



# NEDBANK GROUP

A Member of the OLD MUTUAL Group



- ▶ Diluted headline earnings per share up 6,8%
- ▶ Diluted earnings per share up 29,6%
- ▶ Efficiency ratio improved from 55,2% to 51,5%
- ▶ ROE (excluding goodwill) decreased from 24,7% to 21,3%
- ▶ Net asset value per share increased 18,1% to 8 155 cents
- ▶ Interim dividend per share maintained at 310 cents

'In the context of a tougher economic environment the group's wholesale businesses continued to perform well, but earnings in the retail businesses decreased as a result of higher impairment charges.

In February this year we cautioned that the deteriorating macroeconomic outlook was likely to make 2008 significantly more challenging for the South African economy and the banking sector. Underlying growth in assets and net interest income has remained solid, but impairment levels, arising mainly from the retail portfolios, have now risen above the group's through-the-cycle expectations.

To manage the business through the current high interest rate cycle Nedbank Group has, for some time, been strengthening collection and risk processes, controlling cost growth and improving capital ratios. At the same time we continue to focus on and invest in areas with medium- to long-term growth potential and capitalise on the opportunities created by more volatile market conditions.'

Tom Boardman *Chief Executive*

## Banking environment

The South African economic environment continued to deteriorate during the first half of 2008. Supply-side inflationary pressures led to further interest rate increases in April and June, adding to the credit stress levels of consumers. The resultant slowdown in economic growth is reflected in lower retail sales, vehicle sales and house prices. Credit provisioning levels have increased in Nedbank Retail and Imperial Bank.

The group's wholesale banking bias has provided support within the current environment. Corporate advances growth remained resilient, boosted by the downstream activity from increased fixed investment.

In June 2008 the Competition Commission released a summary of its findings on the inquiry into bank charges in South Africa. Nedbank generally supports the recommendations that have been made by the Banking Enquiry Panel.

## Financial performance

Diluted headline earnings per share increased by 6,8% from 673 cents to 719 cents. Diluted basic earnings per share grew by 29,6% from 678 cents to 879 cents.<sup>(1)</sup>

The group's return on average ordinary shareholders' equity (ROE), excluding goodwill, decreased to below the group's medium- to long-term target, declining from 24,7% to 21,3% for the period. This decline resulted from a reduction in gearing as the group increased its core Tier 1 capital adequacy to position the bank in the current environment, and from a lower return on assets caused mainly by higher retail impairment levels and lower private-equity-related earnings. ROE declined from 21,2% to 18,7%.<sup>(1)</sup>

Headline earnings increased by 6,1% from R2 775 million to R2 943 million for the period to June 2008. Basic earnings grew by 28,6% to R3 597 million (June 2007: R2 798 million).<sup>(1)</sup>

The group's wholesale businesses increased headline earnings, benefiting from favourable trading conditions and good client volumes. However, the group's financial performance was negatively impacted by retail impairment levels rising above the group's through-the-cycle expectations. In addition, market movements in the equity and property markets have negatively impacted private equity valuations. Basic earnings benefited from an after-tax profit of R637 million on the disposal of the group's shares in Visa.

Following the introduction of black economic empowerment (BEE) and management shareholders in Bond Choice, the group reduced its investment in the mortgage originator from 62% to 25,5%. Consequently, Bond Choice is no longer classified as a subsidiary of the group with effect from 1 January 2008.

## Net interest income (NII)

NII grew 21,2% to R7 960 million (June 2007: R6 568 million). This increase was driven mainly by the 22,9% growth in average interest-earning banking assets.<sup>(1)</sup>

The net interest margin declined to 3,83% for the period from 3,90% for the period to June 2007 and 3,94% for the year to December 2007. This reduction in margin was in line with expectations as deposit margins were impacted by strong competition for funding. Furthermore, the cost of the bank's funding increased as the proportion of assets funded through wholesale versus retail deposits continued to increase and as the group lengthened the maturity profile of liabilities.<sup>(1)</sup>

Margins on advances declined during the period. This was due to asset mix changes with the growth of lower-risk, lower-margin assets, particularly within the personal loans portfolio. The pressure on home loan margins has begun to slow and wholesale margins on new assets are improving. This pressure on deposit and asset spreads was partially offset by the endowment benefits of higher interest rates.

