NEDBANK GROUP

REVIEWED FINANCIAL RESULTS

A Member of the OLD MUTUAL Group

'While we are confident that the worst of the economic downturn is behind us, the recovery is taking longer than initially expected. The economic outlook improved during the earlier part of the year, but has now softened somewhat.

Against this background we are pleased to have shown growth in headline earnings and have performed in line with most of our short-term financial objectives for the first half. However, we remain cautious on prospects for the second half.

Nedbank Group is well placed to take advantage of the upswing when it emerges more fully. Our vision is to build Africa's most admired bank. Our strategy remains unchanged, but we will manage our portfolio of businesses more aggressively to focus on areas we believe will yield the highest growth in economic profit over the longer term.'

Mike Brown
Chief Executive Officer

Banking environment

The economy continued to recover in the first half of 2010. However, the upswing comes off a low base and remains fragile. Household spending has been slow to recover, with high personal debt levels, tight credit conditions and further employment losses hampering consumption. High wage settlements and lower interest service costs have led to an improvement in disposable income, but the benefits of these have been thinly spread, with many households still under credit-related pressure. Capital formation benefited from the strong effort to complete infrastructural projects ahead of the 2010 FIFA World Cup™, but the underlying trend in the private sector demand for credit remains weak, given low capacity utilisation levels and continuing uncertainty over future prospects.

Review of results

Headline earnings increased by 8,3% from R1 988 million for the period to June 2009 to R2 153 million for the six months to June 2010. Diluted headline earnings per share increased by 0,2% from 474 cents to 475 cents, which is lower than the increase in headline earnings as a result of the added dilution from the issue of shares for the Nedbank Wealth joint ventures acquired from Old Mutual in June 2009 and a higher than usual acceptance level of the scrip dividend alternative. Diluted earnings per share decreased by 22,4% from 611 cents in June 2009 to 474 cents. As previously reported, 2009 diluted earnings per share were boosted by a once-off International Financial Reporting Standards (IFRS) revaluation gain of R547 million (after taxation) from the consolidation of the Nedbank Wealth joint ventures acquired.[1]

These results reflect an improving operating environment. They also highlight the continued endowment-related pressure on margins following an unexpected 50 basis point decrease in the prime lending rate in March 2010 and slower than forecast wholesale credit growth. These factors were partially offset by asset repricing over the past 18 months and continued low impairments in Nedbank Corporate and Nedbank Business Banking.

Given the group's strategy to grow non-interest revenue (NIR), it is pleasing to report core commission and fee income growth on a comparable basis of 15,7%. Total comparable NIR grew by 7,8%, with NIR being negatively impacted by a R195 million change in the credit-related fair-value adjustments of the bank's own subordinated debt as our credit spreads improved.

Nedbank Retail celebrated a milestone during the period with the total retail client base exceeding five million clients.

Lower interest rates have benefited impairments and the downward trend in early arrears remained intact. However, improvements in retail defaulted advances have taken longer to come through, compared with past cycles, as a result of the comparatively higher levels of debt to disposable income. This delay has been increased by challenges experienced in the debt counselling process. Recent discussions between the SA Reserve Bank, commercial banks and the National Credit Regulator on improving the debt counselling process are expected to have a positive impact, with new debt counselling inflows slowing and overall levels of advances in the debt counselling process stabilising. The level of defaulted advances in Nedbank Retail has improved to 11,9% from 12,2% in December 2009.

The group achieved a return on average ordinary shareholders' equity (ROE), excluding goodwill, of 12,2% and an ROE of 10,7% (restated), resulting in an overall economic loss (earnings after deducting the cost of capital employed) of R352 million for the period (June 2009: loss of R24 million).[1]

The group's net asset value per share continued to increase, growing by 6,6% (annualised) from 9 100 cents in December 2009 to 9 397 cents in June 2010.[1]

Cluster performance

Rm – six months ended	% change	Headline earnings Jun 2010	Jun 2009*	Return on risk-adjusted capital (RORAC) % Jun 2010	Jun 2009*
Nedbank Capital	(14,4)	**578**	675	**23,7**	30,2
Nedbank Corporate	(14,1)	**623**	725	**17,6**	22,6
Nedbank Business Banking	(17,9)	**437**	532	**28,9**	23,7
Nedbank Retail	(66,7)	**(115)**	(69)	**(2,2)**	(1,2)
Nedbank Wealth	14,8	**233**	203	**32,9**	35,7
Imperial Bank	>100,0	**185**	46	**11,9**	7,1
Operating units	(8,1)	**1 941**	2 112	**12,9**	14,6
Centre		**212**	(124)		
Total	8,3	**2 153**	1 988	**10,7**	11,6

** Restated.*

Nedbank Capital recorded a good RORAC and an economic profit of R232 million. The cluster's headline earnings decreased mainly as a result of higher impairments and a drop in trading income from difficult trading conditions in the second quarter.

Nedbank Corporate recorded a solid RORAC and an economic profit of R123 million. The cluster's headline earnings decreased primarily due to reduced endowment from lower interest rates and a negative swing in fair-value adjustments of R96 million year-on-year attributed mainly to downward movement in the short end of the yield curve in the fixed-rate advances book and associated interest rate swaps.

