



NEDBANK

Reviewed financial results for the six months ended 30 June 2005



Nedbank Limited Reg No 1951/000009/06 Incorporated in the Republic of South Africa
Share code: NBKP ISIN code: ZAE000043667

Overview
Nedbank Limited is a wholly owned subsidiary of Nedbank Group Limited, which is listed on the JSE Limited. These consolidated annual financial results are published to provide information to holders of Nedbank Limited's listed non-redeemable non-cumulative preference shares. Commentary relating to the consolidated Nedbank Limited financial results is included in the Nedbank Group Limited group results as presented to shareholders on 4 August 2005. Further information is provided on the website www.nedbankgroup.co.za.

Changes to board of directors
During the period under review, the following changes were made to the board of Nedbank:
• Bob Head was appointed as a non-executive director (1 January 2005);
• Hixonia Nyasulu resigned as an independent non-executive director and Vice-chairman (26 January 2005);
• Phuthuma Nhleko resigned as a non-executive director (21 April 2005); and
• Lot Ndlovu changed status from an executive director to non-executive director (1 May 2005).

Accounting policies
The Nedbank financial results have been prepared in accordance with International Financial Reporting Standards (IFRS) as expected to be effective for the year ending 31 December 2005. These standards are subject to ongoing review and possible amendment in line of interpretive guidance from the International Financial Reporting Interpretations Committee (IFRIC). The results may therefore be subject to change at future reporting dates.

Restatement of comparatives
1. Nedbank's results for the June and December 2004 reporting dates have been restated to reflect the requirements of reporting under IFRS. These restated results for 2004 were disclosed in an announcement on 3 May 2005. The material adjustments for reporting under IFRS are noted in the reconciliation of results, as reported below.
2. Income reclassification - during the period under review Nedbank changed its disclosure in respect of income, and the 2004 results have been restated accordingly. The components of net interest income (NII) and non-interest revenue (NIR) were analysed and the nature and classification of interest income and non-interest revenue was refined. In essence all income earned in respect of banking activities (ie transactions entered into for the purpose of earning a margin between interest earned and interest paid) is classified as either interest income or interest expense and included in NII. By the same token all transactions entered into for the purpose of trading activities are classified as part of NIR. The effect of this change in disclosure is to decrease NII by R22m for the period ended 30 June 2004 and increase NIR by R44m for the year ended 31 December 2004, with a simultaneous increase/decrease in NIR in the relevant periods.
3. Balance sheet reclassifications - certain provisions for leave pay and onerous leases totalling, R425m have been reclassified, for the reporting period ended 30 June 2004, from the 'Amounts owed to depositors' category to 'Other liabilities' category.
4. Segmental reporting comparative results for 2004 have been restated to take into account the changes in improved profitability measurement and group structures implemented late in 2004. The restatements include the new internal funds transfer pricing system, improved activity-justified transfer pricing process and a risk-weighted capital allocation and charging methodology, while liquid assets and cash reserves costs are no longer held at the centre but are charged to the operating segments.
5. Operating lease costs - the historical accounting and interpretation in South Africa of AC105/IAS17 has not been in line with international interpretation and application. Interpretive guidance by the Accounting Practices Committee of the South African Institute of Chartered Accountants - Circular 7/2005 issued on 2 August 2005, required minimum lease payments, which are subject to a fixed rate escalation, to be spread over the life of the lease, with the escalation not to be accounted for in the year of occurrence. Nedbank has assessed the materiality of any adjustment in terms of this requirement, and does not expect this adjustment to materially affect the current reported results. The impact on opening shareholders' equity is presently being assessed and, should this be material, the group will inform the market of any prior year adjustment required.

Reviewed interim results - auditors' opinion
The company's auditors, KPMG Inc and Deloitte & Touche, have reviewed these results and the review opinion is available for inspection at the company's registered office.