## Impairment charge on loans and advances

The impairment charge to the income statement increased by 86,4% to R1 894 million (June 2007: R1 016 million), resulting in the credit loss ratio increasing from 0,62% in June 2007 to 0,96%. While the credit loss ratios in both Nedbank Corporate and Nedbank Capital remained within through-the-cycle levels, Nedbank Retail and Imperial Bank's credit loss ratios deteriorated further as a result of the rise in interest rates and the increased levels of consumer indebtedness, and are now above expected through-the-cycle ranges.<sup>(1)</sup>

Credit loss ratio (%)	June 2008	June 2007
Nedbank Capital	0,12	(0,09)
Nedbank Corporate	0,15	0,11
Nedbank Retail	2,00	1,35
Imperial Bank	1,75	1,18
Nedbank Group	0,96	0,62

## Non-interest revenue (NIR)

NIR increased by 4,5% to R4 954 million for the period (June 2007: R4 742 million). Excluding Bond Choice's commission and sundry income in 2007, NIR grew by 10,6% on a like-for-like basis.<sup>(1)</sup>

The sale of Bond Choice reduced commission and fee income by R261 million. Commission and fee income (excluding Bond Choice) grew by 12,4%. In transactional banking cheque processing fees continued to decline as clients shifted to more secure electronic banking systems. Cash handling fees and transactional-banking volumes grew strongly due to an increase in client numbers as a result of the group's investment in delivery channels from 2006 onwards.

The group's retail Bancassurance and Wealth Division performed well, with headline earnings increasing by 20,5% from R161 million to R194 million in June 2008.

Trading income for the period increased 56,1% to R813 million, benefiting from good client flows as a result of increased volatility in the currency and interest rate markets, and improved equity trading.

Private equity income declined sharply, reflecting the reduced prices in equity and property markets.

NIR from private equity (Rm)	June 2008	June 2007
Nedbank Capital private equity	93	346
Nedbank Corporate property private equity	(40)	147
Total NIR from private equity	53	493

## Expenses

Despite high inflation and the increased distribution footprint, expenses continued to be tightly controlled, increasing by 6,6% to R6 651 million (June 2007: R6 238 million). On a like-for-like basis, excluding Bond Choice, expenses increased by 10,1%.

- Staff expenses grew by 4,5%, benefiting from the sale of Bond Choice and an adjustment of R129 million accounting for the growth in the existing pension fund asset and a change in the pension fund rules in terms of International Accounting Standard (IAS) 19.
- Marketing costs increased by 8,4% following the group's successful investment in soccer through the sponsorship of the Nedbank Cup to increase Nedbank brand awareness.
- Information technology costs grew by 14,0%, largely attributable to investment in systems development for business-, compliance- and risk-related projects as well as higher ATM network costs.

The efficiency ratio improved from 55,2% for the first half of 2007 (excluding Bond Choice 54,7%) to 51,5% for the same period in 2008.<sup>(1)</sup>

The 'jaws' ratio improved to 7,6%, from 3,6% in June 2007, as a result of revenue growth of 14,2% exceeding expense growth of 6,6%.<sup>(1)</sup>

## Associate income

Associate income decreased from R179 million in June 2007 to R84 million. This was primarily as a result of Nedbank Group's R65 million share of the profit on the sale of JSE Limited shares by the BoE Private Clients joint venture in the prior period as well as the sale of the group's interests in Whirlprops and Kimberley Clark during 2007.<sup>(1)</sup>

## Non-trading and capital items

Income after taxation from non-trading and capital items increased from R23 million in June 2007 to R654 million for the period.<sup>(1)</sup>

The main sources of this income accounted for as a non-headline item were as follows:

- The profit on the sale of Visa shares from the Visa initial public offering in March 2008 and the subsequent disposal of the group's remaining Visa shares in June 2008 resulting in a profit of R637 million after tax.
- In Bond Choice the sale of 26,5% to Kapela Investment Holdings and 10% to an employee trust realising R60,9 million. The sale resulted in a capital profit of R14,5 million after tax.

## Balance sheet

**Capital**  
Nedbank Group continues to be well-capitalised, with a Tier 1 capital adequacy ratio of 8,7% (December 2007: 8,0% pro forma Basel II) and a total capital adequacy ratio of 11,7% (December 2007: 11,2% pro forma Basel II). These ratios are now in the upper half of the group's target ranges. The core Tier 1 capital adequacy ratio was 7,4% (December 2007: 6,9% pro forma Basel II).