Nedbank Business Banking continued to generate a high RORAC and strong economic profit of R223 million. This was achieved despite the lower endowment earnings both from the environment of lower interest rates and the balance sheet efficiency exercise undertaken during 2009 and 2010 that reduced risk-weighted assets. As a result, capital utilisation was down by R1,5 billion in 2010 and headline earnings, on an aligned capital base, decreased by 9,5%.

Nedbank Retail recorded an economic loss of R859 million and a headline loss of R115 million. While this is marginally worse than in H1 2009, it represents an improved performance on H2 2009. The losses were mainly driven by lower endowment income and continued high levels of impairments. These were offset to an extent by continued asset repricing, an ongoing drive, in line with the group strategy to grow NIR, which grew by 14,7%, and disciplined cost growth, which amounted to 9,8%.

Nedbank Retail has undertaken a strategic review of the business and is being repositioned to be profitable on a sustainable basis through a greater emphasis on delivering distinctive client-centred banking experiences to all in South Africa, underpinned by worldclass risk management practices. This will include increasing the number and depth of client banking relationships; a distinctive low-cost offering for the unbanked and entry-level banking market; refining the Small Business Services offering to deliver more effectively to the distinct needs of this market; creating one private bank and high-net-worth offering through Nedbank Wealth; leveraging the strengths of the monolines as an enabler to generate deep banking relationships; and setting risk appetite metrics, including credit granting criteria to accord with the desired earnings and return profile. These strategic thrusts are aimed at improving the foundation for medium- and longer-term profitability and growth.

Nedbank Wealth continued to show a strong RORAC and recorded economic profit of R133 million. On a pro forma basis, adjusting for the acquisitions of the joint ventures and additional group cost allocations, headline earnings grew 2,4%.

The joint ventures of Fairbairn Private Bank, BoE (Pty) Limited and Nedgroup Life Assurance Company were purchased in 2009. While low United Kingdom interest rates and difficult local economic conditions have had an impact on the financial performance of Fairbairn Private Bank and BoE (Pty) Limited, the overall annual return on investment at 15,4% was higher than what was originally envisaged.

Imperial Bank delivered improved headline earnings, reflecting its strong position in the used-vehicle market. The low ROE of 11,9% underlines the importance of the drive to integrate the business into the broader Nedbank Retail and Nedbank Business Banking offerings to enhance cross-sell and improve returns.

The planning for the integration of Imperial Bank into Nedbank is going well, with clear accountability established for Motor Finance Corporation (MFC) by Nedbank Retail, for Supplier Asset Finance and Professional by Nedbank Business Banking and for Property by Nedbank Corporate Property Finance.

The group currently awaits approval of the section 54 application to transfer the assets and operations of Imperial Bank to Nedbank. The application was submitted to the Registrar of Banks and the Minister of Finance. The decision not to retrench any affected people during 2010 has ensured business continuity, which is beneficial for successful integration. The period not to retrench affected people will be extended to June 2011.

Further segmental commentary and detail can be found on the group website at www.nedbankgroup.co.za and in the results booklet.

Financial performance

Net interest income (NII)

NII decreased by 1,3% to R8 082 million (June 2009: R8 185 million), largely as a result of endowment-related margin compression. The net interest margin for the period was 3,34%, down from 3,44% for the period to June 2009 and 3,39% for the year ended December 2009. Average interest-earning banking assets increased by 2,8% (annualised) (June 2009 growth: 17,4%).[1]

Changes in margin were mainly caused by:

- reduced endowment income on capital and current and savings accounts from the 294 basis point reduction in average interest rates;
- liability margin compression reflecting a higher cost of funding, including the cost of increased duration;
- the cost of holding additional liquidity buffers;
- a relative benefit in interest-earning assets repricing more quickly than interest-bearing liabilities as rates did not fall as aggressively nor as quickly as last year; and
- the benefit of improved asset pricing on new business.

Impairments charge on loans and advances

Improving conditions have resulted in the credit loss ratio on the banking book decreasing to 1,46% for the period, compared with 1,60% (restated) for the same period in 2009. Given the uncertain global economic conditions, we remain cautious on the wholesale sector as this sector tends to lag retail. Wholesale credit loss ratios, with the exception of Nedbank Capital and Commercial Property Finance within Nedbank Corporate, improved. Nedbank Corporate's credit loss ratios remain below expectations for this stage of the cycle.

In the retail sector impairments for unsecured lending decreased as a result of improving arrears, the better quality of advances and recoveries. Stabilising defaulted advances and higher levels of restructured loans of R2,4 billion (December 2009: R1,2 billion) in secured lending have started to reduce impairments in these categories.

During the period the group aligned impairment methodologies for common clients of Imperial Bank and Nedbank. The group raised an additional R42 million in impairments through this process.

