



# NEDBANK GROUP

A Member of the OLD MUTUAL Group

## REVIEWED FINANCIAL RESULTS

### FOR THE SIX MONTHS ENDED 30 JUNE 2009 AND TRADING STATEMENT

'The first half of 2009 has been a challenging period for the South African economy. It has been a harsh environment for clients and this has negatively impacted bank earnings. In this environment the group has focused on the strength of its balance sheet. Capital ratios continued strengthening and liquidity was sound throughout the period. Net asset value per share increased by 7,4%.

Nedbank Group remained solidly profitable, but reduced endowment income and margin on current and savings accounts from lower interest rates, together with slower asset growth and increasing impairments, have resulted in reduced earnings levels compared with the period to June 2008. There are, however, signs that the first half of 2009 may have seen the worst of the retail credit cycle.

Throughout this difficult period the group has continued to advance loans to our clients while ensuring affordability criteria are met. Nedbank Group has shown modest market share growth in most core retail and commercial advances categories. The group continues to seek ways of assisting distressed clients, promoting responsible lending and encouraging savings. Of the large South African banks, Nedbank offers among the most affordable bank fees for low- and middle-income earners.'

#### BANKING ENVIRONMENT

In the first quarter of 2009 the South African economy contracted at its fastest rate since the third quarter of 1984. The deterioration in the South African banking environment, as indicated in the group's first-quarter trading update in May 2009, has been more severe than was anticipated at the time of the release of the 2008 financial results in February 2009. The risk remains high that the recovery in economic growth may be slow and protracted, and that retrenchments will increase and house prices will continue to decline into the second half of the year.

While lower interest rates are positive for consumers – as reflected in the slower rate at which retail impairments are increasing – this has a negative impact on bank earnings in the short term due to reduced endowment income and margin on current and savings accounts. Wholesale banking, which has been resilient, even at the peak of the interest rate cycle, is starting to show the signs of increased credit stress being experienced by some clients.

#### HELPING CLIENTS MANAGE THROUGH THE CYCLE

The group has embarked on several initiatives to support clients through this difficult cycle. Assistance to retail clients takes into account the individual's medium-term ability to repay, as well as appropriate affordability and security criteria. Assistance is provided to wholesale clients in distress, provided there is a reasonable probability that they can be restored to financial and operational sustainability with appropriate guidance as well as support from the clients' shareholders. Initiatives to assist clients include the following:

- Appropriately restructuring distressed loans where this enables clients to remain in their houses or retain their assets, as well as offering alternative ways for clients to dispose of their properties so as to realise maximum value.
- Removing the penalty fee on Mzansi Accounts for rejected payments and excess numbers of transactions. The group's transactional banking fees for the lower- to middle-income sector remain among the most affordable.
- Launching Personal Money Manager, a free software package enabling Nedbank Retail transactional banking clients to download recent monthly statements at no charge. This assists clients to budget, track actual spend against budgeted spend, and identify opportunities to save.
- Providing bridging finance where a client's ability to repay is hampered by short-term constraints but the client has the ability to repay debt in the medium term.
- Working closely with wholesale clients in financial distress to rehabilitate their businesses and prevent liquidation.
- Assisting distressed small businesses to find possible buyers, should this be appropriate.
- Providing mentors to assist distressed businesses for a period of time.
- Facilitating the repayment of smaller bank facilities to consolidate debt.

#### REVIEW OF RESULTS

As highlighted in the 2008 annual results announcement, management has focused on maintaining a strong and appropriately liquid statement of financial position (balance sheet) during these difficult market conditions. It is therefore pleasing to report that the group increased net asset value (NAV) by 7,4% to R762 cents per share. The group's Tier 1 capital adequacy ratio increased from 9,6% in December 2008 to 10,0%, and the total capital adequacy ratio increased from 12,4% to 13,2%. The group's ratio of risk-weighted assets to total assets is 62,8%, above the top end of the peer group, indicating the conservative approach adopted in applying Basel II. The interbank funding market has functioned normally and liquidity remains sound.

Headline earnings decreased by 32,4% from R2 943 million for the period to June 2008 to R1 988 million for the six months to June 2009. Diluted headline earnings per share decreased by 34,1% from 719 cents to 474 cents. Basic earnings decreased by 28,7% from R3 597 million to R2 564 million for the current period. Diluted earnings per share decreased by 30,5% from 879 cents to 611 cents. These results are in line with the target ranges reflected in the trading statement released on 20 July 2009. 1

Overall the group's results were negatively impacted by lower interest rates and the effects of the economic recession. This has resulted in margin compression from the negative endowment effect, margin compression on current and savings accounts and a reduction in transaction volumes. In addition, impairments have increased from December 2008, although some improvement has been noted since March 2009. 1

Solid client flows, a healthy retail deposit franchise, improved asset margins on new business, strong levels of capital and good cost discipline have created a solid base from which to grow.

The group achieved a return on average ordinary shareholders' equity (ROE), excluding goodwill, of 12,6% and an ROE of 11,1%, resulting in an overall economic loss (earnings after deducting the cost of capital employed) of R99 million for the period.