**Advances**  
Advances increased by 18,3% (annualised) to R408 billion, with strong asset growth across all business units. Details of advances growth by division are as follows:

Rm	June 2008	December 2007	Annualised increase (%)
Nedbank Corporate	167 304	153 718	17,8
Nedbank Capital	55 943	51 233	18,5
Nedbank Retail	143 474	133 492	15,0
Imperial Bank	41 109	35 320	33,0
Other	241	193	50,0
Total	408 071	373 956	18,3

## Deposits

Overall deposits increased by 26,1% (annualised) from R385 billion in December 2007 to R435 billion in June 2008, with higher interest rates increasing demand for savings and investment products.<sup>(1)</sup>

Despite strong growth in retail funding, deposit growth was still largely concentrated in the wholesale market. Management has remained focused on optimising the funding mix and profile of the group through utilising alternate funding sources, making a focused effort on the retail and business banking deposit bases, and pricing competitively for term deposits. The group's liquidity position and funding franchise remain strong.

## Cluster performance

### Nedbank Corporate

Headline earnings increased by 11,8% from R1 344 million for June 2007 to R1 503 million for the period (excluding Bond Choice and Lion Match 15,2%).

The return on risk-adjusted capital (RORAC) increased to 29,5% from 27,7% for June 2007.

The core banking activities of Nedbank Corporate generated headline earnings growth of 30,6%, from R1 153 million to R1 506 million, with all the businesses performing well and reflecting the inherent strength of Nedbank's wholesale banking franchise. Headline earnings grew by 32,7% to R731 million in Business Banking, 44,4% to R286 million in Corporate Banking, 30,3% to R423 million in Property Finance lending activities and 28,2% to R50 million in Nedbank Africa.

After four years of strong levels of profitability, the property private equity investment portfolio felt the impact of the decline in property values.

The credit loss ratio increased from 0,11% to 0,15%. While Corporate Banking and Property Finance remain at low levels of impairment, there has been a small increase in gross levels of impairment in Business Banking.

NIR from core banking activities was up 24,0% and was positively impacted by fair-value gains of R113 million (June 2007: R33 million) that arose largely as a result of the profile of the book and the higher interest rate environment. Within NIR commission and fee income increased by 9,0%, and growth continues to be negatively affected by clients' transition from cheque processing to electronic transactions.

Expenses decreased by 6,8%, with the division benefiting from not having the expenses of Bond Choice and Lion Match in the June 2008 period. Core expenses (excluding Bond Choice and Lion Match) increased by 10,8% due largely to an increase in staff expenses as a result of headcount growth, mainly in client-facing positions, during 2007. Headcount is actively managed to control costs and, at the same time, to retain key staff.

With sound client relationships and a strong pipeline in place, the core banking activities are well-positioned for the second half of 2008, although the downturn in the economy is starting to impact clients, especially in Business Banking, and impairments are consequently expected to increase from a low base.

We anticipate that property investments will continue to feel the impact of higher yields in the short term but, based on the quality of the investment portfolio, we see upside in the medium to longer term.

### Nedbank Capital

Headline earnings grew by 20,0% to R600 million, while RORAC decreased from 36,7% to 35,3%.

Trading income increased by 53,4% to R703 million off a low base in 2007. The growth originated from robust client flows due to increased volatility in interest rate and foreign exchange markets, offset to an extent by disappointing performances in Debt Capital Markets and equity trading in the securities business.

Investment Banking experienced good deal flow and the current environment has provided positive asset-repricing opportunities.

NIR from private equity decreased 73,0% to R93 million as a result of the effect on valuations of a sharply declining equity market. While this has not been positive for the existing private equity book, the lower equity market has provided good investment opportunities to build the private equity portfolio, and R166 million was invested during the period.

As part of Nedbank Capital's strategy to maintain and build its presence in Africa, regional representative offices in West, East and North Africa are on track to being opened, subject to regulatory approval. In addition, the group is growing the London base. These growth initiatives have contributed to total expenses increasing by 15,2% from R585 million to R675 million.

The attraction and retention of skilled people remain challenging as the pool of skilled professional staff in South Africa continues to decrease. Internationalising the business has assisted in retention of some key staff via secondment to offshore offices.

Nedbank Capital remains committed to its integrated investment-banking strategy and its collaborative culture, which acts as a hedge against tougher conditions as there are multiple points of deal origination and a complete range of banking services can be offered to clients.

The worsening economic environment is expected to have a negative impact on the expansion of client businesses, notably on deal flow in the merger and acquisition market. However, this is balanced by the diminishing influence of offshore private equity houses and the shrinking of access to cheaper debt markets. In addition, international competitors are expected to be less active due to the subprime contagion effect on their balance sheet lending businesses, which creates the opportunity for domestic banks with strong liquidity franchises to reprice assets as well as to gain business in arguably a less competitive environment.

### Nedbank Retail

Nedbank Retail's headline earnings declined by 18,6% to R728 million and RORAC decreased from 21,9% to 15,9%.

