**3**	**3**				
IAS 36 impairment of associates		**750**	**750**				
IAS 36 goodwill impairment						117	117
IAS 36 impairment of property and equipment						148	107
IFRS 5 impairment of non-current assets held for sale		**(14)**	**(14)**			48	48
IFRS 16 impairment of right-of-use assets				33	24	33	24
IAS 36 impairment of intangible assets		**50**	**35**	66	47	289	198
IAS 40 profit on revaluation of investment properties						(2)	(2)
Headline earnings	(69,2)		**2 114**		6 870		12 506

CONTINGENT LIABILITIES AND COMMITMENTS

CONTINGENT LIABILITIES AND UNDRAWN FACILITIES

at

	30 June 2020 (Unaudited) Rm	30 June 2019 (Unaudited) Rm	31 December 2019 (Audited) Rm
Guarantees on behalf of clients	**29 507**	31 543	25 018
Letters of credit and discounting transactions	**6 406**	7 861	7 148
Irrevocable unutilised facilities and other	**142 337**	139 784	148 099
	178 250	179 188	180 265

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 2020 (Unaudited) Rm	30 June 2019 (Unaudited) Rm	31 December 2019 (Audited) Rm
Contracted	**1 762**	424	615
Not yet contracted	**2 525**	2 462	1 838
	4 287	2 886	2 453

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 2020 (Unaudited) Rm	30 June 2019 (Unaudited) Rm	31 December 2019 (Audited) Rm
Listed associates[1]	**2 352**	2 865	2 674
Unlisted associates	**1 104**	949	1 243
	3 456	3 814	3 917

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

Listed associates: ETI			
Carrying value	**2 352**	2 865	2 674
Fair value of investment[1]	**1 170**	2 260	1 311

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

CASHFLOW INFORMATION

for the period ended

	30 June 2020 (Unaudited) Rm	30 June 2019 (Unaudited) Rm	31 December 2019 (Audited) Rm
Acquisition of property and equipment, computer software and development costs and investment property	**(1 681)**	(1 969)	(4 691)
Issue of additional tier 1 capital instruments		1 613	3 500
Issue of long-term debt instruments	**5 139**	7 026	12 895
Redemption of long-term debt instruments	**(2 551)**	(6 343)	(8 749)
Capital repayments of lease liabilities	**(418)**		(947)
Dividends to ordinary shareholders	**(3 469)**	(3 541)	(7 126)
Preference share dividends paid	**(577)**	(171)	(313)
Additional tier 1 capital instruments interest paid	**(408)**	(175)	(478)

HISTORICAL VALUE AT RISK (99%, ONE-DAY) BY RISK TYPE

Value at risk (VaR) is the potential loss in pretax profit due to adverse market movements over a defined holding period with a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. It facilitates the consistent measurement of risk across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The 99% one-day VaR number used by the group reflects, at a 99% confidence level, that the daily loss will not exceed the reported VaR and therefore that the daily losses exceeding the VaR figure are likely to occur, on average, once in every 100 business days.

The group uses one year of historical data to estimate VaR. Some of the considerations that are taken into account when reviewing the VaR numbers are the following:

- The assumed one-day holding period will not fully capture the market risk of positions that cannot be liquidated or offset with hedges within one day.
- The historical VaR assumes that the past is a good representation of the future, which may not always be the case.
- The 99% confidence level does not indicate the potential loss beyond this interval.
- If a product or listing is new in the market, limited historical data would be available. In such cases, a proxy is chosen to act as an estimate for the historical rates of the relevant risk factor. Depending on the amount of (limited) historical rates available, regression analysis is used on the chosen proxy to refine the link between the proxy and the actual rates.

Additional risk measures are used to monitor the individual trading desks, including performance triggers, approved trading products, concentration of exposures, maximum tenor limits and market liquidity constraints.

All market risk models are subject to periodic independent validation in terms of the Group Market Risk Management Framework. A formal review of all existing valuation models is conducted at least annually. Should the review process indicate that models need to be updated, a formal independent review will take place. All new risk models developed are independently validated prior to implementation.

The group's current trading activities are focused on liquid markets, which are in line with the current regulatory liquidity horizon assumption of a 10-day holding period (Basel III).

Since mid-March 2020 the group has observed significant increases in VaR estimates as a result of the extreme market volatility caused by the Covid-19 pandemic. This has resulted in an increase in the VaR measure by an order or two to three times the pre-Covid-19 measure without any material change to the underlying trading positions.

	30 June 2020 (Unaudited) Rm				30 June 2019 (Unaudited) Rm				31 December 2019 (Audited) Rm			
Rm	Average	Minimum	Maximum	Year-end	Average	Minimum	Maximum	Year-end	Average	Minimum	Maximum	Year-end
Foreign exchange	**6,9**	**1,4**	**18,6**	**6,3**	3,9	0,9	11,6	4,0	4,3	0,9	11,6	2,6
Interest rate	**66,2**	**32,0**	**128,2**	**94,2**	31,0	20,1	44,2	36,2	34,7	20,1	45,8	35,4
Equity	**7,8**	**3,7**	**27,2**	**10,0**	3,5	1,4	9,0	4,7	3,9	1,0	13,4	4,6
Credit	**8,4**	**4,7**	**16,1**	**13,4**	8,7	7,7	9,7	9,2	7,7	4,0	9,7	4,7
Commodity	**0,1**		**0,3**	**0,1**	0,1		0,7	0,1	0,1	<0,1	0,7	0,1
Diversification	**(30,6)**			**(45,1)**	(16,3)			(13,0)	(15,8)			(16,0)
Total VaR exposure	**58,8**	**29,4**	**118,8**	**78,9**	30,9	19,0	46,8	41,2	34,9	14,6	49,2	31,4

LOSS ALLOWANCE

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. Subsequent to the publication of the June 2019 results the group has refined its reporting process for FVTPL and FVOCI loans. As a result, comparative information for the six months ended 30 June 2019 has been reclassified.

Loans and advances	Not credit-impaired						Credit-impaired			Total		
	Subject to 12-month ECL (stage 1)			Subject to lifetime ECL (stage 2)			Subject to lifetime ECL (excluding purchased/originated) (stage 3)					
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 net balance at 1 January 2019	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	1 018	88 335			–			–	89 353	1 018	88 335
Financial assets written off			–			–	321	(2 182)	2 503	321	(2 182)	2 503
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	(59 731)	1 535	(61 266)	(6 536)	406	(6 942)	(5 067)	122	(5 189)	(71 334)	2 063	(73 397)
Transfers to 12-month ECL	17 683	282	17 401	(16 362)	(265)	(16 097)	(1 321)	(17)	(1 304)	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(21 773)	(1 292)	(20 481)	25 648	1 601	24 047	(3 875)	(309)	(3 566)	–	–	–
Transfers to lifetime ECL (credit-impaired)	(5 568)	(1 316)	(4 252)	(5 867)	(1 757)	(4 110)	11 435	3 073	8 362	–	–	–
Foreign exchange and other movements	282	(26)	308	(560)	2	(562)	107	(42)	149	(171)	(66)	(105)
Unaudited net balance at 30 June 2019	644 360	3 082	641 278	68 945	3 574	65 371	26 782	9 997	16 785	740 087	16 653	723 434
New financial assets originated or purchased	138 390	1 489	136 901			–			–	138 390	1 489	136 901
Financial assets written off			–			–	(5 773)	(1 002)	(4 771)	(5 773)	(1 002)	(4 771)
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	(90 378)	1 465	(91 843)	(14 195)	422	(14 617)	(687)	(932)	245	(105 260)	955	(106 215)
Transfers to 12-month ECL	5 562	465	5 097	(4 874)	(322)	(4 552)	(688)	(143)	(545)	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(24 658)	(1 017)	(23 641)	24 997	1 011	23 986	(339)	6	(345)	–	–	–
Transfers to lifetime ECL (credit-impaired)	(6 424)	(2 083)	(4 341)	(2 418)	(750)	(1 668)	8 842	2 833	6 009	–	–	–
Foreign exchange and other movements	1 178	20	1 158	163		163	(89)	30	(119)	1 252	50	1 202
Audited net balance at 31 December 2019	668 030	3 421	664 609	72 618	3 935	68 683	28 048	10 789	17 259	768 696	18 145	750 551