#### CLUSTER PERFORMANCE

##### Nedbank Capital

Nedbank Capital grew headline earnings by 4,3% to R626 million for the six months ended June 2009. The cluster generated an economic profit of R433 million and achieved an excellent return on risk-adjusted capital (RORAC) of 42,9% (June 2008: 35,3%).

The economic downturn, combined with reduced internal risk appetite and an ongoing focus on selective asset growth, has resulted in a reduction in foreign and trading assets as well as economic-capital utilisation in the six months under review.

Net interest income (NII) for the cluster increased by 34,3% to R595 million, benefiting from strong advances growth in the second half of 2008 and from improved asset spreads. The credit loss ratio increased to 0,44% (June 2008: 0,12%), primarily as a result of the negative impact of the environment on advances to certain sectors. The diversification of the portfolio across sectors helped to maintain the credit loss ratio at acceptable levels.

The integrated investment banking model has gained further momentum and contributed solidly to the businesses generating non-interest revenue (NIR) through additional revenue opportunities being identified more proactively during the initial stages of the credit-granting process.

Commission and fees were 23,0% higher due to good dealflow in Infrastructure and Corporate Finance businesses. Trading income grew by 18,2%, reflecting solid performance in Treasury and Global Markets on the back of favourable underlying trading conditions.

Within Investment Banking and the Global Markets equity businesses there were fewer opportunities and the deteriorating credit environment.

##### Nedbank Corporate

Nedbank Corporate's headline earnings declined by 11,3% to R685 million for the six months ended June 2009. The cluster generated economic profit of R335 million and achieved a RORAC of 25,9% (June 2008: 25,8%).

The capital efficiency programme initiated late in 2008 resulted in a reduction in capital requirements. Capital reduced from R60 billion in December 2008 to R53 billion at June 2009. Had these initiatives been applied retrospectively, capital would have been R1,5 billion lower in 2008. In 2009 the cost of higher impairments was offset by the effect of the lower capital utilisation, which resulted in RORAC remaining at similar levels as in 2008.

Core banking earnings, which exclude property private equity portfolio earnings, held up satisfactorily, with earnings up 1,6% after adjusting for the capital efficiency programme.

Corporate Banking performed well, driven by healthy advances and credit margin growth. Property Finance earnings were down as impairments increased in line with expectations and property private equity valuations decreased.

Risk management processes have proved effective to date, with the credit loss ratio now at a more normalised 0,25%.

The alliance with Ecobank, announced in December 2008, is progressing well. A high-profile event was held on 4 August to provide an update on the unique banking proposition this offers to our clients across the largest banking footprint in Africa, and also marked the launch of our African Centre of Excellence for clients.

Nedbank Corporate has good financial metrics that are complemented by improving culture and staff morale results, confirming the sound overall condition of the business.

##### Nedbank Business Banking

After four years of strong earnings growth Nedbank Business Banking's headline earnings decreased by 31,7% to R499 million for the six months ended June 2009. The cluster generated an economic profit of R261 million and achieved a RORAC of 27,8% (June 2008: 34,8%).

Business Banking implemented a similar capital optimisation process to that of Nedbank Corporate. The cluster reduced its capital from R42 billion to R36 billion. Retrospective application would have meant 2008 capital would have been approximately R596 million lower.

The drop in earnings resulted from a decrease in endowment income and margin on current and savings accounts, higher impairment levels and a general slowdown in client business activity.

The cluster maintained its focus on improving client economic profitability through quality asset growth for its primary-banked clients, while reducing advances to higher-risk clients or those clients with a single Nedbank lending product.

Proactive risk management practices are fundamental to the way Business Banking operates and this, together with the decentralised accountable business model, has proved effective during the period and ensured impairments were well contained, resulting in a credit loss ratio of 0,79%.

Despite the overall impact of lower client volumes, Business Banking was able to deliver a sound performance in its core business by focusing on:

- quality new business;
- widening credit margins on new assets in line with risk-based pricing principles;
- strong NIR growth aided by primary-banked client acquisition; and
- effective cost management.

Notwithstanding the more challenging external environment, Business Banking remains focused on its strategic objectives and is well positioned to take advantage of opportunities in the market, while it continues to invest in its client-centric decentralised business model and leadership, and to develop a high-performance culture.

##### Nedbank Retail

Nedbank Retail's headline earnings declined by 93,5% to R47 million for the six months ended June 2009. The first half of 2009 continued to be extremely challenging in retail banking, with the cluster generating an economic loss of R586 million and a RORAC of 1,0% (June 2008: 15,9%).

The effect of declining interest rates on endowment and margin compression on current and savings accounts, coupled with lower volumes, resulted in NII declining by 3,2%. NIR growth of 9,8% has been driven mainly by increased fee income as a result of growing client numbers and modest pricing adjustments.

Impairments rose by 66,2% to R2 350 million and the credit loss ratio increased from 2,92% in the second half of 2008 to 3,00%, driven mainly by Home Loans and Small Business Services. We anticipate the relief from interest rate reductions to become more evident during the rest of 2009 and into 2010. Impairments in unsecured revolving products are improving, and early indications are that secured products may also be turning, with the cluster's credit loss ratio down marginally from 3,10% in March 2009.

