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.'

Tom Boardman Chief Executive

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 8 762 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 to generate revenue due to the lower levels of client activity, weaker equity markets 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 R6,0 billion in December 2008 to R5,3 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 R4,2 billion to R3,6 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 increased 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;
- debits 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 NetBank 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 R7 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, NAEDOS 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 R576 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-redeemable 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 growth: 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 June 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 detail 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% for 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 liquidity, a focus on risk management and strong cost management.

Diluted headline earnings per share for 2009 are currently expected to be between 18% and 38% lower than the 1 401 cents per share reported for the comparative period to December 2008.

After taking into account the profit on the sale of Visa shares included in the comparative period and accounting, in the current period, for the transaction to purchase Old Mutual's interests in the NedLife and BoE Private Clients joint ventures, diluted earnings per share for the period are currently expected to be between 17% and 37% lower than the 1 558 cents per share reported for the comparative period to December 2008.

Shareholders are advised that these forecasts have not been reviewed or reported on by the group's auditors.

BOARD CHANGES

As previously reported, Alan Knott-Craig was appointed as an independent non-executive director on 1 January 2009 and Rosie Harris resigned as a non-executive director on 31 March 2009, following her resignation as Group Risk Director of Old Mutual plc. More recently it was announced that Wendy Lucas-Bull, Jabu Moleketi and Malcolm Wyman have been appointed as independent non-executive directors with effect from 1 August 2009.

EXECUTIVE MANAGEMENT CHANGES

The group today announced several executive appointments and a new Group Executive Committee (Group Exco) structure, which will be effective from 5 August 2009.

The appointments and changes are as follows:

- As previously reported, Mike Brown, Chief Executive Officer (CEO) designate, will succeed Tom Boardman who retires as CEO in February 2010.
- Graham Dempster, currently Managing Executive: Nedbank Corporate, has been appointed to the newly created position of Chief Operating Officer (COO) and as an executive director to the boards of both Nedbank Group and Nedbank Limited. Graham's appointment to the boards is with immediate effect. He will have overall responsibility for Group Finance, Balance Sheet Management, Information Technology, Human Resources, Marketing and Corporate Affairs, and Strategic Planning and will report to the CEO.
- Raisibe Morathi has been appointed as Chief Financial Officer and as an executive director. An external appointment, Raisibe is a chartered accountant and has 15 years' experience in the financial services sector, where she has held senior positions in both the banking and insurance industries. Most recently she has been an executive director of a listed insurance company. She will join Nedbank Group on 1 September 2009 and will report to the COO.
- Mfundo Nkuhlu, currently Deputy Managing Executive: Nedbank Corporate, is appointed to the position of Managing Executive: Nedbank Corporate to succeed Graham Dempster and will report to the CEO.
- Ingrid Johnson, currently Managing Executive: Business Banking, will assume overall responsibility for both Business Banking and Nedbank Retail as Managing Executive: Retail and Business Banking and will report to the CEO.
- Saks Ntombela, currently Managing Executive: Retail Banking Services and a member of the retail executive team for the past five years, has been appointed Managing Executive: Nedbank Retail, reporting to Ingrid Johnson.
- Candidates are currently being considered to fill the role of Managing Executive: Business Banking and will also report to Ingrid Johnson. Ingrid will continue to oversee this portfolio until the appointment is made.
- Owing to its strategic growth potential and importance to the group, the Bancassurance and Wealth Division (previously part of Nedbank Retail) has been made a separate cluster and the head of the business for the past five years, David Macready, also joins the Group Exco as Managing Executive: Bancassurance and Wealth, reporting to the CEO.
- Trevor Adams, who for the past five years has been in charge of Group Capital Management as well as the Basel ll implementation programme, in which he lead the advancement of risk, capital and shareholder value-based management across the group, joins the Group Exco in the new role of Group Executive: Balance Sheet Management and will be responsible for asset and liability management as well as capital management, reporting to the COO.
- Candidates are currently being considered for the roles of Group Executive: Marketing and Corporate Affairs and of Group Executive: Strategic Planning, both to be reporting to the COO. Graham Dempster is currently overseeing these portfolios.

ACCOUNTING POLICIES [1]

Nedbank Group Limited is a company domiciled in South Africa. The condensed consolidated interim financial results at and for the half-year ended 30 June 2009 comprised the company and its subsidiaries (the 'group') and the group's interests in associates and jointly controlled entities.

Nedbank Group's principal accounting policies have been applied consistently over the current and prior financial years, except for the adoption of new and revised accounting standards.