Loans and advances	Not credit-impaired						Credit-impaired			Total		
	Subject to 12-month ECL (stage 1)			Subject to lifetime ECL (stage 2)			Subject to lifetime ECL (excluding purchased/originated) (stage 3)					
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
New financial assets originated or purchased	**103 532**	**1 731**	**101 801**			**–**			**–**	**103 532**	**1 731**	**101 801**
Financial assets written off			**–**			**–**	**(3 131)**	**(3 131)**	**–**	**(3 131)**	**(3 131)**	**–**
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	**(75 499)**	**3 038**	**(78 537)**	**(15 186)**	**1 760**	**(16 946)**	**(3 034)**	**2 092**	**(5 126)**	**(93 719)**	**6 890**	**(100 609)**
Transfers to 12-month ECL	**17 559**	**570**	**16 989**	**(16 647)**	**(420)**	**(16 227)**	**(912)**	**(150)**	**(762)**	**–**	**–**	**–**
Transfers to lifetime ECL (not credit-impaired)	**(75 570)**	**(2 197)**	**(73 373)**	**77 863**	**2 386**	**75 477**	**(2 293)**	**(189)**	**(2 104)**	**–**	**–**	**–**
Transfers to lifetime ECL (credit-impaired)	**(8 390)**	**(2 257)**	**(6 133)**	**(12 499)**	**(2 675)**	**(9 824)**	**20 889**	**4 932**	**15 957**	**–**	**–**	**–**
Foreign exchange and other movements	**8 783**	**11**	**8 772**	**145**		**145**	**193**	**19**	**174**	**9 121**	**30**	**9 091**
Net balances	**638 445**	**4 317**	**634 128**	**106 294**	**4 986**	**101 308**	**39 760**	**14 362**	**25 398**	**784 499**	**23 665**	**760 834**
Total credit and zero balances	**6 161**	**(56)**	**6 217**	**20**	**(9)**	**29**	**52**	**(1)**	**53**	**6 233**	**(66)**	**6 299**
Unaudited balance at 30 June 2020	**644 606**	**4 261**	**640 345**	**106 314**	**4 977**	**101 337**	**39 812**	**14 361**	**25 451**	**790 732**	**23 599**	**767 133**
Loans and advances at FVTPL												**51 384**
Impairment of loans and advances at FVOCI impairment allowance												**573**
Off-balance sheet impairment allowance												**322**
Fair-value hedge-accounted portfolios												**4 452**
Unaudited loans and advances at 30 June 2020	**644 606**	**4 261**	**640 345**	**106 314**	**4 977**	**101 337**	**39 812**	**14 361**	**25 451**	**790 732**	**23 599**	**823 864**

[1] *Includes credit risk changes as a result of significant increases in credit risk, changes in credit risk that did not result in a transfer between stages, changes in model inputs and model inputs assumptions and changes due to drawdowns of undrawn commitments.*

Home loans	Not credit-impaired						Credit-impaired			Total		
	Subject to 12-month ECL (stage 1)			Subject to lifetime ECL (stage 2)			Subject to lifetime ECL (excluding purchased/originated) (stage 3)					
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 net balance at 1 January 2019	133 726	236	133 490	15 574	616	14 958	6 965	1 430	5 535	156 265	2 282	153 983
New financial assets originated or purchased	5 716	28	5 688			–			–	5 716	28	5 688
Financial assets written off			–			–	(2)	(110)	108	(2)	(110)	108
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	(1 745)	211	(1 956)	(745)	(45)	(700)	(606)	(81)	(525)	(3 096)	85	(3 181)
Transfers to 12-month ECL	4 884	14	4 870	(4 511)	(7)	(4 504)	(373)	(7)	(366)	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(4 022)	(147)	(3 875)	5 117	221	4 896	(1 095)	(74)	(1 021)	–	–	–
Transfers to lifetime ECL (credit-impaired)	(841)	(116)	(725)	(1 715)	(231)	(1 484)	2 556	347	2 209	–	–	–
Foreign exchange and other movements	72		72		2	(2)	(2)		(2)	70	2	68
Unaudited net balance at 30 June 2019	137 790	226	137 564	13 720	556	13 164	7 443	1 505	5 938	158 953	2 287	156 666
New financial assets originated or purchased	5 993	34	5 959			–			–	5 993	34	5 959
Financial assets written off			–			–	(241)	(69)	(172)	(241)	(69)	(172)
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	(2 328)	255	(2 583)	(246)	(7)	(239)	(379)	(119)	(260)	(2 953)	129	(3 082)
Transfers to 12-month ECL	730	(8)	738	(574)	(9)	(565)	(156)	17	(173)	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(1 451)	(58)	(1 393)	1 558	53	1 505	(107)	5	(112)	–	–	–
Transfers to lifetime ECL (credit-impaired)	(987)	(177)	(810)	(277)	(57)	(220)	1 264	234	1 030	–	–	–
Foreign exchange and other movements	315	15	300		2	(2)	2		2	317	17	300
Audited net balance at 31 December 2019	140 062	287	139 775	14 181	538	13 643	7 826	1 573	6 253	162 069	2 398	159 671
New financial assets originated or purchased	**3 939**	**40**	**3 899**			**–**			**–**	**3 939**	**40**	**3 899**
Financial assets written off			**–**			**–**	**(77)**	**(77)**	**–**	**(77)**	**(77)**	**–**
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	**(1 672)**	**473**	**(2 145)**	**(303)**	**134**	**(437)**	**(422)**	**268**	**(690)**	**(2 397)**	**875**	**(3 272)**
Transfers to 12-month ECL	**2 948**	**12**	**2 936**	**(2 692)**	**(7)**	**(2 685)**	**(256)**	**(5)**	**(251)**	**–**	**–**	**–**
Transfers to lifetime ECL (not credit-impaired)	**(5 354)**	**(278)**	**(5 076)**	**6 039**	**303**	**5 736**	**(685)**	**(25)**	**(660)**	**–**	**–**	**–**
Transfers to lifetime ECL (credit-impaired)	**(1 950)**	**(238)**	**(1 712)**	**(3 415)**	**(361)**	**(3 054)**	**5 365**	**599**	**4 766**	**–**	**–**	**–**
Foreign exchange and other movements	**935**	**1**	**934**	**7**		**7**	**21**	**2**	**19**	**963**	**3**	**960**
Net balances	**138 908**	**297**	**138 611**	**13 817**	**607**	**13 210**	**11 772**	**2 335**	**9 437**	**164 497**	**3 239**	**161 258**
Total credit and zero balances	**158**	**(1)**	**159**	**5**		**5**	**9**		**9**	**172**	**(1)**	**173**
Unaudited balance at 30 June 2020	**139 066**	**296**	**138 770**	**13 822**	**607**	**13 215**	**11 781**	**2 335**	**9 446**	**164 669**	**3 238**	**161 431**