To improve profitability, loan-to-value (LTV) policies in respect of home loans were tightened from the second half of 2008 onwards, resulting in the weighted average LTV on new business being registered dropping from 89,9% in June 2008 to 84,4% in December 2008 and 79,9% in June 2009. This trend is evident in lower LTV ratios at grant stage and in an improved distribution of the book when measured by balance outstanding to original valuation. Client rates have also increased during the past six months, with an appropriate reduction in the average concession granted on new business. Similar steps have been taken in other secured-loan products with Nedbank Retail. However, because of the lower volumes of new business being written, this will take some time to impact the margin on the overall book, which has also been negatively affected by an increase in the internal cost of funds.

A focus on cost containment resulted in cost growth of only 5,1%, contributing to a relatively stable efficiency ratio of 62,9%, compared with 61,1% in 2008.

We have continued to build and execute on our long-term growth strategies, evidenced by the buyout of Old Mutual's interests in the BoE, NedLife and Fairbairn businesses, all of which are now wholly owned by Nedbank Group. We and Old Mutual believe that this is a more appropriate model to facilitate an increase in bancassurance earnings.

The majority of the stress being felt by Nedbank Retail is a direct result of the historic high interest rates and the downturn in the economy. We are already seeing signs of improvements in trends, with early-stage arrears across all products having improved over the past five months.

The key focus areas of Nedbank Retail, which we believe will improve the cluster's financial returns, are:

- NIR growth, mainly through primary-client acquisition;
- selected growth in advances at enhanced margins and lower risk profiles;
- retention and growth of the liability book;
- ongoing focus on risk, impairments and collections; and
- bancassurance and wealth revenue growth following the group's acquisition of the balance of the shares in BoE, NedLife and Fairbairn Private Bank from Old Mutual.

##### Imperial Bank

Nedbank Group's share of Imperial Bank's headline earnings declined by 47,7% to R46 million for the six months ended June 2009. Imperial Bank generated a return on equity of 7,1% (June 2008: 15,5%).

Trading conditions remained extremely challenging during the period, with many clients struggling to cope with the severe effects of the recession and depressed markets.

The efficiency ratio improved to 26,3%. Loans and advances decreased by 9,2% (annualised) to R47 billion, reflecting small market share gains. The credit loss ratio deteriorated from 1,75% to 2,50%, largely as a result of the credit loss ratio in the Motor Finance Corporation (MFC) business increasing from 2,65% to 3,30% at June 2009.

Early in the cycle MFC implemented a number of risk management processes, which included tightening affordability criteria. The beneficial impact of this proactive approach, together with lower interest rates, is reflected in the arrears levels starting to decline, decreasing repossessions and improved recovery rates at auctions. While we expect to see some benefit from this flowing through to improved trading results in the second six months, it is likely that the full benefits will only be realised in 2010 and beyond.

#### FINANCIAL PERFORMANCE

##### NII

NII grew 2,8% to R8 185 million (June 2008: R7 960 million) as a result of a 14,8% increase in average interest-earning banking assets, offset by compression in the group's margin. 1

The net interest margin for the period was 3,44%, down from 3,83% for the period to June 2008 and the 3,66% for the year ended December 2008. 1

Margin compression was largely due to the reduced endowment income impact on capital and margin on non-rate-sensitive deposits resulting from the faster than expected reduction in interest rates. In addition, margin was impacted by:

- other liability margin compression reflecting the higher cost of term funding;
- the increased duration in the wholesale deposit book and the cost of holding additional liquidity buffers;
- the cost of funding increased non-performing loans and properties in possession;
- debts relating to accounting for historic structured-finance transactions with related credits offset in taxation; and
- interest-earning assets repricing more quickly than interest-bearing liabilities.

##### Impairments charge on loans and advances

The credit loss ratio reflects the very tough economic conditions and increased to 1,57% for June 2009, compared with 0,96% for the same period in 2008 and 1,36% for the second half of 2008. It is encouraging that this ratio showed a slight improvement from the 1,67% reflected in the group's first-quarter trading update. 1

Given the recessionary environment, South African businesses are experiencing increased levels of stress, which has resulted in higher levels of impairments in the wholesale advances books, but still within the through-the-cycle range for this sector.

Credit loss ratio (%)	H1 to June 2009	Year to December 2008	H2 to December 2008	H1 to June 2008
Nedbank Capital	0,44	0,06	0,00	0,12
Nedbank Corporate*	0,25	0,12	0,18	0,05
Nedbank Business Banking	0,79	0,59	0,84	0,34
Nedbank Retail	3,00	2,47	2,92	2,00
Imperial Bank	2,50	1,71	1,63	1,75
Nedbank Group	1,57	1,17	1,36	0,96

\* Comparatives restated to exclude Nedbank Business Banking.

Defaulted advances increased by 94,8% (annualised) to R25 437 million, from R17 301 million reported in December 2008, and total impairment provisions increased by 32,9% (annualised) to R9 142 million for the same period. Approximately R1 billion of the defaulted advances are technical in nature and the direct result of applying a reduced instalment to historic arrears balances as interest rates fall.