Credit loss ratio (%)	H1 to Jun 2010	H1 to Jun 2009*	H2 to Dec 2009*	Year to Dec 2009*
Nedbank Capital	**0,80**	0,60	0,12	0,36
Nedbank Corporate	**0,23**	0,25	0,23	0,24
Nedbank Business Banking	**0,32**	0,79	0,25	0,52
Nedbank Retail	**3,00**	3,29	3,51	3,40
Nedbank Wealth	**0,24**	0,62	0,33	0,47
Imperial Bank	**2,48**	2,54	1,52	2,01
	1,46	1,60	1,44	1,52

** Restated.*

Defaulted advances increased by 9,9% (annualised) to R28 367 million, from R27 045 million reported in December 2009. Total impairment provisions increased by 24,5% (annualised) to R10 989 million for the same period, although the rate of increase has slowed dramatically compared with last year (June 2009: R9 142 million).

NIR

NIR increased 14,5% to R6 158 million (June 2009: R5 377 million). On a comparable basis, adjusting for the acquisition in 2009 of the Nedbank Wealth joint ventures, NIR growth was 7,8%. The ratio of NIR to expenses was 78,2% (June 2009: 75,5%).[1]

Commission and fee income grew strongly by 21,9% (on a comparable basis by 15,7%) from growth in transactional volumes and annual inflation-linked fee increases. This strong growth is pleasing in the light of the group's strategy to grow NIR. In Nedbank Retail the 8,2% year-on-year increase in primary clients as well as an improved mix contributed to NIR growth. This was further supported by strong growth in electronic banking, cash handling and cash management volumes in Nedbank Business Banking and Nedbank Corporate.

Trading income decreased by 3,9% from R928 million in 2009 to R892 million. The high base was due to outperformance in the Treasury and Global Markets businesses that benefited from trading conditions in the cycle of decreasing interest rates in the first half of 2009. Difficult conditions were experienced in the same period this year, although this was partially offset by equity trading that performed reasonably well.

NIR from the private equity portfolios increased by R98 million, driven primarily by the equity portfolio in Nedbank Capital.

NIR from private equity (Rm)	Jun 2010	Jun 2009
Nedbank Capital private equity	**86**	10
Nedbank Corporate property private equity	**(15)**	(37)
Total NIR from private equity	**71**	(27)

NIR includes a loss of R110 million (June 2009: profit of R85 million) relating to the credit-related fair-value adjustment of the bank's own subordinated debt as Nedbank's credit spreads improved.

Expenses

The group maintained a strong cost discipline ensuring that increases in expenses were below management's expectations. Expenses grew by 10,5% to R7 872 million (June 2009: R7 121 million), largely as a result of the acquisition of the Nedbank Wealth joint ventures and consolidation of Merchant Bank of Central Africa (MBCA), and on a comparable basis expenses increased by 7,5%.[1]

- Staff expenses increased by 12,3% (9,4% on a comparable basis), resulting from annual salary increases and an adjustment of R70 million (June 2009: R47 million) for the growth in the Nedgroup Pension Fund surplus assets. Staff numbers have decreased by 0,8% annualised since December 2009.
- Marketing and public relations costs increased by 23,0% largely due to the marketing spend ahead of the Nedbank Cup and the 2010 FIFA World Cup™, and increased spend within Nedbank Wealth joint-venture businesses on new-product marketing, cross-selling initiatives and ongoing advertising.
- The group's black economic empowerment (BEE) transaction expenses decreased from R66 million to R60 million mainly due to the maturing of the Retail Scheme.

The group's efficiency ratio deteriorated from 52,5% to 55,3% as expected and in line with negative growth in NII from the lower endowment income and margin on current and savings accounts.

Taxation

The taxation charge (excluding taxation on non-trading and capital items) decreased by 10,1% from R642 million in June 2009 to R577 million with a decrease in the effective tax rate from 22,2% to 19,9%.[1] This was due mainly to:

- a lower provision for secondary tax on companies (STC), owing to an increase to 81,5% of shareholders who elected to take scrip for the 2009 final dividend distribution (2008 final dividend distribution: 32,0%), which does not attract STC; and
- reversals of tax risk provisions.

Non-trading and capital items[1]

Income after taxation from non-trading and capital items decreased from a R576 million profit to a R3 million loss at June 2010 following the once-off R547 million revaluation of BoE (Pty) Limited and Nedgroup Life in the first six months of 2009 on the acquisition of the remaining shares in the joint ventures.

Statement of financial position

Capital

Ongoing strong balance sheet management has maintained the group's capital ratios well above the group's internal targets and at levels similar to those of December 2009. As reported at the end of the first quarter, the acquisition of the minority shareholding in Imperial Bank was settled in cash, resulting in an approximate 0,5% decrease in the group's capital adequacy ratios. This was partly offset by a 0,28% increase in capital from higher levels of takeup under the scrip dividend alternative in the second quarter.

%	H1 10 ratio	Q1 10 ratio	FY 09 ratio	Internal target range	Regulatory minimum
Core Tier 1 ratio	**9,9**	**9,8**	**9,9**	**7,5 to 9,0**	**5,25**
Tier 1 ratio	**11,5**	**11,4**	**11,5**	**8,5 to 10,0**	**7,00**
Total capital ratio	**14,8**	**14,7**	**14,9**	**11,5 to 13,0**	**9,75**

(Ratios calculated including unappropriated profits.)

Capital allocation

All risk and capital methodologies and models are reviewed regularly to ensure they remain in line with best practice and industry and regulatory developments.