[1] *Includes credit risk changes as a result of significant increases in credit risk, changes in credit risk that did not result in a transfer between stages, changes in model inputs and model inputs assumptions and changes due to drawdowns of undrawn commitments.*

Commercial mortgages	Not credit-impaired						Credit-impaired			Total		
	Subject to 12-month ECL (stage 1)			Subject to lifetime ECL (stage 2)			Subject to lifetime ECL (excluding purchased/originated) (stage 3)					
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 net balance at 1 January 2019	138 998	300	138 698	19 856	238	19 618	2 957	435	2 522	161 811	973	160 838
New financial assets originated or purchased	22 820	108	22 712			–			–	22 820	108	22 712
Financial assets written off			–			–	(2)	(9)	7	(2)	(9)	7
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	(14 443)	(81)	(14 362)	(3 489)	(39)	(3 450)	(89)	15	(104)	(18 021)	(105)	(17 916)
Transfers to 12-month ECL	3 110	21	3 089	(2 964)	(18)	(2 946)	(146)	(3)	(143)	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(5 819)	(44)	(5 775)	6 790	142	6 648	(971)	(98)	(873)	–	–	–
Transfers to lifetime ECL (credit-impaired)	(970)	(59)	(911)	(437)	(34)	(403)	1 407	93	1 314	–	–	–
Foreign exchange and other movements	(572)		(572)	461		461	1		1	(110)	–	(110)
Unaudited net balance at 30 June 2019	143 124	245	142 879	20 217	289	19 928	3 157	433	2 724	166 498	967	165 531
New financial assets originated or purchased	23 462	67	23 395			–			–	23 462	67	23 395
Financial assets written off			–			–	(11)	(3)	(8)	(11)	(3)	(8)
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	(15 946)	(41)	(15 905)	322	90	232	(255)	(1)	(254)	(15 879)	48	(15 927)
Transfers to 12-month ECL	4 472	38	4 434	(4 027)	(36)	(3 991)	(445)	(2)	(443)	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(1 716)	7	(1 723)	2 458	10	2 448	(742)	(17)	(725)	–	–	–
Transfers to lifetime ECL (credit-impaired)	(486)	(81)	(405)	(297)	(14)	(283)	783	95	688	–	–	–
Foreign exchange and other movements	20	(16)	36	28	(3)	31	1		1	49	(19)	68
Audited net balance at 31 December 2019	152 930	219	152 711	18 701	336	18 365	2 488	505	1 983	174 119	1 060	173 059
New financial assets originated or purchased	**21 972**	**75**	**21 897**			**–**			**–**	**21 972**	**75**	**21 897**
Financial assets written off			**–**			**–**	**(8)**	**(8)**	**–**	**(8)**	**(8)**	**–**
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	**(13 233)**	**72**	**(13 305)**	**(2 229)**	**263**	**(2 492)**	**(165)**	**310**	**(475)**	**(15 627)**	**645**	**(16 272)**
Transfers to 12-month ECL	**3 410**	**64**	**3 346**	**(3 330)**	**(52)**	**(3 278)**	**(80)**	**(12)**	**(68)**	**–**	**–**	**–**
Transfers to lifetime ECL (not credit-impaired)	**(6 966)**	**(28)**	**(6 938)**	**6 995**	**33**	**6 962**	**(29)**	**(5)**	**(24)**	**–**	**–**	**–**
Transfers to lifetime ECL (credit-impaired)	**(656)**	**(54)**	**(602)**	**(2 325)**	**(148)**	**(2 177)**	**2 981**	**202**	**2 779**	**–**	**–**	**–**
Foreign exchange and other movements	**278**		**278**			**–**	**3**		**3**	**281**	**–**	**281**
Unaudited balance at 30 June 2020	**157 735**	**348**	**157 387**	**17 812**	**432**	**17 380**	**5 190**	**992**	**4 198**	**180 737**	**1 772**	**178 965**

[1] *Includes credit risk changes as a result of significant increases in credit risk, changes in credit risk that did not result in a transfer between stages, changes in model inputs and model inputs assumptions and changes due to drawdowns of undrawn commitments.*

Credit cards and overdrafts

	Not credit-impaired						Credit-impaired			Total		
	Subject to 12-month ECL (stage 1)			Subject to lifetime ECL (stage 2)			Subject to lifetime ECL (excluding purchased/originated) (stage 3)					
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 net balances at 1 January 2019	25 380	619	24 761	4 874	686	4 188	3 027	2 048	979	33 281	3 353	29 928
New financial assets originated or purchased	2 230	131	2 099			–			–	2 230	131	2 099
Financial assets written off			–			–	258	(497)	755	258	(497)	755
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	1 752	753	999	(39)	(38)	(1)	(1 211)	(180)	(1 031)	502	535	(33)
Transfers to 12-month ECL	1 232	47	1 185	(1 164)	(56)	(1 108)	(68)	9	(77)	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(1 914)	(307)	(1 607)	1 967	324	1 643	(53)	(17)	(36)	–	–	–
Transfers to lifetime ECL (credit-impaired)	(644)	(343)	(301)	(597)	(381)	(216)	1 241	724	517	–	–	–
Foreign exchange and other movements	1 758	(17)	1 775	(147)	4	(151)	(45)	(77)	32	1 566	(90)	1 656
Unaudited net balance at 30 June 2019	29 794	883	28 911	4 894	539	4 355	3 149	2 010	1 139	37 837	3 432	34 405
New financial assets originated or purchased	5 516	173	5 343			–			–	5 516	173	5 343
Financial assets written off			–			–	(1 890)	(421)	(1 469)	(1 890)	(421)	(1 469)
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	(1 074)	183	(1 257)	(1 946)	47	(1 993)	733	(208)	941	(2 287)	22	(2 309)
Transfers to 12-month ECL	955	73	882	(921)	(41)	(880)	(34)	(32)	(2)	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(3 380)	(29)	(3 351)	3 364	23	3 341	16	6	10	–	–	–
Transfers to lifetime ECL (credit-impaired)	(815)	(442)	(373)	(258)	(42)	(216)	1 073	484	589	–	–	–
Foreign exchange and other movements	(1 780)	19	(1 799)	76	(2)	78	34	73	(39)	(1 670)	90	(1 760)
Audited net balance at 31 December 2019	29 216	860	28 356	5 209	524	4 685	3 081	1 912	1 169	37 506	3 296	34 210
New financial assets originated or purchased	**1 873**	**119**	**1 754**			**–**			**–**	**1 873**	**119**	**1 754**
Financial assets written off			**–**			**–**	**(746)**	**(746)**	**–**	**(746)**	**(746)**	**–**
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	**5 048**	**814**	**4 234**	**(1 163)**	**59**	**(1 222)**	**(208)**	**415**	**(623)**	**3 677**	**1 288**	**2 389**
Transfers to 12-month ECL	**2 141**	**136**	**2 005**	**(2 066)**	**(61)**	**(2 005)**	**(75)**	**(75)**		**–**	**–**	**–**
Transfers to lifetime ECL (not credit-impaired)	**(5 672)**	**(438)**	**(5 234)**	**5 712**	**453**	**5 259**	**(40)**	**(15)**	**(25)**	**–**	**–**	**–**
Transfers to lifetime ECL (credit-impaired)	**(1 243)**	**(573)**	**(670)**	**(760)**	**(292)**	**(468)**	**2 003**	**865**	**1 138**	**–**	**–**	**–**
Foreign exchange and other movements	**(166)**		**(166)**	**214**	**22**	**192**	**4**	**4**	**–**	**52**	**26**	**26**
Net balances	**31 197**	**918**	**30 279**	**7 146**	**705**	**6 441**	**4 019**	**2 360**	**1 659**	**42 362**	**3 983**	**38 379**
Total credit and zero balances	**6 594**	**(55)**	**6 649**	**15**	**(9)**	**24**	**43**	**(1)**	**44**	**6 652**	**(65)**	**6 717**
Unaudited balance at 30 June 2020	**37 791**	**863**	**36 928**	**7 161**	**696**	**6 465**	**4 062**	**2 359**	**1 703**	**49 014**	**3 918**	**45 096**