Management has maintained a strong focus on managing risk and improving asset quality, particularly in retail home loans. Good progress has been made and average LTV ratios for new home loans at grant stage have been reduced to 79,9%.

##### NIR

The group's focus on growing NIR streams is starting to show results. NIR increased 8,5% to R5 377 million (June 2008: R4 954 million). 1

Commission and fee income grew by 8,7%, mainly from increases in transactional banking fees and insurance product pricing in Retail, strong cash-handling volumes, increased electronic banking volumes and credit-related excess/commitment fees in Business Banking. The migration of Corporate Banking clients onto the Nedbank electronic banking system will commence later in the year and is expected to contribute to the acquisition of transactional banking corporate clients.

Trading income was up by 14,2% from R813 million at June 2008 to R928 million, driven primarily by favourable trading opportunities in Treasury and the Global Markets businesses.

NIR from the private equity portfolios declined by R80 million, compared with June 2008, in line with markets.

NIR from private equity (Rm)	June 2009	June 2008
Nedbank Capital private equity	10	93
Nedbank Corporate property private equity	(37)	(40)
Total NIR from private equity	(27)	53

NIR includes an amount of R85 million (June 2008: R21 million) from the credit-related fair-value adjustment of the bank's own subordinated debt. This is low-quality earnings and has not been attributed to capital.

##### Expenses 1

Nedbank Group's expenses increased by 7,1% to R17 121 million (June 2008: R6 651 million) and are in line with expectations. Expenses remain tightly controlled:

- Staff expenses increased by 7,1%, resulting from the 1,5% growth in staff numbers, compared with June 2008, salary increases and an adjustment of R47 million (June 2008: R129 million) to account for the growth in the Nedgroup Pension Fund asset. Staff numbers have decreased by 1,4% annualised since December 2008.
- Marketing and public relations costs decreased by 3,4%.
- Information technology costs grew by 7,4%, largely attributable to ongoing investment in systems development for client businesses and risk-related projects.
- Fees and insurance and other costs increased by 18,4% and 18,5% respectively as a result of increased fraud levels, NAEODS costs (related to debt collection) and property in possession costs.
- The group's black economic empowerment (BEE) transaction expenses decreased from R108 million to R66 million mainly through movements in the share price.

In line with expectations, as NII growth slowed predominantly from lower endowment income and margin on current and savings accounts, the group's efficiency ratio deteriorated marginally from 51,5% to 52,5%.

##### Associate income 1

Associate income decreased from R84 million in June 2008 to R55 million largely as a result of lower earnings in the Nedbank Retail Bancassurance and Wealth joint ventures and the fact that these were consolidated for the last month of the current period.

##### Taxation 1

The taxation charge (excluding taxation on non-trading and capital items) decreased by 36,7% from R1 014 million in June 2008 to R642 million primarily as a result of lower profits in the period.

The effective tax rate decreased from 23,8% to 22,2% due mainly to:

- lower non-deductible share-based payment charges in 2009;
- dividend income that decreased at a slower rate (23,3%) than profit before tax (29,7%); and
- accounting for historical structured-finance transactions, which reduced the effective tax rate by 1,3%, and are offset in the net interest margin.

##### Non-trading and capital items 1

Income after taxation from non-trading and capital items decreased from R654 million to R575 million at June 2009. The key components (after taxation) are as follows:

Non-trading and capital items (Rm)	June 2009	June 2008
Profit on sale of Visa shares		637
Profit on the sale of 33,5% in Bond Choice		15
Revaluation on acquisition of BoE and NedLife	547	
Other	29	2
Total	576	654

#### STATEMENT OF FINANCIAL POSITION

##### Capital

Nedbank Group and its subsidiaries are well capitalised with all capital adequacy ratios well above minimum regulatory levels, and the group's ratios are now at the top end of or slightly above the group's internal target ranges, which were increased in December 2008 in response to the deteriorating environment.

The group has been proactive in managing the efficiency of its capital structure, and in the first quarter of 2009 successfully placed a 13-year (non-call 8-year) \$100 million listed lower Tier 2 subordinated unsecured floating-rate note with an international investor. The group's core Tier 1 capital adequacy ratio (calculated on Tier 1 capital, excluding perpetual preference share capital and hybrid debt capital instruments) increased to 8,6% from 8,2% in December 2008 and the Tier 1 capital adequacy ratio increased to 10,0% from 9,6%. The total capital adequacy ratio increased to 13,2% from 12,4% in December 2008 and is now above the group's increased total capital adequacy target range of 11,5% to 13,0%.

In accordance with its prudent capital management strategy the group increased its levels of surplus capital, and currently holds a surplus of R10,6 billion relative to its calculated economic-capital requirements, calibrated to an A- debt rating (including a 10% buffer), and a surplus of R10,7 billion relative to its regulatory-capital adequacy requirements. Economic-capital requirements are covered by Tier 1 capital, with a surplus of R4,7 billion.

