CONDENSED RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

NEDBANK

KEY PERFORMANCE REVIEW

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

▲ INCREASE IN NET ASSET VALUE ("NAV") PER SHARE FROM **3 160.30** CENTS TO **3 362.70** CENTS PER SHARE

▶ GROWTH IN LOANS AND ADVANCES TO CUSTOMERS OF **0.18%**

▶ CAPITAL ADEQUACY RATIO OF **14.31%**

STATEMENT OF COMPREHENSIVE INCOME HIGHLIGHTS

▲ NET INTEREST INCOME INCREASED BY **9.61%**

▲ NON-INTEREST REVENUE INCREASED BY **4.49%**

▶ OPERATING EXPENSES INCREASED BY **8.20%**

▲ PROFIT AFTER TAXATION INCREASED BY **4.78%**

▲ WEIGHTED EARNINGS PER ORDINARY SHARE INCREASED BY **4.80%**

ACCOUNTING POLICIES

The condensed consolidated financial statements of NedNamibia Holdings Limited and its subsidiaries ("the Group") have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB"), the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB and the requirements of the Namibian Companies Act.

The same accounting policies, presentations and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's annual financial statements for the financial year ended 31 December 2016.

FINANCIAL PERFORMANCE

The banking sector was not immune to the impact caused by the slowdown of the Namibian economy in the first half of this year. Due to the continued slowdown of the Namibian economy from the preceding year, the first half of 2017 was characterised by a lower level of consumer appetite for credit, particularly for home loans and vehicle financing. Even though the repo rate was kept at 7%, private sector credit extension had dropped by 23.4% on a year-on-year basis. Another challenging aspect has been the increased cost of funding as a result of market liquidity constraints.

Despite the challenging economic environment, Nedbank Namibia has shown growth in loans and advances to customers of 0.18%, with net interest income increasing by 9.61%, and non-interest income increasing by 4.49% year-on-year. Taking into account our investment in our brand, continued investment in technology and increase training cost, operating expenses are well controlled at an 8.20% increase compared to the same period in 2016.

At group level, NedNamibia Holdings has maintained a strong financial position and has shown better performance compared to the same period last year. With contributions from the main subsidiaries, Nedbank Namibia and NedNamibia Life Assurance Company, profit after taxation grew by 4.78% to N$139 million for the first half of the financial year. This translated to weighted earnings per ordinary share of 196.31 cents, which represents a 4.80% increase.

GOING CONCERN

The financial statements have been prepared on the going concern basis. The directors are of the opinion that the Group has adequate resources in place to continue in operations for the foreseeable future.

ECONOMIC OUTLOOK

The stronger momentum visible in the first quarter continued during the second quarter. Manufacturing activity remained buoyant in the large industrialised economies, although the momentum in some of the major developing economies was lacklustre. The World Trade Organisation's World Trade Outlook Indicator pointed towards above-trend growth in merchandise volumes in the first half of 2017. However, the global trend is mixed, as some regions reflect strong momentum while others are weak. Confidence indicators suggest reasonable support for economic activity in the industrialised economies. Business and consumer confidence remain upbeat in the US and Germany, suggesting steady investment and consumption expenditure. Eurozone consumer and business sentiment indicators have reached their highest levels since the global financial crisis on expectations of stronger domestic demand in the large Eurozone economies. The Japanese Tankan survey is at a three-year high as tight labour demand boosts expectations for stronger household consumption. However, the UK has bucked the trend. Consumer confidence is down to levels seen immediately after the Brexit vote in mid-2016, dragged by declining real disposable incomes and a softer property market, while the indecisive 8 June election outcome has hurt business sentiment further.

Risks to the global outlook remain high, as trade prospects remain subject to the probability of US protectionist measures and probable retaliatory moves by the other large economies. Geopolitical risks have remained elevated, particularly in South East Asia where a conflict in the Korean Peninsula would disrupt a key trade route.

Sub Saharan economies are showing signs of stabilisation on the back of improved climatic conditions and the resumption of foreign currency inflows. However, oil-dependent economies still reflect tough conditions. South Africa dipped into recession in early 2017 and real GDP growth will remain subdued in the short term.

The Bank of Namibia (BoN) reduced its repo rate to 6.75% from 7.0%, citing the improved outlook as well as slower private sector credit extension. The BoN projects a broad-based recovery in 2017, with real GDP growth rising to 2.1% from 0.2% in 2016, as mineral exports benefit from improving production and firmer global prices, agricultural output has been revived by favourable climatic conditions, while output in the power and water sector is also recovering. However, fiscal consolidation is delaying government's fixed investment projects and this will constrain the overall recovery, while domestic demand growth has been dampened by high interest rates. The probability of further interest rate cuts have increased, as inflation is likely to moderate further, while more reductions by the South African Reserve Bank would most likely prompt similar action by the BoN. However, the exchange rate trajectory and its impact on inflation will be key for the direction of interest rates.

APPRECIATION

We sincerely appreciate the support and loyalty of our clients in giving us the opportunity to partner with them in business and in their financial and social well-being. We value, too, the contribution of our suppliers and business partners including the many people who guide our efforts in sustainable development. Satisfying client and operational needs and building on the momentum of 2016 has demanded great effort by our management and personnel, and is gratefully acknowledged, as is the constructive engagement we continue to enjoy with the regulatory authorities.