[1] *Includes credit risk changes as a result of significant increases in credit risk, changes in credit risk that did not result in a transfer between stages, changes in model inputs and model inputs assumptions and changes due to drawdowns of undrawn commitments.*

Term loans

Rm	Not credit-impaired						Credit-impaired			Total		
	Subject to 12-month ECL (stage 1)			Subject to lifetime ECL (stage 2)			Subject to lifetime ECL (excluding purchased/originated) (stage 3)					
	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 net balance at 1 January 2019	159 635	802	158 833	14 205	675	13 530	6 534	2 636	3 898	180 374	4 113	176 261
New financial assets originated or purchased	15 809	347	15 462			–			–	15 809	347	15 462
Financial assets written off			–			–	(7)	(647)	640	(7)	(647)	640
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	(8 572)	268	(8 840)	(2 438)	393	(2 831)	(835)	158	(993)	(11 845)	819	(12 664)
Transfers to 12-month ECL	5 290	116	5 174	(4 855)	(115)	(4 740)	(435)	(1)	(434)	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(3 338)	(278)	(3 060)	4 089	330	3 759	(751)	(52)	(699)	–	–	–
Transfers to lifetime ECL (credit-impaired)	(1 128)	(440)	(688)	(785)	(517)	(268)	1 913	957	956	–	–	–
Foreign exchange and other movements	(390)	(4)	(386)	(240)	(2)	(238)	137	(157)	294	(493)	(163)	(330)
Unaudited net balance at 30 June 2019	167 306	811	166 495	9 976	764	9 212	6 556	2 894	3 662	183 838	4 469	179 369
New financial assets originated or purchased	60 676	618	60 058			–			–	60 676	618	60 058
Financial assets written off			–			–	(1 618)	(571)	(1 047)	(1 618)	(571)	(1 047)
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	(44 444)	889	(45 333)	(6 646)	(1)	(6 645)	(173)	(142)	(31)	(51 263)	746	(52 009)
Transfers to 12-month ECL	(2 863)	(63)	(2 800)	2 848	106	2 742	15	(43)	58	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(5 816)	(355)	(5 461)	5 373	343	5 030	443	12	431	–	–	–
Transfers to lifetime ECL (credit-impaired)	(1 427)	(898)	(529)	(756)	(475)	(281)	2 183	1 373	810	–	–	–
Foreign exchange and other movements	498	3	495	(2)	2	(4)	(179)	148	(327)	317	153	164
Audited net balance at 31 December 2019	173 930	1 005	172 925	10 793	739	10 054	7 227	3 671	3 556	191 950	5 415	186 535
New financial assets originated or purchased	**43 309**	**1 219**	**42 090**			**–**			**–**	**43 309**	**1 219**	**42 090**
Financial assets written off			**–**			**–**	**(1 340)**	**(1 340)**	**–**	**(1 340)**	**(1 340)**	**–**
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	**(32 284)**	**976**	**(33 260)**	**(5 774)**	**522**	**(6 296)**	**(937)**	**476**	**(1 413)**	**(38 995)**	**1 974**	**(40 969)**
Transfers to 12-month ECL	**2 549**	**84**	**2 465**	**(2 537)**	**(83)**	**(2 454)**	**(12)**	**(1)**	**(11)**	**–**	**–**	**–**
Transfers to lifetime ECL (not credit-impaired)	**(34 650)**	**(949)**	**(33 701)**	**34 941**	**998**	**33 943**	**(291)**	**(49)**	**(242)**	**–**	**–**	**–**
Transfers to lifetime ECL (credit-impaired)	**(1 649)**	**(864)**	**(785)**	**(1 990)**	**(930)**	**(1 060)**	**3 639**	**1 794**	**1 845**	**–**	**–**	**–**
Foreign exchange and other movements	**7 563**	**8**	**7 555**	**147**	**1**	**146**	**156**	**1**	**155**	**7 866**	**10**	**7 856**
Unaudited balance at 30 June 2020	**158 768**	**1 479**	**157 289**	**35 580**	**1 247**	**34 333**	**8 442**	**4 552**	**3 890**	**202 790**	**7 278**	**195 512**

[1] *Includes credit risk changes as a result of significant increases in credit risk, changes in credit risk that did not result in a transfer between stages, changes in model inputs and model inputs assumptions and changes due to drawdowns of undrawn commitments.*