Following the conservative approach when implementing Basel II in 2008, the group has adopted a prudent risk-weighted asset optimisation programme. Since December 2008 this programme has resulted in a decrease of 2,8% in risk-weighted assets held for credit risk, and the ratio of risk-weighted assets to total assets is 62,8%. This is still above the top end of the peer group, highlighting further optimisation opportunities. The group's leverage ratio (total assets to ordinary shareholders' equity) at 14,8 times remains conservative by both international and local standards, and has declined from 16,2 times, evidencing focus on balance sheet strength in the current economic climate.

To strengthen capital further the group intends, subject to regulatory approval and market conditions, issuing non-redemable non-cumulative preference shares amounting to approximately R500 million during August 2009.

##### Funding and liquidity

Nedbank Group maintains a conservative funding structure in line with the domestic market and its liquidity remains sound. There is no Tier 2 refinancing required in the capital markets for 2009. The group remains appropriately liquid with a loan-to-deposit ratio of 93,8%.

Given Nedbank Group's domestic focus, international funding represents a small portion of the group's funding base at around 1,5% and the increased cost of international funding as a result of the reduction in international liquidity has had a minimal effect on the group.

##### Total assets

Total assets decreased marginally by 3,5% (annualised) to R557 billion (December 2008: R567 billion) as a result of decreasing overnight loans and foreign correspondents, as well as the maturing of R6 billion of additional liquid assets that were accumulated prior to the 2008 year-end and repayment of the associated repurchase funding. Growth in average interest-earning banking assets slowed to 14,8% (June 2008: 22,9%).

##### Advances

Advances are 1,1% (annualised) lower than at December 2008, declining from R434 billion to R432 billion at June 2009, with the reduction being mainly attributable to lower levels of

trading assets flowing from a more cautious approach to risk appetite. Overall, growth has slowed down as a result of subdued demand as well as the group's focus on more selective advances growth and improving margins. The advances by division are as follows:

Rm	June 2009	December 2008	Annualised % increase/ (decrease)
Nedbank Capital	43 897	47 686	(16,1)
– Banking activity	38 679	37 302	7,5
– Trading activity	5 218	10 383	<(100)
Nedbank Corporate	135 079	136 222	(1,7)
Nedbank Business Banking	52 354	55 321	(10,8)
Nedbank Retail	154 106	150 107	5,4
Imperial Bank	46 772	44 734	9,2
Other	(255)	163	<(100)
Total	431 953	434 233	(1,1)

The group reduced its exposure to foreign correspondents, overnight loans and trading advances. Excluding these categories, core banking advances grew by 4,2% (annualised) from December 2008. Home loans grew by 6,2% (annualised) and vehicle and asset finance loans by a more muted 1,9% (annualised), with market share increasing in both of these categories.

##### Deposits 1

Nedbank Group grew its market share of deposits, but deposits declined by 2,8% (annualised) from R467 billion at the year-end to R460 billion at June 2009, driven mostly by a reduction in repurchase trading activity referred to above. Retail deposit growth was broadly flat in a highly competitive market that started to experience declining demand for savings and investment products given lower interest rates.

Nedbank Group is focused on maintaining and building its strong deposit franchise. Optimising its funding mix and funding profile by growing the Retail and Business Banking portion of the deposit base remains key, as is the competitive pricing of term deposits.

#### UPDATE ON ACQUISITIONS

In May 2009 Nedbank announced the acquisition of NedLife, BoE Private Clients and Fairbairn Private Bank from Old Mutual plc. These acquisitions were approved by shareholders and have been consolidated by Nedbank Group with effect from 1 July 2009.

On 29 May 2009 the group advised that it was in negotiations with Imperial Holdings Limited to acquire the remaining 49,9% shareholding in Imperial Bank. The negotiations are progressing well and the group hopes to announce the deal shortly.

#### OUTLOOK

The domestic economy was resilient during the early stages of the international financial crisis, but has increasingly succumbed to the effects of the global recession. Consequently, we believe that the recovery will be more protracted than previously anticipated, with gross domestic product (GDP) growth currently forecast by the group to decrease by 2,0% during 2009 with a modest expansion of 1,7% forecast in 2010.

Volumes of new business in retail remain constrained by low levels of consumer confidence and consumer concerns around falling asset prices and increasing unemployment. Lower local demand, international trade activity and commodity prices together with the strong rand have increased the pressure on businesses and led to declining corporate demand and confidence.

In addition to the 400 basis point cut in interest rates this year to date, a further 100 basis point cut is currently anticipated for the remainder of 2009. The effect reduced endowment and lower margin on current and savings accounts will have on banking interest margins will increase during the second half, while a reversal in the impairment trend is anticipated to begin to impact bank earnings growth positively only in the next 12 to 18 months.

#### PROSPECTS AND TRADING STATEMENT

The group remains cautious in its outlook for the remainder of 2009 and performance is currently expected to reflect the following:

- Advances growth in the mid-single digits.
- Margin compression, on the 2008 margin, of around 30 to 35 basis points.
- A marginal improvement of the credit loss ratio from 1,57% for the period to June 2009.
- NIR growth for the year in upper single digits.
- Expense growth for the year in early double digits, partially driven by the full consolidation of the joint ventures purchased from Old Mutual, which will, when combined with the endowment pressure in NII, lead to a deterioration in the cost-to-income ratio from the 52,5% of the period.
- A focus on improving capital adequacy ratios and optimising funding and liquidity.

