NEDBANK GROUP

A Member of the OLD MUTUAL Group

'South Africa's banking system has remained resilient. This is reflected in our country's improvement from 15th to 6th place in the latest World Economic Forum Global Competitiveness Report ranking on the soundness of banks.

In 2009 capital ratios strengthened further and the liquidity position remained sound. This strength of our balance sheet positions us to capitalise on growth opportunities and to benefit from the expected turnaround in economic conditions.

During the economic downturn we have supported clients by advancing loans within prudent risk appetite parameters and this is reflected in the 8,4% growth of our loan book in the second half of the year. Pleasingly this resulted in modest market share gains. Nedbank Group has adopted a responsible approach to managing its staff complement by relying on natural attrition to achieve efficiencies and has not undertaken any retrenchment programmes. This has ensured stability and continuity in servicing our clients, and contributed to improved staff morale.

Nedbank Group continues to focus on balancing short-term profitability with our overriding goal of long-term sustainability. Our focus extends beyond purely economic and financial considerations, which is reflected in Nedbank Group being at the forefront of environmental sustainability and the first SA corporate to commit itself to becoming carbon-neutral.

Notwithstanding the increase in impairments, we believe that the operating condition of the group has strengthened during the year. The business clusters have performed well under difficult conditions.

Over the past six years the group has transformed into a sustainable business focusing appropriately on all stakeholders. This has allowed us to withstand the challenging economic environment and build our balance sheet strength to take advantage of opportunities when prospects improve. In recent months we've also seen a smooth transition to the new leadership team under Mike Brown. All the executives have significant experience in their areas of specialisation and the team is well-equipped to lead Nedbank Group strongly into the future.'

Tom Boardman
Chief Executive

Mike Brown
Chief Executive Designate

Banking environment

The local banking industry experienced an exceptionally tough and volatile year as a result of the impact of the global recession combined with cyclical credit stress in the domestic economy.

Demand for credit slowed dramatically and retail impairments increased significantly as consumers came under severe pressure from falling income, job losses, declining asset prices and record high debt burdens. By the end of 2009 growth in asset-based finance had slowed to 1,0% year-on-year. Interest rates were reduced by 450 basis points to cushion the effects of a rapidly slowing economy and increasing unemployment.

Corporate demand for credit lost momentum due to weak global and local demand, which eroded corporate profits through weaker pricing power, lower commodity prices and a strong rand. Support came from construction projects and increased government spending, boosted primarily by the public sector's infrastructure drive and preparations for the 2010 FIFA World Cup.

Despite the negative economic trends dominating much of 2009, underlying trading conditions showed early signs of improvement around the third quarter. This was led by a rebound in growth in emerging markets, especially China and India, and was followed by initial indications of recovery in most industrialised countries, chiefly brought about by unprecedented government intervention and massive fiscal and monetary stimulation. Improved commodity prices and global demand brought an element of relief to domestic export manufacturers, lifting South Africa out of 'official' recession in the third quarter. There are early signs that the sharp drop in interest rates is starting to revive household credit demand as house prices showed modest signs of a slow recovery towards the end of the year.

Key to the outlook for 2010 will be employment growth. After job losses of nearly one million during the downturn, employment showed early signs of stabilising in the fourth quarter of 2009. Job creation in the formal sector is likely to be slow, with an overall 2% employment gain for the year being expected. This will support household income and lead to some improvement in consumer finances and therefore spending. The rebound is likely to be slower than in previous cycles given weak consumer and business confidence and tighter lending criteria.

Review of results

Headline earnings decreased by 25,8% from R5 765 million to R4 277 million. Basic earnings reduced by 24,7% to R4 826 million (2008: R6 410 million). [1]

Diluted headline earnings per share (EPS) decreased by 29,8% from 1 401 cents to 983 cents. Diluted EPS declined by 28,8% from 1 558 to 1 109 cents. These results are in line with the guidance given in the third-quarter trading update.[1]

The group's return on average ordinary shareholders' equity (ROE), excluding goodwill, decreased from 20,1% to 13,0%. ROE decreased from 17,7% to 11,5% for the year. These declines were driven primarily by increasing retail impairment levels and the negative impact from lower endowment earnings that reduced the return on assets, together with strengthened capital levels as shareholders' equity growth far exceeded growth in total assets.