Instalment debtors

	Not credit-impaired						Credit-impaired			Total		
	Subject to 12-month ECL (stage 1)			Subject to lifetime ECL (stage 2)			Subject to lifetime ECL (excluding purchased/originated) (stage 3)					
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 net balance at 1 January 2019	99 599	655	98 944	16 437	1 111	15 326	4 967	2 532	2 435	121 003	4 298	116 705
New financial assets originated or purchased	24 191	261	23 930			–			–	24 191	261	23 930
Financial assets written off			–			–	85	(914)	999	85	(914)	999
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	(15 902)	491	(16 393)	(1 998)	31	(2 029)	(2 342)	243	(2 585)	(20 242)	765	(21 007)
Transfers to 12-month ECL	2 884	63	2 821	(2 594)	(53)	(2 541)	(290)	(10)	(280)	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(5 797)	(453)	(5 344)	6 754	522	6 232	(957)	(69)	(888)	–	–	–
Transfers to lifetime ECL (credit-impaired)	(1 889)	(331)	(1 558)	(2 297)	(588)	(1 709)	4 186	919	3 267	–	–	–
Foreign exchange and other movements	(137)		(137)		(1)	1	(5)	3	(8)	(142)	2	(144)
Unaudited net balance at 30 June 2019	102 949	686	102 263	16 302	1 022	15 280	5 644	2 704	2 940	124 895	4 412	120 483
New financial assets originated or purchased	27 516	325	27 191			–			–	27 516	325	27 191
Financial assets written off			–			–	(2 002)	75	(2 077)	(2 002)	75	(2 077)
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	(18 397)	601	(18 998)	(1 867)	73	(1 940)	(210)	(657)	447	(20 474)	17	(20 491)
Transfers to 12-month ECL	108	(13)	121	(178)	8	(186)	70	5	65	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(4 769)	(380)	(4 389)	4 611	370	4 241	158	10	148	–	–	–
Transfers to lifetime ECL (credit-impaired)	(2 118)	(417)	(1 701)	(825)	(153)	(672)	2 943	570	2 373	–	–	–
Foreign exchange and other movements	127		127		1	(1)	4	(3)	7	131	(2)	133
Audited net balance at 31 December 2019	105 416	802	104 614	18 043	1 321	16 722	6 607	2 704	3 903	130 066	4 827	125 239
New financial assets originated or purchased	**18 494**	**225**	**18 269**			**–**			**–**	**18 494**	**225**	**18 269**
Financial assets written off			**–**			**–**	**(942)**	**(942)**	**–**	**(942)**	**(942)**	**–**
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	**(13 716)**	**688**	**(14 404)**	**(1 868)**	**444**	**(2 312)**	**(1 183)**	**481**	**(1 664)**	**(16 767)**	**1 613**	**(18 380)**
Transfers to 12-month ECL	**5 218**	**94**	**5 124**	**(4 928)**	**(85)**	**(4 843)**	**(290)**	**(9)**	**(281)**	**–**	**–**	**–**
Transfers to lifetime ECL (not credit-impaired)	**(9 741)**	**(401)**	**(9 340)**	**10 984**	**494**	**10 490**	**(1 243)**	**(93)**	**(1 150)**	**–**	**–**	**–**
Transfers to lifetime ECL (credit-impaired)	**(2 720)**	**(533)**	**(2 187)**	**(3 620)**	**(906)**	**(2 714)**	**6 340**	**1 439**	**4 901**	**–**	**–**	**–**
Foreign exchange and other movements	**(3)**		**(3)**	**1**	**(1)**	**2**	**3**		**3**	**1**	**(1)**	**2**
Unaudited balance at 30 June 2020	**102 948**	**875**	**102 073**	**18 612**	**1 267**	**17 345**	**9 292**	**3 580**	**5 712**	**130 852**	**5 722**	**125 130**

[1] *Includes credit risk changes as a result of significant increases in credit risk, changes in credit risk that did not result in a transfer between stages, changes in model inputs and model inputs assumptions and changes due to drawdowns of undrawn commitments.*

Preference shares and debentures	Not credit-impaired						Credit-impaired			Total		
	Subject to 12-month ECL (stage 1)			Subject to lifetime ECL (stage 2)			Subject to lifetime ECL (excluding purchased/originated) (stage 3)					
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 net balance at 1 January 2019	14 658	68	14 590	142	2	140	354	62	292	15 154	132	15 022
New financial assets originated or purchased	506	4	502			–			–	506	4	502
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	(2 921)	(11)	(2 910)	1		1	(165)	(18)	(147)	(3 085)	(29)	(3 056)
Transfers to lifetime ECL (not credit-impaired)	(508)	(7)	(501)	508	7	501			–	–	–	–
Transfers to lifetime ECL (credit-impaired)	(8)	(5)	(3)			–	8	5	3	–	–	–
Unaudited net balance at 30 June 2019	11 727	49	11 678	651	9	642	197	49	148	12 575	107	12 468
New financial assets originated or purchased	1 867	13	1 854			–			–	1 867	13	1 854
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	(1 657)	(3)	(1 654)	(206)	(2)	(204)		(16)	16	(1 863)	(21)	(1 842)
Transfers to 12-month ECL	71		71	(71)		(71)			–	–	–	–
Transfers to lifetime ECL (not credit-impaired)	291	(2)	293	(299)	(3)	(296)	8	5	3	–	–	–
Transfers to lifetime ECL (credit-impaired)	8	5	3			–	(8)	(5)	(3)	–	–	–
Audited net balance at 31 December 2019	12 307	62	12 245	75	4	71	197	33	164	12 579	99	12 480
New financial assets originated or purchased	**702**	**5**	**697**			**–**			**–**	**702**	**5**	**697**
Financial assets written off			**–**			**–**	**(8)**	**(8)**	**–**	**(8)**	**(8)**	**–**
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	**(3 500)**	**94**	**(3 594)**	**2 170**	**(4)**	**2 174**	**5**	**78**	**(73)**	**(1 325)**	**168**	**(1 493)**
Transfers to 12-month ECL	**(2 254)**	**(48)**	**(2 206)**	**2 254**	**48**	**2 206**			**–**	**–**	**–**	**–**
Unaudited balance at 30 June 2020	**7 255**	**113**	**7 142**	**4 499**	**48**	**4 451**	**194**	**103**	**91**	**11 948**	**264**	**11 684**

[1] *Includes credit risk changes as a result of significant increases in credit risk, changes in credit risk that did not result in a transfer between stages, changes in model inputs and model inputs assumptions and changes due to drawdowns of undrawn commitments.*

Other loans[1]