Nedbank Group's consolidated interim results have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the presentation and disclosure requirements of International Accounting Standard (IAS) 34: Interim Financial Reporting.

In the preparation of these financial results the group has applied key assumptions concerning the future and other indeterminate sources in recording various assets and liabilities. These assumptions were applied consistently to the group financial results for the six months ended 30 June 2009. These assumptions are subject to ongoing review and possible amendments.

EVENTS AFTER THE REPORTING PERIOD [1]

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

REVIEWED RESULTS – AUDITORS' OPINION

KPMG Inc and Deloitte & Touche, Nedbank Group's independent auditors, have reviewed the consolidated interim financial results of Nedbank Group Limited and have expressed an unmodified review opinion on the consolidated interim financial results. The auditors' review was conducted in accordance with International Standards on Review Engagements (ISRE 2410): Review of Interim Financial Information. The condensed consolidated financial results comprise the consolidated statement of financial position at 30 June 2009, consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cashflow statement for the six months then ended and selected explanatory notes. The selected explanatory notes are marked with [1]. The review report is available for inspection at Nedbank Group's registered office.

FORWARD-LOOKING STATEMENT

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

CAPITALISATION AWARD WITH A CASH DIVIDEND ALTERNATIVE

Notice is hereby given that the directors of the company have resolved to issue fully paid ordinary shares in the company as a capitalisation award to ordinary shareholders. Ordinary shareholders will be entitled, in respect of all or part of their shareholding, to elect to receive new fully paid ordinary shares, which will be issued only to those ordinary shareholders who elect in respect of all or part of their shareholding, on or before 12:00 on Friday, 11 September 2009, in South Africa, and on or before 11:00 on Friday, 11 September 2009, in Namibia, to receive the capitalisation award shares. Shareholders not electing to receive new fully paid ordinary shares in respect of all or part of their shareholding will be entitled to receive a cash dividend alternative of 210 cents per ordinary share (the cash dividend alternative).

In accordance with the provisions of STRATE, the electronic settlement and custody system used by JSE Limited, the relevant dates for the capitalisation award election and the cash dividend alternative are as follows:

	2009
Last day to trade to be eligible to participate in the capitalisation award or the cash dividend alternative	Friday, 4 September
Shares commence trading ex the capitalisation award election and the cash dividend alternative on	Monday, 7 September
Listing of the maximum number of new ordinary shares that could be taken up in terms of the capitalisation award on	Monday, 7 September
Last day to elect to receive capitalisation award shares by 12:00 for shareholders in South Africa and 11:00 for shareholders in Namibia, failing which the cash dividend alternative will be received	Friday, 11 September
Record date to participate in the capitalisation award or to receive the cash dividend alternative	Friday, 11 September
Payment of the cash dividend alternative to shareholders who have not elected to participate in the capitalisation award or have participated in the capitalisation award in respect of only part of their shareholding on	Monday, 14 September
New shares issued and posted or participant or broker accounts credited regarding the shares to be issued to shareholders participating in the capitalisation award in respect of all or part of their shareholding on	Monday, 14 September
The maximum number of new shares listed in terms of the capitalisation award, adjusted to reflect the actual number of shares issued in terms of the capitalisation award, on or about	Friday, 18 September

Shares may not be dematerialised or rematerialised between Monday, 7 September 2009, and Friday, 11 September 2009, both days inclusive.

The above dates and times are subject to change. Any changes will be released on the Securities Exchange News Service (SENS) and published in the press.

The number of capitalisation shares to which shareholders are entitled will be determined in the ratio that 210 cents per ordinary share bears to the 30-day volume-weighted average price for the company's share, to be determined no later than Wednesday, 26 August 2009. Details of the ratio will be published on SENS no later than Thursday, 27 August 2009, by 11:00 and in the financial press the following business day. Trading in the STRATE environment does not permit fractions and fractional entitlements. Accordingly, where a shareholder's entitlement to new ordinary shares calculated in accordance with the above formula gives rise to a fraction of a new ordinary share, such fraction will be rounded up to the nearest whole number, where the fraction is greater than or equal to 0,5, and rounded down to the nearest whole number, where the fraction is smaller than 0,5.

A circular relating to the capitalisation award and the cash dividend alternative will be posted to shareholders on or about Tuesday, 11 August 2009.

Note:
Dematerialised shareholders are required to notify their duly appointed participant or broker of their election in terms of the capitalisation award in the manner and at the time stipulated in the agreement governing the relationship between shareholders and their participant or broker.