As previously advised, a number of enhancements relating to capital allocation to business clusters would be implemented in 2010. The main effects of these adjustments have been the allocation of a large proportion of the surplus capital held at group to the clusters as well as refining the capital allocated in respect of credit risk to emphasise tail risk. This has been done and the comparative results for the operational clusters have been restated.

The key enhancements implemented were:

- an increase of the group's internal target solvency standard from 99,9% (or A-) to 99,93% (or A) (implemented in 2009);
- an update of the credit portfolio modelling correlations and revision of the credit economic capital allocation methodology, taking into account recent global developments and experience, and current best practice;
- a change in internal measurement of operational risk for economic capital purposes using the advanced measurement approach; and
- an increase of the aggregate amount allocated to business clusters using bottomup calculated economic capital via the allocation of a capital buffer (limited to an effective 10% core Tier 1 regulatory ratio level for the group) and thus aligning the clusters more closely with group regulatory capital levels.

The above had no impact on the group's overall capital level, but significantly increased the quantum of capital allocated to each business cluster and impacted the RORAC recorded by the clusters on a steady-state basis.

Funding and liquidity

Nedbank Group's liquidity position remains sound. The group remains focused on diversifying its funding base, lengthening its funding profile and maintaining appropriate liquidity buffers.

Nedbank Group successfully increased its long-term funding ratio from 18,1% in December 2009 to 23,9% in June 2010, mainly from increased capital market issuances under the domestic medium-term note programme (R6,23 billion) and increased duration in the money market book.

The group's liquidity position is further supported by a strong loan-to-deposit ratio of 96,0% and a low reliance on interbank funding and foreign markets. Nedbank Group is able to leverage off its favourable retail, commercial and wholesale deposit mix, which compares well with domestic industry averages.

Basel III developments

We welcome the updated Basel III proposals as announced on 26 July 2010. While we believe that the capital proposals remain reasonably achievable, it is pleasing that the revised liquidity proposals are more supportive of the SA banking industry in areas such as:

- widening of the definition of liquidity assets to include an element of certain assets held by banks, such as government and public sector assets, which are risk-weighted 20% under Basel II, and certain high-quality non-financial corporate bonds; and
- extension and possible refinement of the net stable funding ratios during the observation period until 2018.

Advances

Advances grew by 4,9% (annualised) to R461 billion at June 2010 (December 2009: R450 billion). The advances by division are as follows:

Rm	Jun 2010	Dec 2009	Annualised % increase/ (decrease)
Nedbank Capital	**57 640**	55 315	8,5
– Banking activity	**41 666**	41 550	0,6
– Trading activity	**15 794**	13 765	29,7
Nedbank Corporate	**142 010**	137 173	7,1
Nedbank Business Banking	**52 039**	50 115	7,7
Nedbank Retail	**139 868**	138 411	2,1
Imperial Bank	**52 742**	50 451	9,2
Nedbank Wealth	**17 378**	19 089	(18,1)
Other	**(374)**	(253)	(96,4)
Total	**461 303**	450 301	4,9

In Nedbank Capital core banking advances, excluding foreign correspondents, overnight loans and trading advances, grew by a modest 0,6% (annualised) from December 2009. Nedbank Corporate and Nedbank Business Banking grew by 7,1% and 7,7% respectively. In Nedbank Retail personal loans performed in line with the group's strategic focus on this product, increasing by 37,1% (annualised). Cards and vehicle asset finance grew moderately by 7,6% and 6,2% (annualised) respectively and home loans decreased by 0,8% (annualised). The decrease in Nedbank Wealth resulted predominantly from a decision to invest an amount of £125 million in United Kingdom (UK) Treasury bills rather than placements with other banks, as well as from the strengthening of the rand.

Deposits

Deposits increased by 4,8% (annualised) from R469 billion at December 2009 to R480 billion at June 2010, remaining in line with advances growth.[1]

Nedbank Group continued to focus on improving its funding mix and building on its strong retail and business banking deposit franchise. However, retail deposit growth remains challenging given the environment of low interest rates and a highly competitive market, while in the professional fund management market the cost of funding has increased as a result of the increased demand for higher-yielding negotiable certificates of deposit (NCDs).

Competition Commission

The outcome from the Competition Commission process, announced in May 2010, has been positive, with no evidence found of collusion in the setting of fees and charges on transactional products.

Nedbank Group welcomes the pragmatic proposals emanating from the National Treasury process and they will further benefit clients. These proposals have resulted in Nedbank Group undertaking several strategic initiatives as part of the bank's commitment to continue offering value-added banking.

Ecobank alliance and Africa

The alliance with the Pan-African banking group Ecobank gained further momentum during the period following alignment of specific operating models to support various tailored product offerings through joint systems enablement. Our respective multinational corporate client bases in particular are starting to enjoy the benefits of this network, which offers the potential for revenue uplift. For the benefit of Ecobank retail clients Nedbank ATMs were enabled for regional cardholders.

Africa remains a key potential growth area in the longer term. The group, together with Ecobank, will continue to look at opportunities in Africa as they arise.