For and on behalf of the Board

T J Frank
Chairman

LJ Matthews
Managing Director

Windhoek, 17 August 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	GROUP		
	30 June 2017 (unaudited) N$'000	30 June 2016 (unaudited) N$'000	31 December 2016 (audited) N$'000
Assets			
Cash and balances with central bank	390 670	346 780	384 529
Due from other banks	1 175 703	1 786 745	577 936
Other short-term securities	1 346 286	1 412 707	1 704 058
Derivative financial instruments	10 616	9 703	16 844
Government and other securities	1 630 103	1 327 491	1 663 147
Loans and advances to customers	11 245 994	10 158 815	11 225 366
Other assets	82 787	54 390	139 919
Investment in subsidiaries, associates and listed investments	42 296	35 711	37 399
Property and equipment	215 314	224 644	222 770
Computer software and development cost	33 817	35 333	36 843
Goodwill	29 125	29 125	29 125
Total assets	**16 202 711**	**15 421 444**	**16 037 936**
Equity and Liabilities			
Shareholder's equity			
Share capital	17 595	17 595	17 595
Share premium	99 536	99 536	99 536
Share-based payment reserve	16 705	16 705	16 705
Revaluation reserve	85 862	85 758	85 862
Available-for-sale reserve	19 103	15 390	15 390
General risk reserve	79 690	68 951	88 766
Retained income	2 034 887	1 736 789	1 887 644
Shareholder's interest	**2 353 378**	**2 040 724**	**2 211 498**
Non-controlling interest	13 333	12 822	12 803
Total shareholder's equity and minority interest	**2 366 711**	**2 053 546**	**2 224 301**
Derivative financial instruments	6 992	9 955	11 644
Due to other banks	662 532	441 948	995 139
Due to customers	8 237 795	7 793 284	7 378 000
Negotiable certificates of deposit and other deposits	4 591 459	4 711 056	5 055 985
Other liabilities	122 318	190 153	155 432
Deferred taxation liabilities	99 837	102 631	102 488
Policyholder liabilities under insurance contracts	99 058	104 029	99 535
Provision for post-retirement medical benefits	9 995	9 632	9 813
Long-term subordinated debt instruments	6 014	5 210	5 599
Total liabilities	**13 836 000**	**13 367 898**	**13 813 635**
Total equity and liabilities	**16 202 711**	**15 421 444**	**16 037 936**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	GROUP		
	30 June 2017 (unaudited) N$'000	30 June 2016 (unaudited) N$'000	31 December 2016 (audited) N$'000
Interest income	775 106	654 835	1 383 521
Interest expense	414 660	325 993	701 099
Net interest income	**360 446**	**328 842**	**682 422**
Impairment of advances	38 976	23 533	41 091
Net income	**321 470**	**305 309**	**641 331**
Non-interest revenue	163 706	156 670	323 773
Share of profit from associate	1 183	233	1 921
Total income	**486 359**	**462 212**	**967 025**
Operating expenditure	308 492	285 108	583 347
Transfers to policy holders' liability	(477)	3 731	(763)
BEE transaction cost	84	950	2 282
Profit before taxation	**178 260**	**172 423**	**382 159**
Taxation	39 563	40 048	81 069
Profit after taxation	**138 697**	**132 375**	**301 090**
Other comprehensive income			
Revaluation of properties	-	-	3 039
Increase/(decrease) in available-for-sale reserve	3 713	(368)	(368)
Other comprehensive income	**3 713**	**(368)**	**2 671**
Total comprehensive income	**142 410**	**132 007**	**303 761**
Profit after taxation attributable to:			
Non-controlling interest	530	483	964
Owners of the parent	138 167	131 892	300 126
Total profit after taxation	**138 697**	**132 375**	**301 090**
Total comprehensive income attributable to:			
Non-controlling interest	530	483	964
Owners of the parent	141 880	131 524	302 797
Total comprehensive income	**142 410**	**132 007**	**303 761**
Earnings per ordinary share after taxation (cents)	196.31	187.39	426.42

FINANCIAL STATISTICS

		GROUP		
		30 June 2017	30 June 2016	31 December 2016
Average number of ordinary shares in issue:		70 382	70 382	70 382
Return on average equity after taxation	%	12.1	13.4	14.6
Return on average total assets after taxation	%	1.7	1.8	2.0
Non-interest revenue to total income	%	31.4	32.3	32.3
Expenses to total income	%	58.6	58.7	58.0
Net asset value per share	cents	3 362.7	2 917.7	3 160.3

CAPITAL ADEQUACY

		30 June 2017	30 June 2016	31 December 2016
Tier 1 Risk-Based Capital Ratio	%	13.17	13.51	13.78
Tier 2 Risk-Based Capital Ratio	%	1.13	2.03	1.18
Total Risk-Weighted Capital Ratio	%	14.31	15.54	14.96
Tier 1 Leverage Ratio	%	10.04	9.30	10.13