	Not credit-impaired						Credit-impaired			Total		
	Subject to 12-month ECL (stage 1)			Subject to lifetime ECL (stage 2)			Subject to lifetime ECL (excluding purchased/originated) (stage 3)					
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 net balance at 1 January 2019	52 118	201	51 917	1 534	259	1 275	378	209	169	54 030	669	53 361
New financial assets originated or purchased	18 081	139	17 942			–			–	18 081	139	17 942
Financial assets written off			–			–	(11)	(5)	(6)	(11)	(5)	(6)
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[2]	(17 900)	(96)	(17 804)	2 172	104	2 068	181	(15)	196	(15 547)	(7)	(15 540)
Transfers to 12-month ECL	283	21	262	(274)	(16)	(258)	(9)	(5)	(4)	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(375)	(56)	(319)	423	55	368	(48)	1	(49)	–	–	–
Transfers to lifetime ECL (credit-impaired)	(88)	(22)	(66)	(36)	(6)	(30)	124	28	96	–	–	–
Foreign exchange and other movements	(449)	(5)	(444)	(634)	(1)	(633)	21	189	(168)	(1 062)	183	(1 245)
Unaudited net balance at 30 June 2019	51 670	182	51 488	3 185	395	2 790	636	402	234	55 491	979	54 512
New financial assets originated or purchased	13 360	259	13 101			–			–	13 360	259	13 101
Financial assets written off			–			–	(11)	(13)	2	(11)	(13)	2
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[2]	(6 532)	(419)	(6 113)	(3 606)	222	(3 828)	(403)	211	(614)	(10 541)	14	(10 555)
Transfers to 12-month ECL	2 089	438	1 651	(1 951)	(350)	(1 601)	(138)	(88)	(50)	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(7 817)	(200)	(7 617)	7 932	215	7 717	(115)	(15)	(100)	–	–	–
Transfers to lifetime ECL (credit-impaired)	(599)	(73)	(526)	(5)	(9)	4	604	82	522	–	–	–
Foreign exchange and other movements	1 998	(1)	1 999	61		61	49	(188)	237	2 108	(189)	2 297
Audited net balance at 31 December 2019	54 169	186	53 983	5 616	473	5 143	622	391	231	60 407	1 050	59 357
New financial assets originated or purchased	**13 243**	**48**	**13 195**			**–**			**–**	**13 243**	**48**	**13 195**
Financial assets written off			**–**			**–**	**(10)**	**(10)**	**–**	**(10)**	**(10)**	**–**
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[2]	**(16 142)**	**(79)**	**(16 063)**	**(6 019)**	**342**	**(6 361)**	**(124)**	**64**	**(188)**	**(22 285)**	**327**	**(22 612)**
Transfers to 12-month ECL	**3 547**	**228**	**3 319**	**(3 348)**	**(180)**	**(3 168)**	**(199)**	**(48)**	**(151)**	**–**	**–**	**–**
Transfers to lifetime ECL (not credit-impaired)	**(13 187)**	**(103)**	**(13 084)**	**13 192**	**105**	**13 087**	**(5)**	**(2)**	**(3)**	**–**	**–**	**–**
Transfers to lifetime ECL (credit-impaired)	**(172)**	**5**	**(177)**	**(389)**	**(38)**	**(351)**	**561**	**33**	**528**	**–**	**–**	**–**
Foreign exchange and other movements	**176**	**2**	**174**	**(224)**	**(22)**	**(202)**	**6**	**12**	**(6)**	**(42)**	**(8)**	**(34)**
Net balances	**41 634**	**287**	**41 347**	**8 828**	**680**	**8 148**	**851**	**440**	**411**	**51 313**	**1 407**	**49 906**
Total credit and zero balances	**(591)**		**(591)**			**–**			**–**	**(591)**	**–**	**(591)**
Unaudited balance at 30 June 2020	**41 043**	**287**	**40 756**	**8 828**	**680**	**8 148**	**851**	**440**	**411**	**50 722**	**1 407**	**49 315**

[1] *Other loans include properties in possession, overnight loans, factoring accounts, trade, other bills and bankers' acceptances, financial guarantees and loan commitments and other loans to clients.*

[2] *Includes credit risk changes as a result of significant increases in credit risk, changes in credit risk that did not result in a transfer between stages, changes in model inputs and model inputs assumptions and changes due to drawdowns of undrawn commitments.*

ECONOMIC SCENARIOS

	June 2020				
	Probability weighting (%)		Economic forecast (%)		
Scenario		Economic measures	2020	2021	2022
Base case	50	GDP Prime HPI	(7,0) 7,25 1,5	2,2 7,25 0,7	1,7 7,50 2,0
Mild stress	21	GDP Prime HPI	(8,5) 7,25 0,4	1,2 7,50 (3,6)	1,6 8,50 1,5
Positive outcome	21	GDP Prime HPI	(3,6) 7,25 2,5	2,5 6,50 4,4	2,9 6,25 5,7
High stress	8	GDP Prime HPI	(11,0) 7,25 (0,1)	(2,0) 8,00 (5,7)	1,3 9,00 1,3

The expected credit loss figure under each scenario includes stage 1 and 2 (portfolio) impairments, stage 3 (specific) impairments, off-balance-sheet impairments, impairments on instruments held at fair value through other comprehensive income and impairments on non-loans and advances.

The R1.1bn job losses overlay was flexed and applied across the four economic scenarios for a representative outlook in the case of a severe economic downturn.

Prime – The forecast for prime is at 30 June 2020 and does not include the subsequent reduction made to the prime rate in July 2020.

GDP – Calculated as the yoy percentage change in GDP.

HPI – Calculated as the yoy percentage change in HPI forecasted at 30 June 2020.

CREDIT RISK EXPOSURE

The following tables disclose the distribution of loan-to-value (LTV) ratios of credit-impaired financial assets:

LOANS AND ADVANCES

Rm LTV distribution	Home loans	Commercial mortgages	Properties in possession	Credit cards and overdrafts	Term loans	Other loans to clients	Leases and instalment debtors	Preference shares and debentures	Factoring accounts
30 June 2020									
Lower than 50%	**1 795**	**638**		**509**	**913**	**170**	**267**	**194**	**13**
50% to 75%	**2 544**	**1 753**		**36**	**30**	**28**	**424**		**4**
75% to 100%	**4 298**	**1 469**	**20**	**124**	**559**	**66**	**1 245**		**7**
Higher than 100%	**3 144**	**1 330**	**41**	**3 393**	**6 940**	**474**	**7 356**		**28**
Total	**11 781**	**5 190**	**61**	**4 062**	**8 442**	**738**	**9 292**	**194**	**52**

Rm LTV distribution	Home loans	Commercial mortgages	Properties in possession	Credit cards and overdrafts	Term loans	Other loans to clients	Leases and instalment debtors	Preference shares and debentures	Factoring accounts
31 December 2019									
Lower than 50%	1 112	352		392	620	48	203	8	4
50% to 75%	1 633	215		14	82	22	370		11
75% to 100%	2 992	977	19	163	392	60	1 129		7
Higher than 100%	2 098	944	36	2 550	6 129	338	4 905	189	23
Total	7 835	2 488	55	3 119	7 223	468	6 607	197	45

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 2020 (Unaudited) Rm	30 Jun 2019 (Unaudited) Rm	31 Dec 2019 (Audited) Rm	30 Jun 2020 (Unaudited) Rm	30 Jun 2019 (Unaudited) Rm	31 Dec 2019 (Audited) Rm	30 Jun 2020 (Unaudited) Rm	30 Jun 2019 (Unaudited) Rm	31 Dec 2019 (Audited) Rm	30 Jun 2020 (Unaudited) Rm	30 Jun 2019 (Unaudited) Rm	31 Dec 2019 (Audited) Rm	30 Jun 2020 (Unaudited) Rm	30 Jun 2019 (Unaudited) Rm	31 Dec 2019 (Audited) Rm
Cash and cash equivalents	**38 380**	35 396	37 635	**38 380**	35 396	37 635									
Other short-term securities	**66 741**	70 369	64 451	**3 780**	12 430	9 778				**62 961**	57 939	54 673			
Derivative financial instruments	**76 799**	33 841	35 243				**175**	11	61	**76 624**	33 830	35 182			
Government and other securities	**142 225**	126 172	128 510	**96 402**	86 037	92 344	**43 203**	36 769	32 745	**2 620**	3 366	3 421			
Loans and advances	**823 864**	759 090	796 833	**751 132**	717 399	743 064	**154**	171	186	**72 578**	41 520	53 583			
Other assets	**11 656**	14 987	14 089	**10 473**	12 796	10 457	**1 183**	2 191	3 632						
Investment securities	**25 202**	25 773	28 933				**489**	5	691	**17 321**	17 274	20 213	**7 392**	8 494	8 029
	1 184 867	1 065 628	1 105 694	**900 167**	864 058	893 278	**45 204**	39 147	37 315	**232 104**	153 929	167 072	**7 392**	8 494	8 029