Nedbank Retail achieved NII growth of 17,1%, which was primarily driven by good advances growth in the Home Loan, Card and Vehicle and Asset Finance Divisions. NIR increased 13,9% with solid performances in Bancassurance and Wealth and card acquiring, and growth of 11,2% in primary clients.

Total revenue growth of 15,8% exceeded expense growth of 12,2%. The credit loss ratio increased significantly by 65 basis points to 2,00%, which had a negative impact on financial performance.

Excluding the profit on the sale of JSE Limited shares in 2007 by BoE Private Clients, income from associates grew by 28,8%.

High inflation, record levels of personal indebtedness and increases in interest rates have put the South African consumer under severe pressure. The erosion of consumers' ability to repay debt has led to the continued deterioration of the retail lending environment. This has placed significant pressure on retail banking, which is expected to continue for the remainder of 2008 and into 2009, and has impacted negatively on advances and deposit growth as well as impairments.

During the past 18 months Nedbank Retail has executed specific strategies appropriate to the current economic environment. These include focusing on pricing, risk control and collections as well as on the quality of new business. Headcount in the collections areas has increased significantly and ongoing system improvements have been undertaken. Appropriate risk management will remain a top priority for management.

During the period Nedbank Retail's incurred but not reported (IBNR) impairment charge changed by the following items, in addition to normal impairments calculated using historical data:

- Impairment provisions raised historically for general data issues amounting to R60 million have been released as they are no longer required following improvements in the quality of data.
- A R30 million release of impairment provisions raised in 2007 for the potential impact of the introduction of the National Credit Act (NCA) on the personal loans book, which has in fact improved over the last 12 months.
- Nedbank Retail continues to hold R140 million of impairment provisions, over and above the system-calculated IBNR, to reflect the effects of the deteriorating economic environment, which, although incurred, are not yet evident.
- The provision raised in 2007 for the move of the default definition from 60 days to 30 days has been increased by R27 million to R139 million.

The integration of Old Mutual Bank into Nedbank has been completed on schedule and the project has delivered all its major objectives and synergy targets.

Nedbank Retail's strategic focus in the second half of the year continues to be as follows:

- Entrenching the strategy of focusing on areas that yield a high economic profit.
- Managing risk and impairments through the economic cycle.
- Expense control, with headcount remaining constant.
- Growing its client base with a specific emphasis on primary clients.
- Transformation.
- Driving the delivery of worldclass service.

### Imperial Bank

Headline earnings decreased by 15,6% to R189 million, mainly due to an increase in both impairments and the effective taxation rate. ROE declined from 24,3% to 15,5%. Nedbank Group's share of these earnings was R88 million (June 2007: R107 million), down 17,8%.

Imperial Bank grew loans and advances 33,0% from R35,3 billion to R41,1 billion, following the successful implementation of the NCA requirements. NII increased 18,8% from R682 million to R810 million, reflecting a margin squeeze mainly due to the increased cost of funding. Expenses remained well-controlled, increasing by only 3,5% and resulting in the efficiency ratio improving from 32,0% to 26,8%.

Despite the tougher trading environment and tightening of credit criteria, new-business volumes remained at similar levels to the prior year. Motor Finance benefited from increased financing in the used-car market, while Property Finance had a satisfactory six months although demand for residential development finance is declining as anticipated. Supplier Asset Finance performed in line with expectations, while growth in Medical Finance has been adversely affected by higher interest rates and the level of uncertainty within the economy.

The impairment charge increased from R177 million to R341 million and the credit loss ratio deteriorated from 1,18% to 1,75%. The main contributor to the impairment charge was the Motor Finance Division, which was adversely impacted by increased interest rates and lower values being realised in the used-car market that resulted in the credit loss ratio increasing from 1,93% to 2,65%. The Property, Medical and Supplier Asset Finance Divisions continued to experience acceptable impairment charge levels in line with expectations.

The increase in the effective tax rate from 25,0% to 33,5% is mainly due to the group having fully utilised the benefits of an historic loss. As disclosed, a deferred taxation asset had not been raised historically for this loss.

Imperial Bank anticipates that conditions will remain challenging in the second half of the year, as performance will continue to be impacted by the high interest rate environment.

Nedbank Group and Imperial Holdings Limited have reconfirmed their commitment to Imperial Bank and are currently finalising a revised shareholders' agreement that will formalise the terms of the relationship beyond 2010.