For and on behalf of the board

Dr RJ Khoza – Chairman
TA Boardman – Chief Executive

4 August 2009

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

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

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

INTERIM DIVIDEND PER SHARE OF 210 CENTS

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

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

EXECUTIVE TEAM RESTRUCTURED AND FURTHER TRANSFORMED

FINANCIAL HIGHLIGHTS

at

		Reviewed June 2009	Reviewed June 2008	Audited December 2008
Statistics				
Number of shares listed	m	**490,2**	466,6	468,9
Number of shares in issue, excluding shares held by group entities	m	**428,3**	406,2	409,7
Weighted average number of shares	m	**413,9**	403,6	405,4
Diluted weighted average number of shares	m	**419,3**	409,1	411,5
Headline earnings per share	cents	**480**	729	1 422
Diluted headline earnings per share	cents	**474**	719	1 401
Ordinary dividends declared per share	cents	**210**	310	620
– Interim	cents	**210**	310	310
– Final	cents			310
Ordinary dividends paid per share	cents	**310**	350	660
Dividend cover	times	**2,29**	2,35	2,29
Net asset value per share	cents	**8 762**	8 155	8 522
Tangible net asset value per share	cents	**7 049**	6 817	7 179
Closing share price	cents	**9 805**	9 211	9 550
Price/earnings ratio	historical	**10**	6	7
Market capitalisation	Rbn	**48,1**	43,0	44,8
Number of employees		**27 381**	26 982	27 570
Key ratios (%)				
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
Statement of financial position statistics (Rm)				
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

for the period ended

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
Net interest income		**8 185**	7 960	16 170
Impairments charge on loans and advances		**3 435**	1 894	4 822
Income from lending activities		**4 750**	6 066	11 348
Non-interest revenue		**5 377**	4 954	10 729
Operating income		**10 127**	11 020	22 077
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
Profit from operations before non-trading and capital items		**2 831**	4 178	7 962
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)
Profit from operations		**3 476**	4 942	8 718
Share of profits of associates and joint ventures		**55**	84	154
Profit before direct taxation		**3 531**	5 026	8 872
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
Profit for the period		**2 820**	3 902	7 004
Other comprehensive (expense)/income net of taxation		**(262)**	265	255
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
Total comprehensive income for the period		**2 558**	4 167	7 259
Profit attributable to:				
Equity holders of the parent		**2 564**	3 597	6 410
Non-controlling interest – ordinary shareholders		**70**	136	257
– preference shareholders		**186**	169	337
Profit for the period		**2 820**	3 902	7 004
Total comprehensive income attributable to:				
Equity holders of the parent		**2 307**	3 849	6 665
Non-controlling interest – ordinary shareholders		**65**	149	257
– preference shareholders		**186**	169	337
Total comprehensive income for the period		**2 558**	4 167	7 259
Basic earnings per share	cents	**619**	891	1 581
Diluted earnings per share	cents	**611**	879	1 558

HEADLINE EARNINGS RECONCILIATION

	Reviewed June 2009		Reviewed June 2008		Audited December 2008	
Rm	Gross	Net of taxation	Gross	Net of taxation	Gross	Net of taxation
Profit attributable to equity holders of the parent		**2 564**		3 597		6 410
Less: Non-trading and capital items	**645**	**576**	764	654	756	645
Net profit on sale of subsidiaries, investments, and property and equipment	**647**	**578**	764	654	767	656
Net impairment of investments, property and equipment, and capitalised development costs	**(2)**	**(2)**			(11)	(11)
Headline earnings		**1 988**		2 943		5 765

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

for the period ended

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

at

Rm	Reviewed June 2009	Reviewed June 2008	Audited December 2008
ASSETS			
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
Total assets	**557 318**	549 007	567 023
EQUITY AND LIABILITIES			
Ordinary share capital	**428**	406	410
Ordinary share premium	**12 907**	11 204	11 370
Reserves	**24 194**	21 517	23 133
Total equity attributable to equity holders of the parent	**37 529**	33 127	34 913
Non-controlling interest attributable to			
– ordinary shareholders	**1 656**	1 550	1 881
– preference shareholders	**3 313**	3 421	3 279
Total equity	**42 498**	38 098	40 073
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
Total liabilities	**514 820**	510 909	526 950
Total equity and liabilities	**557 318**	549 007	567 023
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
Total comprehensive income for the period	3 849	149	169	4 167
Net income recognised directly in equity	38	(30)	–	8
Release of reserves previously not available	(54)			(54)
Share-based payment reserve movement	82			82
Disposal of subsidiaries		(29)		(29)
Other movements	10	(1)		9
Balance at 30 June 2008	33 127	1 550	3 421	38 098
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)
Balance at 31 December 2008	**34 913**	**1 881**	**3 279**	**40 073**
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**
Balance at 30 June 2009	**37 529**	**1 656**	**3 313**	**42 498**

Directors:

Dr RJ Khoza *(Chairman)*, TA Boardman* *(Chief Executive)*, CJW Ball**, MWT Brown* *(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 Mkwanazi, NP Mnxasana, PJ Moleketi, ML Ndlovu, GT Serobe, MI 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 – 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 nedbankgroupir@nedbank.co.za.