Nedbank Retail's credit quality deteriorated in 2009, with impairments worsening significantly, although the rate of new defaults slowed in the second half of the year. Business banking and wholesale banking impairments ended the year at better levels than originally anticipated.

The group's funding and liquidity levels have remained sound as a result of ongoing focus on increasing and strengthening liquidity buffers, lengthening the funding profile, maintaining a low reliance on interbank, foreign and capital markets, as well as robust balance sheet management. A strong, broad-based deposit franchise also provides the group with diverse funding sources.

Nedbank Capital

Nedbank Capital performed well in volatile markets and achieved growth in headline earnings of 6,6% to R1 349 million. Return on risk-adjusted capital (RORAC) increased to 45,3% and economic profit (EP) increased by 18,6% to R955 million.

The interest margin benefited from enhanced credit spreads as a result of a focus on EP and deal optimisation that also contributed to non-interest revenue (NIR) growth of 25,4%. This growth in NIR was supported by market volatility, narrowing of credit spreads and increased client flow that lifted trading revenue. Sound investments in the private equity portfolio, together with investment banking fee income, accounted for the remainder of the growth. Adverse markets were mitigated by active risk management, which resulted in a credit loss ratio of 26 basis points.

Treasury experienced exceptionally strong growth and capitalised well on the reduction in interest rates. Despite delays and cancellations of client projects, numerous new opportunities were originated, enabling Investment Banking to achieve good growth. Global Markets continued to develop the client franchise and generate income within acceptable risk parameters.

Ongoing investment in people, risk processes and systems has allowed management to focus on steadily growing diversified earnings streams within a prudent risk appetite.

The cluster increased its visibility winning a number of key industry awards including Deal of the Year *(African Banker)* for the Bakwena deal and ICT/Telecoms Deal of the Year *(Africa Investor)* for the Neotel deal.

Nedbank Corporate

Nedbank Corporate's headline earnings decreased by 1,9% to R1 534 million and a RORAC of 29,1% was achieved. EP grew by 11,6% to R836 million, driven by optimising and reducing capital. Core banking headline earnings, excluding property investing activities, increased by 7,8% and, after aligning for the allocated economic capital change to reflect like-on-like core earnings, increased by 16,2%.

The cluster implemented its selective growth strategies, focusing on high-economic-profit business, and prudently managing related risks. Impairments were well-managed with Corporate Banking and Nedbank Africa holding up well, while Property Finance saw an increase to more normalised levels from the low charge in 2008. Total expense growth was successfully managed within income growth levels.

Net interest income (NII) and NIR on the core banking business grew 9,2% and 18,5% respectively. This growth was driven by improved credit margins, maintaining the quality of the book, modest volume increases in transactional banking products and gains in primary banking clients in both the public and private sectors. Property Finance had a 22,6% contraction in NIR, impacted by declining property valuations in the unlisted property investment portfolio. Average advances increased by 15,2%, with growth from all key businesses.

The credit loss ratio of 0,24% remained at the low end of the expected through-the-cycle range.

Corporate Banking had an excellent year with headline earnings up 25,3%, resulting from strong average asset growth, increased credit margins and good NIR growth across all sectors, supported by a number of primary-client gains.

Property Finance earnings declined 31,5% from the normalisation of its impairment charge, lower utilisation of capital and reduced property investment profits, which although lower than in 2008 exceeded expectations in the subdued market conditions.

Nedbank Africa increased headline earnings by 24,5%, with solid performances from all the underlying businesses.

The group continues to make good progress with its alliance with the Pan-African banking group Ecobank. During the year the group launched various banking initiatives aimed at providing clients with a seamless one-bank experience. This included the implementation of systems to enable the opening of accounts across the 33-country footprint as well as the ability to access both Ecobank and Nedbank accounts through a single view. Local-knowledge centres were established in major country hubs in East, West, Central and South Africa to provide local information on selected sectors and countries to support clients in growing and expanding their businesses across the African continent.

The year ahead is expected to hold better prospects. However, the property market will remain subdued and the public sector infrastructure investment programme is likely to proceed at a slower pace post the 2010 FIFA World Cup.

Overall, Nedbank Corporate remains well-placed to grow and optimise business opportunities by leveraging its strong and valued client base and providing innovative solutions through skilled teams.