The group has revised its outlook for the full 2009 year and continues to be cautious about prospects for the rest of the year. Forecast risk remains high in this environment.

The group remains disciplined and firmly focused on the basics of good banking, ensuring that the fundamentals of the group remain solid. Nedbank is well capitalised, with conservative funding, good

These results and additional information are available on [www.nedbankgroup.co.za](http://www.nedbankgroup.co.za).

**NET ASSET VALUE PER SHARE INCREASED 7,4% TO 8 762 CENTS**

**CAPITAL ADEQUACY CONTINUES TO STRENGTHEN (TIER 1: 10,0%)**

**DILUTED HEADLINE EARNINGS PER SHARE DOWN 34,1% TO 474 CENTS**

**DILUTED EARNINGS PER SHARE DOWN 30,5% TO 611 CENTS**

**INTERIM DIVIDEND PER SHARE OF 210 CENTS**

**EXECUTIVE TEAM RESTRUCTURED AND FURTHER TRANSFORMED**

## FINANCIAL HIGHLIGHTS

at	Reviewed June 2009	Reviewed June 2008	Audited December 2008
<b>Statistics</b>			
Number of shares listed	490,2	466,6	468,9
Number of shares in issue, excluding shares held by group entities	428,3	406,2	409,7
Weighted average number of shares	413,9	403,6	405,4
Diluted weighted average number of shares	419,3	409,1	411,5
Headline earnings per share	480	729	1 422
Diluted headline earnings per share	474	719	1 401
Ordinary dividends declared per share	210	310	620
– Interim	210	310	310
– Final	–	–	–
Ordinary dividends paid per share	310	350	660
Dividend cover	2,29	2,35	2,29
Net asset value per share	8 762	8 155	8 522
Tangible net asset value per share	7 049	6 817	7 179
Closing share price	9 805	9 211	9 550
Price/earnings ratio	10	6	7
Market capitalisation	48,1	43,0	44,8
Number of employees	27 381	26 982	27 570
<b>Key ratios (%)</b>			
Return on ordinary shareholders' equity (ROE)	11,1	18,7	17,7
ROE, excluding goodwill	12,6	21,3	20,1
Return on total assets (ROA)	0,71	1,14	1,09
Net interest income to average interest-earning banking assets	3,44	3,83	3,66
Non-interest revenue to total income	39,6	38,4	39,9
Credit loss ratio	1,57	0,96	1,17
Efficiency ratio	52,5	51,5	51,1
Effective taxation rate	22,2	23,8	21,6
Group capital adequacy ratios: Basel II (including unappropriated profits)			
– Core Tier I	8,6	7,6	8,2
– Tier 1	10,0	8,9	9,6
– Total	13,2	11,9	12,4
<b>Statement of financial position statistics (Rm)</b>			
Total equity attributable to equity holders of the parent	37 529	33 127	34 913
Total equity	42 498	38 098	40 073
Amounts owed to depositors	460 358	435 209	466 890
Loans and advances	431 953	408 071	434 233
– Gross	441 095	414 973	442 092
– Impairment of loans and advances	(9 142)	(6 902)	(7 859)
Total assets	557 318	549 007	567 023

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Rm	Reviewed June 2009	Reviewed June 2008	Audited December 2008
Interest and similar income	27 680	26 633	57 986
Interest expense and similar charges	19 495	18 673	41 816
<b>Net interest income</b>	<b>8 185</b>	<b>7 960</b>	<b>16 170</b>
Impairments charge on loans and advances	3 435	1 894	4 822
<b>Income from lending activities</b>	<b>4 750</b>	<b>6 066</b>	<b>11 348</b>
Non-interest revenue	5 377	4 954	10 729
<b>Operating income</b>	<b>10 127</b>	<b>11 020</b>	<b>22 077</b>
Total operating expenses	7 121	6 651	13 741
Operating expenses	7 055	6 543	13 547
BEE transaction expenses	66	108	194
Indirect taxation	175	191	374
<b>Profit from operations before non-trading and capital items</b>	<b>2 831</b>	<b>4 178</b>	<b>7 962</b>
Non-trading and capital items	645	764	756
Net profit on sale of subsidiaries, investments, and property and equipment	647	764	767
Net impairment of investments, property and equipment, and capitalised development costs	(2)	–	(11)
<b>Profit from operations</b>	<b>3 476</b>	<b>4 942</b>	<b>8 718</b>
Share of profits of associates and joint ventures	55	84	154
<b>Profit before direct taxation</b>	<b>3 531</b>	<b>5 026</b>	<b>8 872</b>
Total direct taxation	711	1 124	1 868
Direct taxation	642	1 014	1 757
Taxation on non-trading and capital items	69	110	111
<b>Profit for the period</b>	<b>2 820</b>	<b>3 902</b>	<b>7 004</b>
<b>Other comprehensive (expense)/income net of taxation</b>	<b>(262)</b>	<b>265</b>	<b>255</b>
Exchange differences on translating foreign operations	(264)	285	242
Fair-value adjustments on available-for-sale assets	2	(24)	(71)
Gains on property revaluations	–	4	84
<b>Total comprehensive income for the period</b>	<b>2 558</b>	<b>4 167</b>	<b>7 259</b>
<b>Profit attributable to:</b>			
Equity holders of the parent	2 564	3 597	6 410
Non-controlling interest – ordinary shareholders	70	136	257
– preference shareholders	186	169	337
<b>Profit for the period</b>	<b>2 820</b>	<b>3 902</b>	<b>7 004</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent	2 307	3 849	6 665
Non-controlling interest – ordinary shareholders	65	149	257
– preference shareholders	186	169	337
<b>Total comprehensive income for the period</b>	<b>2 558</b>	<b>4 167</b>	<b>7 259</b>
Basic earnings per share	619	891	1 581
Diluted earnings per share	611	879	1 558