Nedbank non-redeemable non-cumulative preference shares - declaration of dividend no. 5

Notice is hereby given that preference dividend no 5 of 40,15068 cents per share has been declared for the period from 1 January 2005 to 30 June 2005 payable on Monday, 29 August 2005, to shareholders of the non-redeemable non-cumulative preference shares recorded in the books of the company at the close of business on Friday, 26 August 2005. In accordance with the provisions of STRATE, the electronic settlement and custody system used by JSE Limited, the relevant dates for the payment of the dividend are as follows:
Last day to trade cum dividend Friday, 19 August 2005
Shares trade 'ex' dividend Monday, 22 August 2005
Record date Friday, 26 August 2005
Payment date Monday, 29 August 2005

Share certificates may not be dematerialised or rematerialised between Monday, 22 August 2005, and Friday, 26 August 2005, both days inclusive.
Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on payment date. In the absence of specific mandates, dividend cheques will be posted to shareholders. Shareholders who hold dematerialised shares will have accounts, at their Central Securities Depository Participant (CSDP) or broker, credited on Monday, 29 August 2005.
For and on behalf of the board

WAM Clewlow - Chairman
TA Boardman - Chief Executive
4 August 2005

Registered office: Nedbank Sandton, 135 Rivonia Road, Sandown, 2196, PO Box 1144, Johannesburg, 2000.
Transfer secretaries: Computershare Investor Services 2004 (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001, PO Box 61051, Marshalltown, 2107.
Directors: WAM Clewlow (Chairman), Prof MM Katz (Vice-chairman), ML Ndlovu (Vice-chairman), TA Boardman* (Chief Executive), CJW Ball, MWT Brown*, RG Cottrell, BE Davison, N Dennis (British), Prof B Figaji, RM Head (British), JB Magwaza, ME Mkwana, JVF Roberts (British), CML Savage, JH Sutcliffe (British) * Executive
Company Secretary: GS Nienaber **Sponsors:** Investec Bank Limited, Nedbank Capital

Statement of changes in shareholders' equity

Rm	Ordinary shareholders' equity	Preference shareholders' equity	Minority attributable to preference shareholders	Minority attributable to ordinary shareholders	Total
Balance at 31 December 2003, as previously reported	12 438	2 802	122	686	16 048
IAS transitional adjustment	(115)			(29)	(144)
Restated balance at 31 December 2003	12 323	2 802	122	657	15 904
Income attributable to equity holders	604			63	667
Dividends to ordinary shareholders	(35)				(35)
Dividends to preference shareholders	(110)	(32)			(142)
Issue of shares	2 593				2 593
Available for sale reserve movement	416				416
Foreign currency translation reserve movements	(122)				(122)
Balance at 30 June 2004	15 669	2 770	122	720	19 281
Income attributable to equity holders	417			54	471
Dividends to ordinary shareholders	(100)			(10)	(110)
Dividends to preference shareholders	(119)				(119)
Issue of shares	1 298				1 298
Available for sale reserve movement	30				30
Capital contribution to holding company	(437)				(437)
Foreign currency translation reserve movements	(84)				(84)
Other movements	(4)				(4)
Balance at 31 December 2004	16 670	2 770	245	559	20 244
Income attributable to equity holders	1 533			76	1 609
Dividends to ordinary shareholders	(204)				(204)
Dividends to preference shareholders	(116)				(116)
Available for sale reserve movement	234				234
Foreign currency translation reserve movements	60				60
Redemption of preference shares			(245)		(245)
Other movements	(11)			72	61
Balance at 30 June 2005	18 166	2 770	-	707	21 643

IAS39: Balance sheet classification of financial instruments

as at Rm	30 June 2005		30 June 2004		31 December 2004	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Fair value	45 037	25 554	51 754	27 137	58 272	33 840
Financial assets and liabilities at fair value through profit and loss	44 125	25 554	51 146	27 137	57 644	33 840
Available for sale	912		608		628	
Amortised cost	276 302	279 141	238 253	246 475	256 670	265 992
Loans and receivables	269 495		236 903		249 597	
Held to maturity	6 807	279 141	1 350	246 475	7 073	265 992
Non-trading liabilities						
Other assets and liabilities	6 078	1 079	6 155	907	6 189	1 055
Total shareholders' equity		21 643		21 643		20 244
	327 417	327 417	296 162	296 162	321 131	321 131

Segmental analysis

for the period ended Rm	June 2005		June 2004		December 2004		June 2005		June 2004		December 2004	
	Reviewed	Actual	Reviewed	Actual	Reviewed	Actual	Reviewed	Actual	Reviewed	Actual	Reviewed	Actual
	Total assets	Rbn	Operating income	Rm	Operating income	Rm	Headline earnings	Rm	Headline earnings	Rm	Headline earnings	Rm
Nedbank Corporate	129	124	2 872	2 797	5 944	927	812	1 844	18	14	322	267
Imperial Bank	85	54	1 135	1 065	2 530	447	355	906	86	79	3 346	3 263
Nedbank Capital	9	9	162	61	506	(94)	(128)	(149)	9	9	162	61
Nedbank Retail	49	36	(528)	(726)	(1 859)	(377)	(498)	(1 505)	40	(26)	(32)	(24)
Shared Services	(40)	(26)	(24)	(144)	(269)				49	(26)	(32)	(24)
Capital Management and Central Funding									40	(26)	(32)	(24)
Eliminations									49	(26)	(32)	(24)
Total per Nedbank Group	336	290	7 285	6 583	14 021	1 398	802	1 742	(9)	(4)	(7)	(239)
Fellow-subsidary adjustment									(9)	(4)	(7)	(239)
Total Nedbank	327	286	7 046	5 970	12 336	1 531	625	1 068				