## Capital management

The group remains well-capitalised under Basel II. The group Tier 1 capital adequacy ratio and total capital adequacy ratio strengthened to 8,7% and 11,7% respectively. The group's core Tier 1 capital adequacy ratio was 7,4%.

The group's objective is to maintain an efficient capital structure and to ensure that economic capital is held in excess of the requirement for target debt ratings. Capital is not held to support acquisitions.

Surplus capital is held to ensure that an appropriate buffer is maintained after extensive systemic and stress scenario testing is performed to determine the group's optimal capital requirements, which includes the following considerations:

- Organic business growth requirements.
- Needs of stakeholders.
- Target capital adequacy ratios.
- Projected business plans.

During the first six months of 2008 management focused on increasing the group's capital adequacy ratios to ensure that the group's strong capital position is maintained in the tougher economic environment.

In May 2008 Nedbank Limited privately placed an inaugural hybrid Tier 1 issue of R900 million in the domestic market. This was followed with a further R287 million issue, bringing the total issue to R1 187 million by 30 June 2008.

Depending on market conditions, the group plans to issue further hybrid Tier 1 capital instruments and Tier 2 capital. There are no maturities of existing Tier 2 capital in 2008, 2009 or 2010.

Amendments to section 38 of the Companies Act were promulgated at the beginning of this year and the group received shareholder approval at the Nedbank Group annual general meeting in May no longer to be legally required to offer the scrip dividend alternative. Accordingly, the group has decided to offer a cash-only dividend and to increase the dividend cover slightly, within the guidance range of 2,25 to 2,75 times, to maintain the 2007 dividend level.

## Prospects

Performance in the second half of 2008 is likely to be influenced by the following:

- Continued slowing of economic growth in South Africa.
- Slowing growth in retail advances.
- Corporate Banking advances growth remaining more resilient.
- Business Banking starting to show signs of slowing advances growth.
- An endowment benefit in the margin resulting from the rise in interest rates, offset by margin compression in certain categories of advances and continued reliance on wholesale funding.
- Retail credit loss ratios stabilising, unless market conditions deteriorate further, and worsening credit loss ratios in the Business Banking area.
- Wholesale credit loss ratios remaining below through-the-cycle levels and retail credit loss ratios remaining above through-the-cycle levels.
- Continued focus on cost control.
- Ongoing capital management activities.

The group anticipates this to impact on the group's financial performance in 2008 as follows:

- Advances growth for 2008 to be in the mid-teens.
- Margin compression for the full year on the 2007 margin of between 10 to 15 basis points.
- Credit loss ratios in the wholesale areas to increase from current levels, but to remain below through-the-cycle expectations.
- Retail credit loss ratios to stabilise, unless market conditions deteriorate further.
- NIR growth for the year to be in upper single digits (early double digits, excluding Bond Choice).
- Expense growth for the year to be in upper single digits (early double digits, excluding Bond Choice) and to remain below revenue growth.
- Capital adequacy ratios to improve further.

The group currently expects to show positive earnings growth for the full year. However, in 2008 it is unlikely that the group will meet all its medium- to long-term financial targets. The group forecasts for the year currently indicate the following:

- Growth in diluted headline earnings per share (HEPS) lower than the target of at least average CPIX plus GDP growth plus 5%.
- ROE (excluding goodwill) of less than 10% above the group's monthly weighted average cost of ordinary shareholders' equity.
- The group's credit loss ratio will exceed the upper limit of the target range of 0,85%.
- Solid revenue growth and ongoing disciplined cost management with an efficiency ratio being maintained well below the 55% target.
- The group's capital adequacy ratio will improve further and remain in the top half of our target ranges.
- The group will remain capitalised to a 99,9% confidence interval on an economic-capital basis to a target debt rating of A- with a 10% buffer.
- The group's dividend cover will remain within its range of between 2,25 and 2,75 times.

The group still expects to achieve its medium- to long-term financial targets over time.

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

## Board changes

As previously reported Cedric Savage retired as an independent non-executive director (14 May 2008) and Barry Davison resigned as an independent non-executive director (2 August 2008).

## Accounting policies

Nedbank Group Limited is a company domiciled in South Africa. The consolidated interim financial results of the company at and for the half year ended 30 June 2008 comprised the company and its subsidiaries (together referred to as 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.

Nedbank Group's consolidated interim financial 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 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 both the company and group financial statements for the six months ended 30 June 2008. These assumptions are subject to ongoing review and possible amendments.

The selected explanatory notes, provided in accordance with IAS 34, are marked with <sup>(1)</sup>.