## HEADLINE EARNINGS RECONCILIATION

Rm	Reviewed June 2009	Reviewed June 2008	Audited December 2008
Profit attributable to equity holders of the parent	2 564	3 597	6 410
Less: Non-trading and capital items	645	764	756
Net profit on sale of subsidiaries, investments, and property and equipment	647	764	767
Net impairment of investments, property and equipment, and capitalised development costs	(2)	–	(11)
<b>Headline earnings</b>	<b>1 988</b>	<b>2 943</b>	<b>5 765</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

Rm	Reviewed June 2009	Reviewed June 2008	Audited December 2008
Cash generated by operations	7 327	6 570	14 557
Change in funds for operating activities	(5 032)	(1 951)	(10 674)
Net cash generated by operating activities before taxation	2 295	4 619	3 883
Taxation paid	(1 064)	(1 198)	(2 233)
Cashflows from operating activities	1 231	3 421	1 650
Cashflows utilised by investing activities	(384)	(592)	(999)
Cashflows utilised by financing activities	(551)	(498)	(685)
Net increase/(decrease) in cash and cash equivalents	296	2 331	(34)
Cash and cash equivalents at the beginning of the period*	18 674	18 708	18 708
Cash and cash equivalents at the end of the period*	18 970	21 039	18 674

\* Including mandatory reserve deposits with central banks.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Rm	Reviewed June 2009	Reviewed June 2008	Audited December 2008
<b>ASSETS</b>			
Cash and cash equivalents	8 065	11 550	8 609
Other short-term securities	20 634	29 335	18 589
Derivative financial instruments	17 840	16 759	22 321
Government and other securities	35 713	36 524	42 138
Loans and advances	431 953	408 071	434 233
Other assets	5 041	12 848	6 084
Clients' indebtedness for acceptances	1 856	3 130	3 024
Current taxation receivable	570	28	346
Investment securities	9 795	8 994	8 455
Non-current assets held for sale	–	32	10
Investments in associate companies and joint ventures	914	1 012	1 167
Deferred taxation asset	217	96	200
Investment property	215	180	213
Property and equipment	4 468	3 925	4 327
Long-term employee benefit assets	1 795	1 597	1 741
Mandatory reserve deposits with central banks	10 905	9 489	10 065
Intangible assets	7 337	5 437	5 501
<b>Total assets</b>	<b>557 318</b>	<b>549 007</b>	<b>567 023</b>
<b>EQUITY AND LIABILITIES</b>			
Ordinary share capital	428	406	410
Ordinary share premium	12 907	11 204	11 370
Reserves	24 194	21 517	23 133
<b>Total equity attributable to equity holders of the parent</b>	<b>37 529</b>	<b>33 127</b>	<b>34 913</b>
Non-controlling interest attributable to			
– ordinary shareholders	1 656	1 550	1 881
– preference shareholders	3 313	3 421	3 279
<b>Total equity</b>	<b>42 498</b>	<b>38 098</b>	<b>40 073</b>
Derivative financial instruments	15 848	17 211	23 737
Amounts owed to depositors	460 358	435 209	466 890
Provisions and other liabilities	11 698	32 604	9 829
Liabilities under acceptances	1 856	3 130	3 024
Current taxation liabilities	224	295	235
Deferred taxation liabilities	2 193	1 820	2 100
Long-term employee benefit liabilities	1 264	1 265	1 231
Investment contract liabilities	6 992	6 425	5 843
Long-term debt instruments	14 387	12 950	14 061
<b>Total liabilities</b>	<b>514 820</b>	<b>510 909</b>	<b>526 950</b>
<b>Total equity and liabilities</b>	<b>557 318</b>	<b>549 007</b>	<b>567 023</b>
Guarantees on behalf of clients	25 954	20 475	25 226