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 2020 (Unaudited) Rm	30 Jun 2019 (Unaudited) Rm	31 Dec 2019 (Audited) Rm	30 Jun 2020 (Unaudited) Rm	30 Jun 2019 (Unaudited) Rm	31 Dec 2019 (Audited) Rm	30 Jun 2020 (Unaudited) Rm	30 Jun 2019 (Unaudited) Rm	31 Dec 2019 (Audited) Rm	30 Jun 2020 (Unaudited) Rm	30 Jun 2019 (Unaudited) Rm	31 Dec 2019 (Audited) Rm	30 Jun 2020 (Unaudited) Rm	30 Jun 2019 (Unaudited) Rm	31 Dec 2019 (Audited) Rm
Derivative financial instruments	**63 288**	30 470	27 991				**21**	23	16	**63 267**	30 447	27 975			
Amounts owed to depositors	**944 011**	865 815	904 382	**919 904**	834 493	871 700				**24 107**	31 322	32 682			
Provisions and other liabilities	**15 135**	20 678	9 798	**4 516**	11 686	5 277	**10 619**	8 549	3 950					443	571
Investment contract liabilities	**21 370**	21 742	24 571							**21 370**	21 742	24 571			
Long-term debt instruments	**62 234**	56 281	59 713	**62 234**	56 281	59 713									
	1 106 038	994 986	1 026 455	**986 654**	902 460	936 690	**10 640**	8 572	3 966	**108 744**	83 511	85 228	**-**	443	571

LEVEL 3 RECONCILIATION

30 June 2020 (Unaudited)	Opening balance at 1 January Rm	Losses in non-interest revenue in profit for the year Rm	Losses 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	Closing balance at 30 June Rm
FINANCIAL ASSETS						
Investment securities	**8 029**	**(698)**	**(111)**	**1 043**	**(871)**	**7 392**
	8 029	**(698)**	**(111)**	**1 043**	**(871)**	**7 392**
FINANCIAL LIABILITIES						
Provisions and other liabilities	**571**				**(571)**	**–**
	571	**–**	**–**	**–**	**(571)**	**–**

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

31 December 2019 (Audited)	(Losses)/Gains in non-interest revenue in profit for the year Rm	Gains relating to investments in equity instruments at FVOCI and debt instruments at FVOCI in OCI for the year Rm	Purchases and issues Rm	Sales and settlements Rm	Closing balance at 31 December Rm
FINANCIAL ASSETS					
Investment securities	(21)	9	4 775	(3 190)	8 029
	(21)	9	4 775	(3 190)	8 029
FINANCIAL LIABILITIES					
Provisions and other liabilities	140				571
	140	–	–	–	571

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 2020 (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 (16) and 19**	**7 392**	**1 436**	**(1 163)**
Total financial assets classified as level 3				**7 392**	**1 436**	**(1 163)**

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	Discounted cashflow, earnings multiples	Discount rates, forecasts		(443)	(44)	44

31 December 2019 (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 (17) and 21	8 029	1 688	(1 336)
Total financial assets classified as level 3				8 029	1 688	(1 336)
FINANCIAL LIABILITIES						
Provisions and other liabilities	Discounted cashflow, earnings multiples	Discount rates, forecasts	Between (10) and 10	(571)	57	(57)

UNREALISED (LOSSES)/GAINS

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

	30 June 2020 (Unaudited) Rm	30 June 2019 (Unaudited) Rm	31 December 2019 (Audited) Rm
Private-equity (losses)/gains	**(698)**	378	(21)

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	
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 2020 (Unaudited)					
Financial assets	**851 314**	**821 491**	**62 505**	**23 510**	**735 476**
Other short-term securities	**3 780**	**3 794**		**3 794**	
Government and other securities	**96 402**	**92 405**	**62 505**	**19 716**	**10 184**
Loans and advances	**751 132**	**725 292**			**725 292**
Financial liabilities	**62 234**	**65 435**	**40 427**	**25 008**	**–**
Long-term debt instruments	**62 234**	**65 435**	**40 427**	**25 008**	

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
31 December 2019 (Audited)					
Financial assets	845 186	820 754	63 219	27 366	730 169
Other short-term securities	9 778	9 770		9 770	
Government and other securities	92 344	90 990	63 219	17 596	10 175
Loans and advances	743 064	719 994			719 994
Financial liabilities	59 713	62 216	37 957	24 259	–
Long-term debt instruments	59 713	62 216	37 957	24 259	

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 period 2021 to 2023 (2019: for the period 2020 to 2022) 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 (level 2) and those that use significant unobservable inputs (level 3). The discounted-cashflow methodology principles (level 3) are the same as those used 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 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		**187 012**
Cash outflows		
Retail deposits and deposits from small-business clients	212 454	21 028
Stable deposits	4 347	217
Less stable deposits	208 107	20 811
Unsecured wholesale funding	301 207	153 550
Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	140 120	35 030
Non-operational deposits (all counterparties)	160 807	118 240
Unsecured debt	280	280
Secured wholesale funding	18 864	
Additional requirements	143 401	22 656
Outflows related to derivative exposures and other collateral requirements	4 423	4 423
Credit and liquidity facilities	138 978	18 233
Other contingent funding obligations	180 320	9 774
Total cash outflows	**856 246**	**207 008**
Cash inflows		
Secured lending (eg reverse repurchase agreements)	2	1
Inflows from fully performing exposures	60 023	45 904
Other cash inflows	6 176	6 167
Total cash inflows	**66 201**	**52 072**

	Total adjusted value
Total HQLA	187 012
Total net cash outflows[3]	163 273
Liquidity coverage ratio (%)	**114,5%**

[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 2020 for Nedbank Limited and the simple average of the month-end values at 30 April 2020, 31 May 2020 and 30 June 2020 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	98 990	–	–	–	98 990
Regulatory capital	98 021				98 021
Other capital instruments	969				969
Retail deposits and deposits from small-business clients	58 531	190 095	16 132	19 795	258 276
Stable deposits		4 011			3 810
Less stable deposits	58 531	186 084	16 132	19 795	254 466
Wholesale funding	89 944	374 318	136 227	132 637	380 470
Operational deposits	85 114	77 551			81 332
Other wholesale funding	4 830	296 767	136 227	132 637	299 138
Other liabilities	615	2 774	95	17 997	2 721
Net stable funding ratio (NSFR) derivative liabilities				15 324	
All other liabilities and equity not included in the above categories	615	2 774	95	2 673	2 721
Total ASF					740 457
Required stable funding					
Total NSFR high-quality liquid assets (HQLA)					17 635
Performing loans and securities	–	191 653	79 311	566 487	564 463
Performing loans to financial institutions secured by level 1 HQLA		14 620			1 462
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions		67 020	6 417	23 091	36 352
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		100 129	68 178	401 865	422 952
with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk				13 929	9 054
Performing residential mortgages, of which		3 266	3 309	134 168	93 426
with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		3 266	3 309	119 522	80 977
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		6 618	1 407	7 363	10 271
Other assets	28 705	52	–	57 457	56 882
Physical traded commodities, including gold					
assets posted as an initial margin for derivative contracts and contributions to default funds of central counterparties				23 447	8 124
NSFR derivative assets				15 508	1 551
NSFR derivative liabilities before deduction of variation margin posted	28 705	52		18 502	47 207
All other assets not included in the above categories					
Off-balance-sheet items				329 717	10 790
Total required stable funding					649 770
NSFR (%)					114,0%

The figures above reflect the quarter ending June 2020, 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 default events 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 the defaults 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 on-balance-sheet 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 and loans and advances measured at fair value through profit or loss (FVTPL).