## Reviewed results – auditors' opinion

KPMG Inc and Deloitte & Touche, Nedbank Group's independent auditors, have reviewed the consolidated interim financial results contained in this interim report and have expressed an unmodified conclusion on the consolidated interim financial results. The review 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, which by their nature involve risk and uncertainty because they relate to events and depend on circumstances that may 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; and competitive and regulatory factors.

## Interim dividend declaration

Notice is hereby given that an interim dividend of 310 cents per ordinary share has been declared, payable to shareholders for the six months ended 30 June 2008. 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, 5 September 2008
Shares commence trading (ex dividend)	Monday, 8 September 2008
Record date (date shareholders recorded in books)	Friday, 12 September 2008
Payment date	Monday, 15 September 2008

Shares may not be dematerialised or rematerialised between Monday, 8 September 2008, and Friday, 12 September 2008, both days inclusive.

On Monday, 15 September 2008, 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, 15 September 2008, will be posted on that date.

Holders of dematerialised shares will have their accounts credited at their participant or broker on Monday, 15 September 2008.

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 RJ Khoza

Chairman

6 August 2008

TA Boardman

Chief Executive

# Reviewed interim financial results

for the six months ended 30 June 2008

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

## Financial highlights

at	Reviewed June 2008	Reviewed June 2007	Audited December 2007
<b>Statistics</b>			
Number of shares listed	m 466,6	456,4	459,3
Number of shares in issue, excluding shares held by group entities	m 406,2	399,6	401,9
Weighted average number of shares	m 403,6	396,7	398,7
Diluted weighted average number of shares	m 409,1	412,6	414,4
Headline earnings per share	cents 729	700	1 485
Diluted headline earnings per share	cents 719	673	1 429
Ordinary dividends declared per share	cents 310	310	660
– Interim	cents 310	310	310
– Final	cents		350
Dividend paid per share	cents 350	284	594
Dividend cover	times 2,35	2,26	2,25
Net asset value per share	cents 8 155	6 903	7 513
Tangible net asset value per share	cents 6 817	5 661	6 207
Closing share price	cents 9 211	13 200	13 600
Price/earnings ratio	historical 6	10	9
Market capitalisation	Rbn 43,0	60,2	62,5
Number of employees	26 982	25 992	26 522
<b>Key ratios (%)</b>			
Return on ordinary shareholders' equity (ROE)	18,7	21,2	21,4
Return on total assets (ROA)	1,14	1,26	1,30
Net interest income to average interest-earning banking assets	3,83	3,90	3,94
Non-interest revenue to total income	38,4	41,9	42,5
Credit loss ratio*	0,96	0,62	0,62
Efficiency ratio	51,5	55,2	54,9
Effective taxation rate	23,8	25,3	26,3
Group capital adequacy ratios: Basel I			
– Tier 1		8,3	8,3
– Total		12,4	12,2
Group capital adequacy ratios: Basel II			
– Tier 1	8,7		8,0
– Total	11,7		11,2
<b>Balance sheet statistics (Rm)</b>			
Total equity attributable to equity holders of the parent	33 127	27 585	30 193
Total equity	38 098	32 474	35 125
Amounts owed to depositors	435 209	356 640	384 541
Loans and advances*	408 071	338 907	373 956
– Gross*	414 973	344 436	380 034
– Impairment of loans and advances	(6 902)	(5 529)	(6 078)
Total assets	549 007	460 832	488 856

\* June 2007 reclassified.

## Condensed consolidated cashflow statement

for the period ended	Reviewed June 2008	Reviewed June 2007	Audited December 2007
<b>Rm</b>			
Cash generated by operations	6 570	5 630	12 453
Change in funds for operating activities	(1 951)	(1 592)	(10 691)
Net cash generated from operating activities before taxation	4 619	4 038	1 762
Taxation paid	(1 198)	(1 390)	(2 419)
Cashflows from/(utilised in) operating activities	3 421	2 648	(657)
Cashflows utilised in investing activities	(592)	(1 572)	(2 063)
Cashflows (utilised in)/from financing activities	(498)	1 917	2 122
Net increase/(decrease) in cash and cash equivalents	2 331	2 993	(598)
Cash and cash equivalents at the beginning of the period*	18 708	19 306	19 306
Cash and cash equivalents at the end of the period*	21 039	22 299	18 708

\* Including mandatory reserve deposits with central bank.