Outlook and prospects

Conditions during the remainder of the year will be heavily influenced by developments in the global economy. South Africa has benefited from rising commodity prices and improved capital inflows, but international prospects remain uncertain. Domestic spending is expected to rise, although some loss of momentum is probable after the initial boost provided as companies restocked in early 2010 and as 2010 FIFA World Cup™-related spend fades. Interest rates are forecast to remain low well into 2011, given low inflation and below-trend economic growth.

Retail banking should fare better as household credit demand improves, house prices edge higher, and impairments moderate, although the defaulted portfolio is taking longer to cure than in previous cycles. Wholesale banking areas are expected to remain under pressure with slow credit growth as fixed-investment activity remains subdued, but transactional volumes are expected to improve gradually.

The negative endowment effect of capital and margin compression on current and savings accounts is anticipated to reduce during the second half if rates remain at current levels. At the same time asset quality improvement and impairment reductions are expected to continue, albeit at a gradual pace given the high levels of consumer indebtedness.

The group remains cautious in its outlook for the remainder of 2010 and performance is now expected to reflect:

- advances growth in the mid single digits;
- margin compression, on the 2009 margin, of around 15 to 20 basis points;
- ongoing, gradual improvement of the credit loss ratio;
- NIR growth for the year in early to mid double digits, subject to unforeseen moves in fair-value adjustments;
- expense growth for the year in early double digits; and
- maintaining strong capital ratios and funding structure.

Given this outlook for the second half, we currently anticipate that it will be challenging to meet the group's medium-term target for diluted headline earnings per share growth of the average consumer price index plus gross domestic product (GDP) growth plus 5%. As a result improvements in ROE for the balance of the year are expected to be muted.

Given the strength of the group's balance sheet, the development of the strategy to grow NIR and the benefits of the acquisitions made in 2009, the group is well positioned to take advantage of the economic upswing when it emerges more fully.

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

Board changes

Bob Head and Jabu Moleketi resigned from the board with effect from 19 February 2010 and 1 March 2010 respectively. As previously reported, Tom Boardman was appointed a non-executive director of Nedbank Group and Nedbank with effect from 1 March 2010 following his retirement from the group.

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 2010 comprise 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 prepared in terms of IFRS and have been applied consistently over the current and prior financial years.

Nedbank Group's condensed consolidated interim results have been prepared in accordance with the recognition and measurement criteria of 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, the Companies Act of South Africa, as well as the AC 500 standards as issued by the Accounting Practices Board or its successor.

In the preparation of these condensed consolidated interim 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 2010. These assumptions are subject to ongoing review and possible amendments.

Restatements[1]

The ratios for ROE and return on assets (ROA) have been restated with the denominator changing from simple average to daily average for equity and total asset values respectively. The calculation of the credit loss ratio has been changed from simple average advances to daily banking advances (thereby excluding trading advances from the calculation). Comparatives for ROE and ROA changes do not affect the segmental ratios, but do affect the group ratios, while credit loss ratio changes affect both.

The comparative results for the operations segment reporting at 30 June 2009 and 31 December 2009 have been restated in line with the group's implementation of a revised economic capital allocation methodology. The restatement has no effect on the group results and ratios, and only changes segment cluster results and ratios.

Events after the reporting period[1]

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

Reviewed results – auditors' report

KPMG Inc and Deloitte & Touche, Nedbank Group's independent auditors, have reviewed the condensed consolidated interim financial results of Nedbank Group Limited and have expressed an unmodified review opinion on the condensed consolidated interim financial results. The auditors' review was conducted in accordance with International Standards on Review Engagements (ISRE 2410): Review of Interim Financial Information Performed by the Independent Auditor of the Entity. The condensed consolidated financial results comprise the consolidated statement of financial position at 30 June 2010, consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated cashflow statement for the six months then ended and selected explanatory notes. The selected explanatory notes are marked with [1]. The report is available for inspection at Nedbank Group's registered office.

Forward-looking statements

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.

Interim dividend declaration

Notice is hereby given that an interim dividend of 212 cents per ordinary share has been declared, payable to shareholders for the six months ended 30 June 2010. In accordance with the provisions of STRATE, the electronic settlement and custody system used by JSE Limited, the relevant dates for the dividend are as follows:

Event	**Date**
Last day to trade cum dividend	Friday, 3 September 2010
Shares commence trading ex dividend	Monday, 6 September 2010
Record date (date shareholders recorded in books)	Friday, 10 September 2010
Payment date	Monday, 13 September 2010

Share certificates may not be dematerialised or rematerialised between Monday, 6 September 2010, and Friday, 10 September 2010, both days inclusive.

On Monday, 13 September 2010, the dividend will be electronically transferred to the bank accounts of all certificated shareholders where this facility is available. Where electronic funds transfer is either not available or not elected by the shareholder, cheques dated Monday, 13 September 2010, will be posted on that date.

Holders of dematerialised shares will have their accounts credited at their participant or broker on Monday, 13 September 2010.