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 In line with the Basel III definition, default occurs in respect of a 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 their facilities as a result of financial distress, except where debtor substitution is allowable in terms of the regulations.

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 stage 3 impairment is raised against such a credit exposure due to a significant perceived decline in the credit quality.

For retail portfolios this is product-centred, and a default would therefore be to a specific advance. For all other portfolios, except specialised lending, it is client- or borrower-centred, meaning that should any transaction to a legal-entity borrower default, all transactions with that legal-entity borrower would be treated as having defaulted.

To avoid short-term volatility, Nedbank employs a six-month curing definition where subsequent defaults will be an extension of the initial default.

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

Directive 1 of 2020 A directive from the Prudential Authority that provides temporary measures to aid compliance with the liquidity coverage ratio during the Covid-19 pandemic stress period. The PA has deemed it appropriate to amend the minimum LCR requirement temporarily to 80% effective from 1 April 2020.

Directive 2 of 2020 A directive from the Prudential Authority provides temporary capital relief to alleviate risks posed by the Covid-19 pandemic. The PA has implemented measures to reduce the specified minimum requirement of capital and reserve funds to be maintained by banks, in order to provide temporary capital relief to enable banks to counter economic risks to the financial system as a whole and to individual banks. These measures are intended to provide relief to banks in response to the Covid-19 pandemic, thereby enabling banks to continue providing credit to the real economy during this period of financial stress.

Directive 3 of 2020 A directive from the Prudential Authority that implemented measures to ensure that various relief to qualifying borrowers that were up to date at 29 February 2020, such as payment holidays, do not result in unintended consequences such as inappropriate higher capital requirements. The PA has provided temporary relief for qualifying loans from portions of Directive 7/2015 dealing with distressed restructures. Importantly, this relief covers retail, SME and corporate loans, including all specialist asset classes such as commercial property.

Directive 7 of 2015 A directive from the Prudential Authority that provides clarity on how banks should identify restructured credit exposures and how these exposures should be treated for purposes of the definition of default.

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 conditions in determining a significant increase in credit risk (SICR) and 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.

Guidance Note 4 of 2020 A guidance note from the South African Reserve Bank that recommends that banks no longer make dividend distributions on ordinary shares in order to conserve capital, in light of the negative economic impact of the Covid-19 pandemic and the temporary regulatory-capital relief provided.

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 The ECL of default events between the reporting date and the end of the lifetime of the financial asset, weighted by the probability of the defaults occurring.

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).

Net monetary gain/(loss) (Rm) Represents the gain or loss in purchasing power of the net monetary position (monetary assets less monetary liabilities) of an entity operating in a hyperinflation environment.

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 are up to date (not in default) but are classified as defaulted due to regulatory requirements, ie Directive 7 of 2015 or the 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.

SME loan guarantee scheme An initiative by National Treasury and the South African Reserve Bank, in partnership with participating commercial banks, aimed at giving financial support to small and medium enterprises (SMEs) affected by the lockdown.

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 Any advance or group of loans and advances that has triggered the Basel III-definition of default criteria, in line with the SA banking regulations. 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 stage 3 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.

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.

Year-to-date annualised or ytd annualised The growth rate for the six-month period to 30 June annualised by 366 days divided by 182 days.

ABBREVIATIONS AND ACRONYMS

AFR available financial resources
AGM annual general meeting
AI artificial intelligence
AIEBA average interest-earning banking assets
AIRB Advanced Internal Ratings-based
AMA Advanced Measurement Approach
AML anti-money-laundering
API application programming interface
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
CIPC Companies and Intellectual Property Commission
CLR credit loss ratio
COE cost of equity
CPI consumer price index
CPF commercial-property finance
CSI corporate social investment
CVP client value proposition
D1/2020 or D1 Directive 1 of 2020 issued by the Prudential Authority
D2/2020 or D2 Directive 2 of 2020 issued by the Prudential Authority
D3/2020 or D3 Directive 3 of 2020 issued by the Prudential Authority
D7/2015 or D7 Directive 7 of 2015 issued by the Prudential Authority
DHEPS diluted headline earnings per share
D-SIB domestic systemically important bank
ECL expected credit loss
EE employment equity
ELB entry-level banking
EP economic profit
EPS earnings per share
ESG environmental, social and governance
EV embedded value
ETI Ecobank Transnational Incorporated
FCTR foreign currency translation reserve
FSC Financial Sector Code
FSCA Financial Sector Conduct Authority
FVOCI Fair value through other comprehensive income
FVTPL Fair value through profit or loss
GDP gross domestic product
GFC global financial crisis
GLAA gross loans and advances
GLC Global Lockdown Crisis
G4/2020 Guidance Note 4 of 2020 issued by the Prudential Authority
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
IMF International Monetary Fund
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
LTI long-term incentive
m million
M&A mergers and acquisitions
MFC Motor Finance Corporation (vehicle finance lending division of Nedbank)
MRC minimum required capital
MZN Mozambican metical
N/A not applicable
NAFEX The Nigerian Autonomous Foreign Exchange Rate Fixing Methodology
NAR Nedbank Africa Regions
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)
NPS Net Promoter Score
NSFR net stable funding ratio
nWoW New Ways of Work
OCI other comprehensive income
OM Old Mutual
PA Prudential Authority
PAT profit after tax
PayU Pay-as-you-use account
Plc public listed company
PPOP preprovisioning operating profit
PRMA postretirement medical aid
R rand
RBB Retail and Business Banking
Rbn South African rands expressed in billions
REITs real estate investment trusts
Rm South African rands expressed in millions
ROA return on assets
ROE return on equity
RORWA return on risk-weighted assets
RPA robotic process automation
RRB Retail Relationship Banking
RTGS real-time gross settlement
RWA risk-weighted assets
SA South Africa
SAcsi The South African Customer Satisfaction Index
SADC Southern African Development Community
SAICA South African Institute of Chartered Accountants
SARB South African Reserve Bank
SDGs Sustainable Development Goals
SICR Significant increase in credit risk
SME small to medium-sized enterprise
STI short-term incentive
TSA The Standardised Approach
TTC through the cycle
UK United Kingdom
USA United States of America
USD United States dollar (currency code)
USSD unstructured supplementary service data
VAF vehicle and asset finance
VaR value at risk
VIU value in use
VNB value of new business
YES Youth Employment Service
yoy year on year
ytd year to date
ZAR South African rand (currency code)

nedbankgroup.co.za