

NEDBANK GROUP LIMITED

(Incorporated in the Republic of South Africa)

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('Nedbank Group' or 'the group')

NEDBANK GROUP – THIRD QUARTER 2011 TRADING UPDATE

“The growth outlook for South Africa has become less certain given the potential for contagion from the northern hemisphere sovereign debt crisis with many countries starting to report slower growth.

Despite the uncertain trading conditions Nedbank Group continues to make good progress in growing its franchise and remains well placed to deliver diluted headline earnings per share growth for the year in excess of its medium-to-long term target.”

Mike Brown

Chief Executive

OPERATING ENVIRONMENT

The operating environment in South Africa remained tough during the third quarter as northern hemisphere sovereign debt difficulties reduced confidence globally.

Domestic credit demand remains subdued with producers and consumers adopting a cautious approach. Household spending was mainly supported by personal income gains. Corporates are still maintaining surplus liquidity and although wholesale credit extension recently outpaced that of households, these tend to be specific large deals and consequently less predictable.

Domestic public sector spending on infrastructure remains positive and will support the economy to grow in the short term while improving the economy’s long-term capacity to perform.

OPERATIONAL PERFORMANCE

The group continues to deliver on its key strategic initiative of growing non-interest revenue (NIR), whilst good progress continues in the repositioning of Nedbank Retail and the group's portfolio tilt towards more economically attractive activities, including those in the rest of Africa.

Net interest income (NII) grew by 8,9% to R13 299 million for the nine months ended 30 September 2011 ("the period") (Q3 2010: R12 214 million). The net interest margin increased to 3,45% for the period from 3,43% for the six months ended June 2011 (Q3 2010: 3,32%). Overall margins continued to improve through gains in asset repricing and benefits from changes in the mix of advances, together with a lower cost of term liquidity. These benefits were partially offset by negative endowment due to lower average interest rates, the cost of holding higher liquidity buffers and lengthening the group's funding profile.

The group's credit loss ratio improved to 1,13% for the period from 1,21% for the six months to June 2011 (Q3 2010: 1,36%) whilst maintaining appropriate coverage ratios and increasing portfolio impairments. Nedbank Retail's credit loss ratio remains the largest contributor to this improvement.

NIR increased by 15,6% to R10 885 million (Q3 2010: R9 413 million) with strong growth in fee and commission income of 15,9%. This positive growth trend was achieved as a result of transactional volume growth from primary client and continued focus on cross-selling products and services. Trading income decreased by 3,0% in a volatile global environment. Private equity income benefited from improved market valuations off a low base. Fair value adjustments for the period improved as a result of a reduced loss of R51 million (Q3 2010 R207 million loss) as credit spreads from the group's own subordinated debt continued to narrow.

Expenses remain controlled in line with the group's intent of maintaining a positive NIR-to-expense 'jaws' ratio whilst continuing to invest for growth.

Total assets increased by an annualised 7,5% to R642,7 billion. Advances grew by 3,3% (annualised) to R487,0 billion. This rate of growth reflects the portfolio tilt strategy of growing selected advances categories that are considered more economically attractive. The wholesale sector continued to experience early repayments as well as delayed take-up of approved credit applications.

Deposits increased 6,4% (annualised) to R513,9 billion, benefiting from growth in fixed and term deposit levels as a result of surplus liquidity in the wholesale sector. The group's long term funding ratio and liquid asset buffers remained at similar levels to prior periods.

The group's capital ratios remain well above current Basel II and anticipated Basel III regulatory minima. The core tier 1 ratio of 10,8% (June 2010: 10,7%) showed further strengthening as a result of profitability and reasonably low growth in risk weighted assets, offset by the payment of the interim ordinary dividend in September 2011.

Basel II capital adequacy ratios	Q3 2011 ratio	Internal target range	Regulatory minimum
Core Tier 1	10,8%	7,5% to 9,0%	5,25%
Tier 1	12,5%	8,5% to 10,0%	7,00%
Total	15,3%	11,5% to 13,0%	9,75%

Ratios calculated including unappropriated profits

PROSPECTS

The South African economic climate is expected to remain subdued. The group's GDP growth forecast for 2011 is marginally above 3% and interest rates are currently anticipated to remain unchanged until the second half of 2012. Continued global economic weakness could increase prospects of further interest rate reductions.

Nedbank Group remains in a good position to deliver solid earnings growth, notwithstanding the stronger performance in the second half of 2010. Although management remains cautious, the guidance for Nedbank Group's financial performance in 2011 given at the half year remains unchanged.

Shareholders are advised that these forecasts and the figures stated in this trading update have not been reviewed or reported on by the group's auditors.

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, 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, together with competitive and regulatory factors.

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2 November 2011

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