Geographical segmental reporting

for the period ended Rm	30 June 2005		30 June 2004		31 December 2004		30 June 2005		30 June 2004		31 December 2004	
	Reviewed	Operating income	Restated	Operating income	Restated	Operating income	Reviewed	Headline earnings	Restated	Headline earnings	Restated	Headline earnings
South Africa	6 704	5 646	12 686	1 210	526	1 513	6 704	5 646	12 686	1 210	526	1 513
Business operations	6 704	5 646	12 686	1 214	1 062	2 647						
Merger and Recovery Programme expenses				(53)	(328)	(625)						
Foreign currency translation gains/(losses)				165	(98)	(280)						
Minority interest income attributable to preference shareholders				(116)	(110)	(229)						
Rest of Africa	237	206	304	79	83	45						
Rest of world	344	731	1 031	109	193	184						
Business operations	344	731	1 031	109	193	220						
Merger and Recovery Programme expenses						(36)						
Total per Nedbank Group	7 285	6 583	14 021	1 398	802	1 742						
Fellow-subsidary adjustment	(239)	(613)	(1 685)	133	(177)	(674)						
Total Nedbank	7 046	5 970	12 336	1 531	625	1 068						

Cash flow statement

for the period ended Rm	Reviewed 30 June 2005	Restated 30 June 2004	Audited 31 December 2004
Cash and balances with central banks at beginning of period	9 582	11 716	11 716
Cash flow from operating activities	3 063	2 354	4 814
Net increase/(decrease) in operating funds	1 702	(2 111)	(8 209)
Taxation paid	(306)	(188)	(603)
Cash flows from investment activities	97	(285)	1 148
Cash flows from financing activities	(472)	(172)	716
Cash and balances with central banks at end of period	13 666	11 314	9 582

Earnings reconciliation

at Rm	Reviewed 30 June 2005	Restated 30 June 2004	Restated 31 December 2004
Income attributable to equity holders	1 533	604	1 021
Less: non-trading and capital items	2	(21)	(47)
Impairment of goodwill (Loss)/Profit on sale of subsidiaries, investments and property and equipment	(14)	15	31
Net gain/(impairment) of investments, property and equipment and capitalised development costs	16	(55)	(113)
Taxation on above items		17	39
Headline earnings	1 531	625	1 068
Headline earnings excluding foreign currency translation gains/(losses)	1 402	721	1 502

Reconciliation of restated income attributable to equity holders as reported under IFRS

Reviewed for the period ended Rm	Note	31 December 2004	30 June 2004	30 June 2004
As previously reported			628	280
Adjustments for:				
Credit impairment	1	140	215	
Revenue recognition and deferred acquisition costs	2	(31)	(14)	
Goodwill	3	101	40	
Foreign exchange	4	138	81	
Share-based payments	5	(42)	11	
Post-employment benefits	6	130		
Property, plant and equipment	7	(43)	(9)	
As reported under IFRS		1 021	604	

Reconciliation of restated changes in shareholders' equity as reported under IFRS

Reviewed for the period ended Rm	Note	31 December 2004	30 June 2004	1 January 2004
As previously reported		20 127	19 185	16 048
Income statement movements:				
Credit impairments	1	106	186	(33)
Revenue recognition and deferred acquisition costs	2	(176)	(156)	(135)
Goodwill	3	101	40	
Foreign exchange	4			
Share-based payments	5	(51)	2	(9)
Post-employment benefits	6	(86)	(215)	(215)
Property, plant and equipment	7	223	239	248
As reported under IFRS		20 244	19 281	15 904

Material adjustments

The basis of the material adjustments, net of the associated tax impact, as shown in the tables for 'Reconciliation of restated profit attributable to ordinary shareholders' and 'Reconciliation of restated statement of changes in shareholders' equity' are noted below:

Note 1: Credit impairment
Previously the group calculated its impairment losses on loans and advances on an 'expected loss' basis. Credit impairments were calculated using historical data and trends. The discount rate used to calculate the recoverable amount included an allowance for a credit spread.