Registered office: Nedbank Group Limited, Nedbank Sandton, 135 Rivonia Road, Sandown, 2196; PO Box 1144, Johannesburg, 2000.

Transfer secretaries in South Africa: Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001, South Africa; PO Box 61051, Marshalltown, 2107, South Africa.

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:** NBK

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

CONDENSED SEGMENTAL REPORTING

for the period ended

	Total assets			Operating income			Headline earnings		
Rm	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)**	(107 119)	(112 578)	**(40)**	(36)	(76)			
Total	**557 318**	549 007	567 023	**10 127**	11 020	22 077	**1 988**	2 943	5 765

CONDENSED GEOGRAPHICAL SEGMENTAL REPORTING

for the period ended

	Operating income			Headline earnings		
Rm	Reviewed June 2009	Reviewed June 2008	Audited December 2008	Reviewed June 2009	Reviewed June 2008	Audited December 2008
South Africa	**9 348**	10 224	20 504	**1 795**	2 769	5 408
Business operations	**9 348**	10 224	20 504	**2 044**	3 042	5 932
BEE transaction expenses				**(62)**	(105)	(187)
Non-controlling interest – preference shareholders				**(187)**	(168)	(337)
Rest of Africa	**407**	379	764	**103**	70	182
Rest of world – business operations	**372**	417	809	**90**	104	175
Total	**10 127**	11 020	22 077	**1 988**	2 943	5 765

ACQUISITIONS [1]

On 5 June 2009 Nedbank Group Limited acquired the remaining 50% share in the joint ventures of Nedgroup Life Assurance Company Limited (NedLife) and BoE (Proprietary) Limited, and the remaining 29,8% share in subsidiary Fairbairn Private Bank from Old Mutual plc and its subsidiaries. The transaction included the existing client bases held by the companies and the brandnames. These transactions were financed by the issue of 12,9 million shares as agreed at the general meeting held on 5 June 2009.

There were no contingent consideration arrangements and indemnification assets recognised on the acquisition of these entities. No contingent liabilities have been recognised by the group as a result of these acquisitions.

The receivables recognised by the group are included in other assets and represent their fair value due to their short-term nature. Management is of the opinion that the gross contractual cashflows receivable are not materially different to the fair value of the receivables recognised.

NedLife is a life assurance company that provides non-underwritten credit life assurance and other simple risk and investment products primarily to Nedbank Group clients. A large proportion of NedLife's business is derived from the provision of life cover linked to Nedbank Group's lending activities. NedLife also sells credit life assurance through two of the largest mortgage originators in South Africa.

BoE (Proprietary) Limited is one of South Africa's largest private client wealth management houses, offering a fully integrated range of financial services and advice, including private and specialised banking, investment management, stockbroking and trust and fiduciary services to various niche markets.

Fairbairn Private Bank is an award-winning offshore private bank offering comprehensive transactional banking, credit, treasury, fiduciary and corporate services as well as execution and discretionary asset management. Its client base consists of high-net-worth individuals, professional intermediaries, non-trading companies, trusts, governments and institutional investors.

The principle reasons for the acquisitions are that it will allow the group to:

- simplify and focus its group structure and create a substantive, wholly owned bancassurance and wealth division;
- facilitate the natural flow and segmentation of clients, products and services provided by these businesses to and from the wider Nedbank Group;
- extend the scope and range of products that Nedbank Group will sell to its clients in the future, particularly in the competitive bancassurance market; and
- acquire a diverse stream of non-banking income that will increase Nedbank Group's NIR.

The group is of the opinion that the ability of the group to generate new business and enhanced synergies as a result of these acquisitions justified the goodwill recognised in the statement of financial position. The goodwill recognised as a result of the transaction is not tax-deductible.

Acquisition of remaining stakes in joint ventures
Nedbank Group acquired the balance of the joint ventures' shareholding and loan account from Old Mutual South Africa Limited for the issue of 10 157 719 shares (total purchase consideration R926 million).