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

For and on behalf of the board

Dr Reuel J Khoza
Chairman

Michael WT Brown
Chief Executive Officer

2 August 2010

FOR THE SIX MONTHS ENDED 30 JUNE 2010

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

- Headline earnings up 8,3% to R2 153 million
- Diluted headline earnings per share increased 0,2% to 475 cents
- Net asset value per share increased 6,6% to 9 397 cents
- Strong capital adequacy maintained (core Tier 1: 9,9%)
- ROE 10,7% and ROE (excluding goodwill) 12,2%
- Interim dividend per share of 212 cents

Financial highlights

at		Reviewed 30 Jun 2010	Reviewed 30 Jun 2009	Audited 31 Dec 2009
Statistics				
Number of shares listed	m	**512,6**	490,2	498,7
Number of shares in issue, excluding shares held by group entities	m	**445,8**	428,3	435,7
Weighted average number of shares	m	**440,7**	413,9	423,4
Diluted weighted average number of shares	m	**453,7**	419,3	435,1
Headline earnings per share	cents	**489**	480	1 010
Diluted headline earnings per share	cents	**475**	474	983
Ordinary dividends declared per share	cents	**212**	210	440
– Interim	cents	**212**	210	210
– Final	cents			230
Ordinary dividends paid per share	cents	**230**	310	520
Dividend cover	times	**2,31**	2,29	2,30
Net asset value per share	cents	**9 397**	8 762	9 100
Tangible net asset value per share	cents	**7 732**	7 049	7 398
Closing share price	cents	**12 000**	9 805	12 405
Price/earnings ratio	historical	**12**	10	12
Market capitalisation	Rbn	**61,5**	48,1	61,9
Number of employees		**26 924**	27 381	27 037
Key ratios (%)				
ROE*		**10,7**	11,6	11,8
ROE, excluding goodwill*		**12,2**	13,1	13,4
ROA*		**0,75**	0,71	0,76
Net interest income to average interest-earning banking assets		**3,34**	3,44	3,39
Non-interest revenue to total income		**43,2**	39,6	42,2
Credit loss ratio – banking advances*		**1,46**	1,60	1,52
Non-interest revenue to total operating expenses		**78,2**	75,5	78,8
Efficiency ratio		**55,3**	52,5	53,5
Effective taxation rate		**19,9**	22,2	20,2
Group capital adequacy ratios: Basel II (including unappropriated profits)				
– Core Tier 1		**9,9**	8,6	9,9
– Tier 1		**11,5**	10,0	11,5
– Total		**14,8**	13,2	14,9
Statement of financial position statistics (Rm)				
Total equity attributable to equity holders of the parent		**41 893**	37 529	39 649
Total equity		**45 572**	42 498	44 984
Amounts owed to depositors		**480 418**	460 358	469 355
Loans and advances		**461 303**	431 953	450 301
– Gross		**472 292**	441 095	460 099
– Impairment of loans and advances		**(10 989)**	(9 142)	(9 798)
Total assets		**590 847**	557 318	570 703

* Certain of the group's reporting ratio calculations have been adjusted. The ratios for ROE and ROA have been restated with the denominator changing from simple average to daily average for equity and total asset values respectively. The calculation of the credit loss ratio has been changed from simple average advances to daily banking advances (thereby excluding trading advances from the calculation). Comparatives have been restated accordingly.

Consolidated statement of comprehensive income

for the period ended Rm		Reviewed 30 Jun 2010	Reviewed 30 Jun 2009	Audited 31 Dec 2009
Interest and similar income		**22 173**	27 680	50 537
Interest expense and similar charges		**14 091**	19 495	34 231
Net interest income		**8 082**	8 185	16 306
Impairments charge on loans and advances		**3 244**	3 435	6 634
Income from lending activities		**4 838**	4 750	9 672
Non-interest revenue		**6 158**	5 377	11 906
Operating income		**10 996**	10 127	21 578
Total operating expenses		**7 872**	7 121	15 100
– Operating expenses		**7 812**	7 055	14 974
– BEE transaction expenses		**60**	66	126
Indirect taxation		**230**	175	438
Profit from operations before non-trading and capital items		**2 894**	2 831	6 040
Non-trading and capital items		**(6)**	645	624
– Net (loss)/profit on sale of subsidiaries, investments, and property and equipment		**(6)**	647	635
– Net impairment of investments, property and equipment, and capitalised development costs			(2)	(11)
Profit from operations		**2 888**	3 476	6 664
Share of profits of associates and joint ventures			55	55
Profit before direct taxation		**2 888**	3 531	6 719
Total direct taxation		**574**	711	1 307
– Direct taxation		**577**	642	1 232
– Taxation on non-trading and capital items		**(3)**	69	75
Profit for the period		**2 314**	2 820	5 412
Other comprehensive expense net of taxation		**(111)**	(262)	(228)
– Exchange differences on translating foreign operations		**(99)**	(264)	(335)
– Fair-value adjustments on available-for-sale assets		**(14)**	2	21
– Gains on property revaluations		**2**		86
Total comprehensive income for the period		**2 203**	2 558	5 184
Profit attributable to:				
Equity holders of the parent		**2 150**	2 564	4 826
Non-controlling interest – ordinary shareholders		**33**	70	242
– preference shareholders		**131**	186	344
Profit for the period		**2 314**	2 820	5 412
Total comprehensive income attributable to:				
Equity holders of the parent		**2 036**	2 307	4 603
Non-controlling interest – ordinary shareholders		**36**	65	237
– preference shareholders		**131**	186	344
Total comprehensive income for the period		**2 203**	2 558	5 184
Basic earnings per share	cents	**488**	619	1 140
Diluted earnings per share	cents	**474**	611	1 109