Nedbank Business Banking

Nedbank Business Banking remained highly profitable through a very challenging economic climate, generating a RORAC of 31,4% (2008: 31,5%) and EP of R610 million (2008: R762 million). The cluster produced headline earnings of R1 055 million, down 22,4% as a result of lower endowment income, a slowdown in client business activity and a reduction in advances to clients with single lending products as the cluster focused on supporting its core transactional clients.

Business Banking successfully implemented a capital optimisation programme, which resulted in a capital reduction from R4,3 billion to R3,4 billion. The cluster maintained its focus on quality asset growth from its primary-client base, while proactively risk managing or reducing exposure to high-risk industries and clients, in particular those with only a single Nedbank lending product, resulting in a modest reduction in client assets of 2,9%.

Proactive risk management practices and the decentralised, accountable business model are fundamental to the way Business Banking operates and ensured that impairments were well-managed. The credit loss ratio of 0,52% (2008: 0,59%) remained within its through-the-cycle range and benefited from portfolio impairment releases of R162 million arising from converting benchmark data to actual loss data.

Despite the overall impact of lower client activity, Business Banking was able to strengthen its business franchise further by:

- improving credit margins on new assets in line with risk-based pricing principles;
- reducing fee leakage through automation of discretionary fee collection;
- prioritising primary-banked client acquisition to drive NIR and deposit growth;
- refining the decentralised business model to differentiate service levels based on client needs/volumes; and
- managing costs effectively while investing in key innovation for the benefit of our people and our clients.

Nedbank Retail

Nedbank Retail had a difficult year and reported a headline loss of R156 million (2008: R1 002 million profit) and an economic loss of R1 448 million for the period (2008: R291 million economic loss). These numbers include Nedbank Bancassurance and Wealth. The tough economic conditions experienced throughout 2009 and high levels of consumer indebtedness tested the effectiveness of lending decisions and risk-based pricing and collection strategies implemented prior to the cycle turning and the results reflect the consequences of these practices, especially in the Home Loans business.

NII was 6,4% lower, primarily as a result of reduced endowment income on capital and non-rate-sensitive deposits, as well as the higher cost of funding.

Impairments increased by 35,7% to R4 925 million, with the credit loss ratio increasing to 3,08% (2008: 2,47%), driven mainly by Home Loans where the defaulted advances increased by 58,5% on 2008. The slower property market and debt counselling processes make it more difficult to cure clients in default. It is therefore taking longer than initially anticipated to rehabilitate clients, notwithstanding the cashflow relief from interest rate reductions.

In response to the challenges experienced in Home Loans a number of steps were taken to improve collection efficiencies, differentiate sales in execution based on value and ease of saleability, and improve the economic profitability of new business written. Greater emphasis was placed on pricing for risk, tightening the loan-to-value (LTV) ratios (which resulted in the weighted average LTV on new business dropping from an average of 82,93% to 79,52% during the year), supporting our existing clients, increasing client rates to reflect higher funding costs and reducing fees paid to originators. Asset margins on new business have widened and the underlying risk quality has improved; however, this will take some time to be evidenced in the margin and advances risk profile, given the low volumes of new business currently being written.

Expense growth has been well-controlled at 9,9% through curtailment of headcount growth in backoffice and support areas. The higher efficiency ratio of 64,9% (2008: 61,1%) arose mainly as a result of lower endowment earnings.

The accountabilities of the Retail executive team were reviewed to improve the effectiveness and focus on people, clients and strategic risk management. Five new members were appointed and the transformation profile of the team was maintained.

More recently the emphasis has been on understanding the current business challenges, ensuring risk exposures are adequately provided for and transitioning Retail into a more client-centred and integrated business focused primarily on growing our primary-client relationships in a holistic way. Key levers include NIR growth, branding, distribution, capital optimisation, managing for value, effective risk management and the Imperial Bank integration, underpinned by the culture of disciplined execution and differentiated client service.

The inherent strengths, opportunities and differentiators of Retail are being evaluated in relation to client segments and their EP potential in order to reshape Retail's strategy towards delivering sustainable EP through the cycle.