The acquired businesses contributed R72 million to the group's NIR and R28 million to the group's profit for the period after the acquisition. If the acquired businesses had been included in the statement of financial position for the entire six months ended 30 June 2009, it would have resulted in NIR of R373 million and profit for the period of R139 million, relating to the acquired businesses, being recognised in the consolidated statement of comprehensive income.

There was a deemed disposal of the existing joint ventures, which were previously equity-accounted, that resulted in a non-headline after-tax capital profit of R547 million being recognised in profit and loss. The acquisition date fair value of the equity interest in the entities immediately before acquisition was R846 million.

Allocation of purchase consideration:

Rm	
Purchase consideration: shares issued	926
Less: Loan account acquired	80
Net consideration paid for shares	846
Increase for 100% shareholding	1 692
Provisional fair value of net identifiable assets acquired	543
Provisional goodwill	1 149

Assets and liabilities acquired:

Rm	Acquiree's carrying amount	Provisional fair value
Property and equipment	9	9
Other assets	500	500
Cash and cash equivalents	48	48
Investment securities	1 469	1 469
Intangible assets	1	653
Policyholder funds	(1 101)	(1 101)
Deferred taxation asset	7	7
Deferred taxation liabilities	(5)	(188)
Current taxation liabilities	(49)	(49)
Other liabilities	(805)	(805)
Net identifiable assets acquired	74	543

Due to the short period since the effective date of the transaction, the value of intangible assets has been determined on a provisional basis. If changes are made to the value of intangible assets realised, this will correspondingly affect the value of deferred taxation liabilities and goodwill.

Acquisition of remaining stake in Fairbairn Private Bank
In the same group of transactions Nedbank Group acquired the rest of the non-controlling shareholding in Fairbairn Private Bank from Old Mutual plc for the issue of 2 697 640 shares (total purchase consideration was R246 million). This resulted in an amount of R17 million being recognised directly as a reduction in equity, being the excess of the purchase consideration over the non-controlling shareholding that was acquired.

GOODWILL [1]

Rm	Reviewed June 2009	Audited December 2008
Reconciliation of carrying amount		
Carrying amount at the beginning of the period	**3 894**	3 898
Arising on business combinations	**1 149**	
Realised through disposals		(2)
Foreign currency translation and other	**(20)**	(2)
Carrying amount at the end of the period	**5 023**	3 894

Analysis	Reviewed June 2009			Audited December 2008		
Rm	Cost	Accumulated impairment losses	Carrying amount	Cost	Accumulated impairment losses	Carrying amount
Fairbairn Private Bank (Jersey) Limited/Fairbairn Trust Company Limited (Guernsey)	**427**	**(138)**	**289**	447	(138)	309
Peoples Mortgage Limited	**198**	**(198)**	**–**	198	(198)	–
Imperial Bank Limited	**285**	**(25)**	**260**	285	(25)	260
Nedbank Limited	**3 563**	**(739)**	**2 824**	3 563	(739)	2 824
Nedcor Investment Bank	**375**	**(375)**	**–**	375	(375)	–
Old Mutual Bank	**206**		**206**	206		206
BoE (Pty) Limited	**725**		**725**			–
Nedgroup Life Assurance Company Limited	**424**		**424**			–
Nedbank Namibia Limited	**134**	**(2)**	**132**	134	(2)	132
Capital One	**82**		**82**	82		82
American Express	**81**		**81**	81		81
	6 500	**(1 477)**	**5 023**	5 371	(1 477)	3 894

NEW ACCOUNTING STANDARDS ADOPTED [1]

IFRS 3: Business Combinations
The most significant revision to IFRS 3 requires a move from a purchase price allocation approach to a fair-value measurement principle. The group adopted the revision in the current year and it has been applied to the acquisitions described in these results. The revision of this standard does not affect past business combinations.

IAS 1: Presentation of Financial Statements (Amendment)
The group adopted the amendments to IAS 1 relating to the presentation of owner changes in equity and of comprehensive income. The adoption of the amendment to the standard did not significantly impact the group's financial results.

IAS 27: Consolidated and Separate Financial Statements (Amendment)
As a result of the early adoption of IFRS 3, the group early-adopted the amendments to IAS 27. The adoption of the amendment did not have an impact on the group's financial results.

IFRIC 13: Customer Loyalty Programmes
This interpretation clarifies the application of IAS 18 to customer loyalty programmes. The interpretation requires an entity that grants loyalty award credits to allocate some of the initial proceeds from the initial revenue-generating transaction to the award credit as a liability, as the entity has an obligation to provide the award. The award is accounted for as a separate revenue-generating transaction.

The group adopted the interpretation for its annual period commencing 1 January 2009, which did not have a material effect on the financial position, financial results or cashflows of the group.