Headline earnings reconciliation

for the period ended	Reviewed 30 Jun 2010		Reviewed 30 Jun 2009		Audited 31 Dec 2009	
Rm	Gross	Net of taxation	Gross	Net of taxation	Gross	Net of taxation
Profit attributable to equity holders of the parent		**2 150**		2 564		4 826
Less: Non-trading and capital items	**(6)**	**(3)**	645	576	624	549
– Net (loss)/profit on sale of subsidiaries, investments, and property and equipment	**(6)**	**(3)**	647	578	635	560
– Net impairment of investments, property and equipment, and capitalised development costs			(2)	(2)	(11)	(11)
Headline earnings		**2 153**		1 988		4 277

Consolidated statement of financial position

at Rm	Reviewed 30 Jun 2010	Reviewed 30 Jun 2009	Audited 31 Dec 2009
ASSETS			
Cash and cash equivalents	**8 063**	8 065	7 867
Other short-term securities	**21 080**	20 634	18 550
Derivative financial instruments	**12 776**	17 840	12 710
Government and other securities	**40 294**	35 713	35 983
Loans and advances	**461 303**	431 953	450 301
Other assets	**6 536**	5 041	5 455
Clients' indebtedness for acceptances	**1 818**	1 856	2 031
Current taxation receivable	**359**	570	602
Investment securities	**11 249**	9 795	11 025
Non-current assets held for sale			12
Investments in associate companies and joint ventures	**902**	914	924
Deferred taxation asset	**416**	217	282
Investment property	**211**	215	211
Property and equipment	**5 203**	4 468	4 967
Long-term employee benefit assets	**1 937**	1 795	1 860
Mandatory reserve deposits with central banks	**11 278**	10 905	10 508
Intangible assets	**7 422**	7 337	7 415
Total assets	**590 847**	557 318	570 703
EQUITY AND LIABILITIES			
Ordinary share capital	**446**	428	436
Ordinary share premium	**15 050**	12 907	13 728
Reserves	**26 397**	24 194	25 485
Total equity attributable to equity holders of the parent	**41 893**	37 529	39 649
Non-controlling interest attributable to			
– ordinary shareholders	**117**	1 656	1 849
– preference shareholders	**3 562**	3 313	3 486
Total equity	**45 572**	42 498	44 984
Derivative financial instruments	**10 903**	15 848	11 551
Amounts owed to depositors	**480 418**	460 358	469 355
Provisions and other liabilities	**13 901**	11 698	11 252
Liabilities under acceptances	**1 818**	1 856	2 031
Current taxation liabilities	**212**	224	315
Deferred taxation liabilities	**1 936**	2 193	1 945
Long-term employee benefit liabilities	**1 338**	1 264	1 304
Investment contract liabilities	**6 920**	5 975	6 749
Insurance contract liabilities	**1 235**	1 017	1 133
Long-term debt instruments	**26 594**	14 387	20 084
Total liabilities	**545 275**	514 820	525 719
Total equity and liabilities	**590 847**	557 318	570 703
Guarantees on behalf of clients	**28 432**	25 954	28 161

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 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 and BEE trusts	(415)			(415)
Total comprehensive income for the period	2 307	65	186	2 558
Net income/(expense) 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
Ordinary non-controlling shareholders' share of preference dividends paid		(5)	5	–
Dividends to shareholders	(937)		(163)	(1 100)
Issues of shares net of expenses	903		361	1 264
Shares issued/delisted by BEE trusts	87			87
Shares acquired/cancelled by group entities and BEE trusts	(161)			(161)
Total comprehensive income for the period	2 296	172	158	2 626
Net (expense)/income recognised directly in equity	(68)	26	(188)	(230)
– Share-based payment reserve movement	(55)			(55)
– Regulatory risk reserve provision	(4)			(4)
– Acquisition of subsidiaries		26		26
– Preference shares held by group entities			(188)	(188)
– Other movements	(9)			(9)
Balance at 31 December 2009	**39 649**	**1 849**	**3 486**	**44 984**
Dividends to shareholders	**(1 054)**	**(8)**	**(144)**	**(1 206)**
Issues of shares net of expenses	**1 808**		**92**	**1 900**
Shares acquired/cancelled by group entities and BEE trusts	**(476)**			**(476)**
Total comprehensive income for the period	**2 036**	**36**	**131**	**2 203**
Net expense recognised directly in equity	**(70)**	**(1 760)**	**(3)**	**(1 833)**
– Additional capitalisation of subsidiaries		**4**		**4**
– Share-based payment reserve movement	**22**			**22**
– Buyout of non-controlling interests	**(91)**	**(1 764)**	**(3)**	**(1 858)**
– Regulatory risk reserve provision	**(2)**			**(2)**
– Other movements	**1**			**1**
Balance at 30 June 2010	**41 893**	**117**	**3 562**	**45 572**