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rm	Total equity attributable to equity holders of the parent	Non-controlling interest attributable to ordinary shareholders	Non-controlling interest attributable to preference shareholders	Total equity
Balance at 31 December 2007	30 193	1 511	3 421	35 125
Ordinary non-controlling shareholders' share of preference dividends paid	–	(7)	7	–
Dividends to shareholders	(1 440)	(73)	(176)	(1 689)
Issues of shares net of expenses	1 000	–	–	1 000
Shares acquired/cancelled by BEE trusts	(513)	–	–	(513)
Total income and expense for the period	3 887	119	169	4 175
Net income recognised directly in equity	3 849	149	169	4 167
Release of reserves previously not available	38	(30)	–	8
Share-based payment reserve movement	(54)	–	–	(54)
Disposal of subsidiaries	82	–	–	82
Other movements	10	(1)	–	9
<b>Balance at 30 June 2008</b>	<b>33 127</b>	<b>1 550</b>	<b>3 421</b>	<b>38 098</b>
Ordinary non-controlling shareholders' share of preference dividends paid	–	3	(3)	–
Dividends to shareholders	(1 296)	(8)	(165)	(1 469)
Issues of shares net of expenses	(3)	225	–	222
Shares acquired/cancelled by BEE trusts	(145)	–	–	(145)
Shares issued/delisted by BEE trusts	318	–	–	318
Total income and expense for the period	2 912	111	26	3 049
Total comprehensive income for the period	2 816	108	168	3 092
Net income recognised directly in equity	96	3	(142)	(43)
Release of reserves previously not available	(7)	–	–	(7)
Share-based payment reserve movement	106	–	–	106
Regulatory risk reserve provision	7	–	–	7
Preference shares held by group entities	–	–	(142)	(142)
Other movements	(10)	3	–	(7)
<b>Balance at 31 December 2008</b>	<b>34 913</b>	<b>1 881</b>	<b>3 279</b>	<b>40 073</b>
Ordinary non-controlling shareholders' share of preference dividends paid	–	(4)	4	–
Dividends to shareholders	(1 316)	(5)	(190)	(1 511)
Issues of shares net of expenses	1 761	–	–	1 761
Shares issued/delisted by BEE trusts	209	–	–	209
Shares acquired/cancelled by group entities	(415)	–	–	(415)
Total income and expense for the period	2 377	(216)	220	2 381
Total comprehensive income for the period	2 307	65	186	2 558
Net income recognised directly in equity	70	(281)	34	(177)
Share-based payment reserve movement	83	–	–	83
Buyout of non-controlling interests	(17)	(281)	–	(298)
Preference shares held by group entities	–	–	34	34
Other movements	4	–	–	4
<b>Balance at 30 June 2009</b>	<b>37 529</b>	<b>1 656</b>	<b>3 313</b>	<b>42 498</b>

**Directors:**  
Dr RJ Khoza (Chairman), TA Boardman\* (Chief Executive),  
CJW Ball\*\* (Chief Financial Officer), TCP Chikane,  
MA Enus-Brey, Prof B de L Figaji, RM Head (British),  
Prof MM Katz, A de VC Knott-Craig, WE Lucas-Bull,  
JB Magwaza, ME Mkwana, NP Mxasana, PJ Moleketi,  
ML Ndlovu, GT Serobe, MW Wyman (British).  
\* Executive \*\* Senior independent non-executive director

**Sponsor in Namibia:** Old Mutual Investment Services (Namibia) (Pty) Limited.

This announcement is available on the group's website – [www.nedbankgroup.co.za](http://www.nedbankgroup.co.za) – together with the following additional information:  
• Detailed financial information in HTML and PDF formats.  
• Financial results presentation to analysts.  
• Link to a webcast of the presentation to analysts.

For further information kindly contact Nedbank Group Investor Relations by email at [nedbankgroup@nedbank.co.za](mailto:nedbankgroup@nedbank.co.za).  
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**Transfer secretaries in Namibia:** Transfer Secretaries (Pty) Limited, Shop 8, Kaiserkrone Centre, Post Street Mall, Windhoek, Namibia; PO Box 2401, Windhoek, Namibia.

**Company Secretary:** GS Nienaber

**Reg No:** 1966/010630/06 **ISIN:** ZAE000004875

**JSE share code:** NED **NSX share code:** NNBK

**Sponsors in South Africa:** Merrill Lynch South Africa (Pty) Limited, Nedbank Capital.

**Merrill Lynch**  
A subsidiary of Bank of America Corporation

**NEDBANK CAPITAL**

## CONDENSED SEGMENTAL REPORTING

Rm	Total assets			Operating income			Headline earnings		
	Reviewed June 2009	Reviewed June 2008	Audited December 2008	Reviewed June 2009	Reviewed June 2008	Audited December 2008	Reviewed June 2009	Reviewed June 2008	Audited December 2008
Nedbank Corporate	150 172	152 910	148 506	1 920	1 897	3 985	685	772	1 564
Business Banking	76 403	75 421	79 646	1 775	2 057	4 020	499	731	1 360
Nedbank Capital	171 485	173 075	188 706	1 495	1 349	2 684	626	600	1 266
Nedbank Retail	175 895	166 839	170 963	4 127	4 926	9 413	47	728	1 002
Imperial Bank	51 182	43 560	48 768	449	543	1 120	46	88	166
Shared Services	6 183	6 217	6 373	154	59	2	82	27	(32)
Central Management	33 421	38 104	36 639	247	225	929	3	(3)	439
Eliminations	(107 423)</								