## Condensed consolidated statement of changes in equity

Rm	Total equity attributable to equity holders of the parent	Minority shareholders' equity attributable to preference shareholders	Minority shareholders' equity attributable to ordinary shareholders	Total equity
Balance at 31 December 2006	25 116	3 070	1 202	29 388
Ordinary minority shareholders' share of preference dividends paid		6	(6)	–
Dividends to shareholders	(1 142)	(135)	(28)	(1 305)
Issues of shares net of expenses	766	361		1 127
Shares acquired by group entities	(82)			(82)
Shares issued by subsidiary		150	150	300
Total income and expense for the period	2 927	129	140	3 196
Profit for the period	2 798	129	160	3 087
Net income recognised directly in equity	129	–	(20)	109
Release of reserves previously not available	(132)			(132)
Foreign currency translation reserve movement	50		(23)	27
Available-for-sale reserve movement	49			49
Share-based payment reserve movement	166			166
Other movements	(4)		3	(1)
Balance at 30 June 2007	27 585	3 431	1 458	32 474
Ordinary minority shareholders' share of preference dividends paid		7	(7)	–
Dividends to shareholders	(1 260)	(160)	(13)	(1 433)
Issues of shares net of expenses	402			402
Shares acquired by group entities	(85)			(85)
Total income and expense for the period	3 551	143	73	3 767
Profit for the period	3 227	143	184	3 554
Net income recognised directly in equity	324	–	(111)	213
Release of reserves previously not available	(87)			(87)
Foreign currency translation reserve movement	(53)		(18)	(71)
Available-for-sale reserve movement	(87)			(87)
Property revaluation reserve movement	374			374
Share-based payment reserve movement	163			163
Acquisition of subsidiaries	3			3
Disposal of subsidiaries			(81)	(81)
Buyout of minorities			(21)	(21)
Other movements	11		9	20
Balance at 31 December 2007	30 193	3 421	1 511	35 125
Ordinary minority shareholders' share of preference dividends paid		7	(7)	–
Dividends to shareholders	(1 440)	(176)	(73)	(1 689)
Issues of shares net of expenses	1 000			1 000
Shares acquired by group entities	(513)			(513)
Total income and expense for the period	3 887	169	119	4 175
Profit for the period	3 597	169	136	3 902
Net income recognised directly in equity	290	–	(17)	273
Release of reserves previously not available	(54)			(54)
Foreign currency translation reserve movement	272		13	285
Available-for-sale reserve movement	(24)			(24)
Property revaluation reserve movement	4			4
Share-based payment reserve movement	82			82
Disposal of subsidiaries			(29)	(29)
Other movements	10		(1)	9
Balance at 30 June 2008	33 127	3 421	1 550	38 098

## Consolidated income statement

for the period ended	Reviewed June 2008	Reviewed June 2007	Audited December 2007
<b>Rm</b>			
Interest and similar income	26 633	19 075	42 001
Interest expense and similar charges	18 673	12 507	27 855
<b>Net interest income</b>	<b>7 960</b>	<b>6 568</b>	<b>14 146</b>
Impairments charge on loans and advances	1 894	1 016	2 164
<b>Income from lending activities</b>	<b>6 066</b>	<b>5 552</b>	<b>11 982</b>
Non-interest revenue	4 954	4 742	10 446
<b>Operating income</b>	<b>11 020</b>	<b>10 294</b>	<b>22 428</b>
Total expenses	6 651	6 238	13 489
Operating expenses	6 543	6 157	13 341
BEE transaction expenses	108	81	148
Indirect taxation	191	133	305
<b>Profit from operations before non-trading and capital items</b>	<b>4 178</b>	<b>3 923</b>	<b>8 634</b>
Non-trading and capital items	764	21	111
Profit on sale of subsidiaries, investments and property and equipment	764	23	118
Net impairment of investments, property and equipment, and capitalised development costs		(2)	(7)
<b>Profit from operations</b>	<b>4 942</b>	<b>3 944</b>	<b>8 745</b>
Share of profits of associates and joint ventures	84	179	239
<b>Profit before direct taxation</b>	<b>5 026</b>	<b>4 123</b>	<b>8 984</b>
Total direct taxation	1 124	1 036	2 343
Direct taxation	1 014	1 038	2 336
Taxation on non-trading and capital items	110	(2)	7
<b>Profit for the period</b>	<b>3 902</b>	<b>3 087</b>	<b>6 641</b>
<b>Attributable to:</b>			
Profit attributable to equity holders of the parent	3 597	2 798	6 025
Profit attributable to minority interest – ordinary shareholders	136	160	344
– preference shareholders	169	129	272
<b>Profit for the period</b>	<b>3 902</b>	<b>3 087</b>	<b>6 641</b>
Basic earnings per share	cents 891	705	1 511
Diluted earnings per share	cents 879	678	1 454
Dividend declared per share	cents 310	310	660
Dividend paid per share	cents 350	284	594