MAKE THINGS HAPPEN

Condensed consolidated statement of cashflows

for the period ended Rm	Reviewed 30 Jun 2010	Reviewed 30 Jun 2009	Audited 31 Dec 2009
Cash generated by operations	**7 218**	7 327	14 915
Change in funds for operating activities	**(9 708)**	(5 032)	(14 603)
Net cash (utilised by)/from operating activities before taxation	**(2 490)**	2 295	312
Taxation paid	**(735)**	(1 064)	(2 318)
Cashflows (utilised by)/from operating activities	**(3 225)**	1 231	(2 006)
Cashflows utilised by investing activities	**(2 453)**	(384)	(3 171)
Cashflows from/(utilised by) financing activities	**6 644**	(551)	4 878
Net increase/(decrease) in cash and cash equivalents	**966**	296	(299)
Cash and cash equivalents at the beginning of the period*	**18 375**	18 674	18 674
Cash and cash equivalents at the end of the period*	**19 341**	18 970	18 375

** Including mandatory reserve deposits with central banks.*

Condensed segmental reporting

for the period ended	Total assets			Operating income			Headline earnings		
Rm	Reviewed 30 Jun 2010	Reviewed 30 Jun 2009	Audited 31 Dec 2009	Reviewed 30 Jun 2010	Reviewed 30 Jun 2009	Audited 31 Dec 2009	Reviewed 30 Jun 2010	Reviewed 30 Jun 2009	Audited 31 Dec 2009
Nedbank Capital	**204 944**	173 053	198 260	**1 438**	1 567	3 346	**578**	675	1 447
Nedbank Corporate	**154 010**	151 323	148 606	**2 003**	1 978	4 263	**623**	725	1 626
Business Banking	**77 137**	77 308	80 245	**1 751**	1 823	3 722	**437**	532	1 113
Nedbank Retail	**145 119**	142 151	143 948	**3 857**	3 554	6 973	**(115)**	(69)	(490)
Nedbank Wealth	**34 264**	33 744	33 909	**1 074**	700	1 854	**233**	203	498
Imperial Bank	**57 777**	51 182	55 660	**618**	449	1 275	**185**	46	201
Shared Services	**6 353**	6 183	7 431	**149**	155	195	**214**	92	152
Central Management	**37 563**	33 422	31 868	**145**	(59)	27	**(2)**	(216)	(270)
Eliminations	**(126 320)**	(111 048)	(129 224)	**(39)**	(40)	(77)			.
Total	**590 847**	557 318	570 703	**10 996**	10 127	21 578	**2 153**	1 988	4 277

The comparative results for the segmental reporting for the periods ended 30 June 2009 and 31 December 2009 have been restated in line with the group's implementation of a revised economic capital allocation methodology. The restatement has no effect on the group results and ratios, and only changes segment results and ratios.

Condensed geographical segmental reporting

for the period ended	Operating income			Headline earnings		
Rm	Reviewed 30 Jun 2010	Reviewed 30 Jun 2009	Audited 31 Dec 2009	Reviewed 30 Jun 2010	Reviewed 30 Jun 2009	Audited 31 Dec 2009
South Africa	**10 117**	9 348	19 867	**1 917**	1 795	3 800
– Business operations	**10 117**	9 348	19 867	**2 103**	2 044	4 260
– BEE transaction expenses				**(55)**	(62)	(116)
– Profit attributable to non-controlling interest – preference shareholders				**(131)**	(187)	(344)
Rest of Africa	**481**	407	860	**98**	103	213
Rest of world – business operations	**398**	372	851	**138**	90	264
Total	**10 996**	10 127	21 578	**2 153**	1 988	4 277

Acquisition of remaining stake in Imperial Bank

On 5 February 2010 (the effective date of the transaction) the group obtained approval from the SA Reserve Bank for the acquisition of the remaining 49,9% shareholding in Imperial Bank from non-controlling shareholders.

The merging entities are Nedbank and Imperial Bank. Imperial Bank's businesses will be combined, in principle, as follows:

– Motor Finance Corporation with Nedbank Retail.

– Supplier Asset Finance and Professional Finance with Nedbank Business Banking.

– Property Finance with Nedbank Corporate.

The purchase price was R1 853 million [R1 775 million plus a Johannesburg Interbank Agreed Rate (JIBAR) factor applied up to 5 February 2010], which excludes total transaction costs of R6 million that was recognised in the statement of comprehensive income. These transaction costs exclude costs associated with the integration of the above business units into the group and tax on the transfer of securities.

The total purchase consideration is being settled in four instalments. The total amount, which will include interest at the three-month JIBAR, amounts to R1 888 million. Only the final instalment of R480 million (including interest) is outstanding and will be settled on 13 August 2010.

Directors:
Dr RJ Khoza *(Chairman)*, MWT Brown* *(Chief Executive Officer)*, CJW Ball**, TA Boardman, TCP Chikane, GW Dempster* *(Chief Operating Officer)*, MA Enus-Brey, Prof B de L Figaji, DI Hope *(New Zealand)*, A de VC Knott-Craig, WE Lucas-Bull, NP Mnxasana, RK Morathi* *(Chief Financial Officer)*, JVF Roberts *(British)*, 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.

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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 and Nedbank Capital.

Merrill Lynch
A subsidiary of Bank of America Corporation

NEDBANK CAPITAL

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