Under IFRS the group has moved to an 'incurred loss' basis. Impairment losses are incurred only if there is objective evidence of impairment as a result of one or more past events that have occurred since initial recognition. IFRS also allows for the creation of a credit impairment for incurred but not reported ('IBNR') losses to provide for latent losses in a portfolio of loans that have not yet been individually evidenced. The discount rate used to calculate the recoverable amount now excludes any allowance for a credit spread.

Note 2: Revenue recognition and deferred acquisition costs
Previously fees charged and certain related acquisition costs for originating loans were recognised immediately in the income statement.

In accordance with IFRS fees charged for loans are recognised as revenue as the services are provided. Initial fees, which relate to the future provision of services, are deferred and amortised over the anticipated period in which the services will be provided.

Similarly, costs that are directly attributable to securing a loan are deferred as an asset and amortised as the related revenue is recognised.

Note 3: Goodwill
Previously the group recognised acquired goodwill at cost and amortised it on a straight-line basis over its expected useful life. Goodwill was subject to review for indications of impairment and any impairment losses were recognised in the income statement.

IFRS requires that goodwill is not amortised, but is subject to impairment reviews, both annually and when there are indications that the carrying value may not be recoverable. Negative goodwill is no longer recognised on the balance sheet, but in the income statement as it arises.

The 2004 goodwill amortisation previously recognised in the income statement has been reversed, resulting in a corresponding increase in equity. All goodwill has been tested for impairment at 1 January 2004, 30 June 2004, and 31 December 2004 in accordance with IFRS, with no further impairment being recognised on transition. Negative goodwill that was previously held on the balance sheet at the transition date was released to reserves.

Note 4: Foreign exchange
Previously the group classified the assets and liabilities of all foreign subsidiaries and branches as either foreign entities or integrated operations. The foreign currency adjustments arising from the translation of foreign entities were recognised directly in equity in the Foreign Currency Translation Reserve ('FCTR'), while those of the integrated operations were recognised in the income statement.

IFRS requires the group to determine the 'functional currency' for all entities and the distinction between foreign entities and integrated operations has been removed. An entity, which has a non-rand functional currency, is translated at the closing exchange rate and the differences arising are reported directly to equity, while all other entities classified as having a rand functional currency report foreign currency translation differences in the income statement.

The group has elected to apply the exemption afforded to it by IFRS 1 and reset the balance of the FCTR to zero at the date of transition to IFRS.

Note 5: Share-based payments
The group grants share options to employees under employee share incentive schemes. Other than costs incurred in administering the schemes, which were expensed as incurred, the schemes did not result in any expense to the group, except for a dilution in earnings per share when the shares were issued.

In accordance with the requirements of IFRS the group has recognised an expense in the income statement, with a corresponding credit to equity, representing the fair value of outstanding employee share options with regard to its equity settled schemes. The fair value at the date of granting the options is charged to income over the relevant option vesting periods, adjusted to reflect actual and expected levels of vesting.

Note 6: Post-employment benefits
Previously the group elected to use the corridor method for the recognition of actuarial gains and losses. Only cumulative actuarial gains or losses in excess of 10% of the surplus or deficit in the fund were amortised in the income statement. Cumulative gains or losses inside this corridor were carried on the balance sheet and recognised over the expected remaining working lives of the employees.

Under IFRS 1 the group has applied the option to eliminate its pension fund corridor against opening retained income at the date of transition. The asset has been eliminated, and the adjustment taken to retained earnings as at 1 January 2004. Future actuarial gains or losses will continue to be recognised using the corridor method.

Note 7: Property, plant and equipment
Previously property, plant and equipment were measured at cost less accumulated depreciation and impairment losses. Under IFRS, equipment (principally computer equipment, motor vehicles, fixtures and furniture) is still stated at cost less accumulated depreciation and impairment losses.

Owner-occupied property has been recognised at revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation and accumulated impairment losses. Increases in valuation of the properties are taken to a revaluation reserve. This revaluation reserve is amortised over the remaining useful life of the property.

Land is not depreciated.
Investment properties are stated at revalued amounts, being fair value at the date of revaluation less accumulated impairment losses. Increases or decreases in valuation are recognised in the income statement and investment properties are not depreciated.

These results and additional information are available on our website: www.nedbankgroup.co.za