## Earnings reconciliation

for the period ended	Reviewed June 2008		Reviewed June 2007		Audited December 2007	
<b>Rm</b>	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
Profit attributable to equity holders of the parent		3 597		2 798		6 025
Less: non-trading and capital items	764	654	21	23	111	104
Net profit on sale of subsidiaries, investments and property and equipment	764	654	23	25	118	111
Net impairment of investments, property and equipment, and capitalised development costs			(2)	(2)	(7)	(7)
Headline earnings		2 943		2 775		5 921

## Condensed operational segmental reporting

for the period ended	Reviewed June 2008		Reviewed June 2007		Audited December 2007		Reviewed June 2008		Reviewed June 2007		Audited December 2007	
<b>Rm</b>	<b>Total assets</b>	<b>Operating income</b>	<b>Operating income</b>	<b>Operating income</b>	<b>Headline earnings</b>	<b>Headline earnings</b>	<b>Headline earnings</b>	<b>Headline earnings</b>	<b>Headline earnings</b>	<b>Headline earnings</b>	<b>Headline earnings</b>	
Nedbank Corporate	228 331	183 220	208 387	3 954	3 939	8 215	1 503	1 344	2 632			
Nedbank Capital	173 075	149 412	143 419	1 349	1 178	2 655	600	500	1 174			
Nedbank Retail	166 839	142 448	154 144	4 926	4 690	10 024	728	894	1 876			
Imperial Bank	43 560	34 004	38 195	543	541	1 207	88	107	227			
Shared Services	6 217	6 452	6 683	59	65	162	27	41	(15)			
Central Management	38 104	18 935	20 580	225	11	412	(3)	(111)	27			
Eliminations	(107 119)	(73 639)	(82 552)	(36)	(130)	(247)						
<b>Total</b>	<b>549 007</b>	<b>460 832</b>	<b>488 856</b>	<b>11 020</b>	<b>10 294</b>	<b>22 428</b>	<b>2 943</b>	<b>2 775</b>	<b>5 921</b>			

Segmental comparatives have been restated in line with the group's implementation of economic-value-based management. From 2008 economic profit (EP) replaces ROE as the primary internal financial performance measure in the group. EP is a best-practice measure since it incentivises an appropriate balance between return and growth, and better aligns with shareholder value creation.

## Condensed geographical segmental reporting

for the period ended	Reviewed June 2008		Reviewed June 2007		Audited December 2007		Reviewed June 2008		Reviewed June 2007		Audited December 2007	
<b>Rm</b>	<b>Operating income</b>	<b>Operating income</b>	<b>Operating income</b>	<b>Operating income</b>	<b>Operating income</b>	<b>Operating income</b>	<b>Headline earnings</b>	<b>Headline earnings</b>	<b>Headline earnings</b>	<b>Headline earnings</b>	<b>Headline earnings</b>	
South Africa	10 224	9 627	21 024	2 769	2 631	5 623						
Business operations	10 224	9 627	21 024	3 042	2 839	6 039						
BEE transaction expenses				(105)	(79)	(144)						
Profit attributable to minority interest – preference shareholders				(168)	(129)	(272)						
Rest of Africa	379	288	669	70	50	116						
Business operations	379	288	669	71	51	119						
BEE transaction expenses				(1)	(1)	(3)						
Rest of world – business operations	417	379	735	104	94	182						
<b>Total</b>	<b>11 020</b>	<b>10 294</b>	<b>22 428</b>	<b>2 943</b>	<b>2 775</b>	<b>5 921</b>						

Directors: Dr R J Khoza (Chairman), Prof MM Katz (Vice-chairman), ML Ndlovu (Vice-chairman), TA Boardman\* (Chief Executive), CJW Ball\*\*, MWT Brown\* (Chief Financial Officer), TCP Chikane, BE Davison, MA Enus-Brey, Prof B de L Figaji, R Harris (British), RM Head (British), JB Magwaza, ME Mkwana, CML Savage, GT Serobe, JH Sutcliffe (British) \* Executive \*\* Senior independent non-executive director

Sponsor in Namibia: Old Mutual Investment Services (Namibia) (Pty) Limited  
This announcement is available on the group's website – [www.nedbankgroup.co.za](http://www.nedbankgroup.co.za) – together with the following additional information:

Detailed financial information in HTML and PDF formats • Financial results presentation to analysts • Link to a webcast of the presentation to analysts

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Reg No: 1966/010630/06 ISIN: ZAE00004875 JSE share code: NED NSX share code: NIK

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



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