Nedbank Bancassurance and Wealth

Nedbank Group acquired the remaining shares previously held in joint ventures with Old Mutual in BoE Private Clients, Nedgroup Life Assurance Company and Fairbairn Private Bank with effect from 1 June 2009 for an amount of R1,2 billion settled by way of an issue of Nedbank Group shares. Given its strategic importance in the drive to increase NIR, Nedbank Bancassurance and Wealth has been constituted as a new cluster and will be reported on separately from 2010.

The Asset Management Division increased assets by 12,3% to R93,6 billion. While international assets under management declined, the domestic asset management business had strong net inflows of R7,2 billion on the back of good fund performance. Nedgroup Investments was recently awarded third place in the Domestic Management Company of the Year Awards, and received two Raging Bull awards for individual funds.

The Bancassurance Division had a very successful year, despite higher lapses and claims. The short-term insurance gross written premiums totalled R669 million, up 14,5% on 2008. The life assurance business achieved excellent results, with annual premium equivalent growth of 30,0% and value of new-business growth of 54,0%.

The Wealth Management Division was impacted by increased impairments, particularly in BoE Private Clients where the credit loss ratio deteriorated to 0,81% from 0,34% in 2008. In addition, the UK environment of record low interest rates resulted in a reduction of NII in Fairbairn Private Bank from £14 million in 2008 to £7,7 million in 2009. Advice-based sales through Nedbank Financial Planning increased 35,7% year-on-year, mainly into the low-risk and money market funds. BoE Private Clients was rated No1 in Service and Advice in an independent survey by SMRC Marketing Solutions (Pty) Limited and Fairbairn Private Bank was voted Best International Wealth Manager 2009.

Bancassurance and Wealth is a key focus area in the strategy of driving growth in NIR for the group. Growth opportunities remain positive as a result of the potential to increase penetration of life and short-term products, the refocusing of the Asset Management Division and alignment to a single high-net-worth strategy and business in Wealth Management.

Imperial Bank

Imperial Bank's headline earnings increased by 19,3% to R430,8 million (2008: R361,2 million) as a result of better trading conditions mainly in the second half of 2009. Nedbank Group's share of these earnings increased from R166 million to R201 million. Return on equity of 13,2% and the efficiency ratio of 28,0% were similar to those in the previous year. Loans and advances grew 12,8% to R50,4 billion (2008: R44,7 billion) as Imperial Bank continued to attract good-quality new business. The credit loss ratio of 1,97% (2008: 1,71%) is expected to decrease as recoveries and accounts in arrears continue to improve.

Motor Finance Corporation (MFC) performed well, driven by a continued demand in the used-car market. Appropriate levels of pricing were achieved while maintaining strong risk controls and a lean operating environment. Impairments improved during the second half of the year and this is reflected in a lower credit loss ratio of 2,58% (H1 2009: 3,29% and 2008: 2,47%).

Trading conditions are expected to improve into 2010. However, the economic recovery is fragile and there is continued uncertainty, which could negatively impact on the business and particularly the corporate and commercial businesses.

On 16 September 2009 the group announced that it had entered into a binding agreement to acquire the remaining 49,9% share in Imperial Bank from Imperial Holdings for a purchase consideration of approximately R1 775 million. This is to be settled in cash. During February 2010 final regulatory approvals were received and Nedbank Limited acquired 100% of the ordinary and preference shares in Imperial Bank.

In parallel with this process the section 54 application is being prepared and will be submitted to the Regulator and Minister of Finance to request approval to merge Nedbank Limited and Imperial Bank. This process is anticipated to take at least six months. In the interim Imperial Bank will retain its banking licence and continue operating as a separate bank. There will be no retrenchments from the integration during 2010.

This acquisition allows for greater flexibility to leverage opportunities between Nedbank Limited and Imperial Bank. It will establish Nedbank Limited as the second largest vehicle financier, with an estimated 30% share of the retail vehicle market, and third largest bank by assets in South Africa, allowing for synergies with increased economies of scale. The MFC brand will be retained in the dealer channel.

Since the initial announcements the group has invested significantly in the planning of the integration to ensure a smooth transition in line with our values and guided by legislation and fair employment practices.

Statement of comprehensive income

NII

NII grew 0,8% to R16 306 million.[1]

Following a 450 basis point interest rate cut during 2009 and the resulting effect of lower endowment income, the group's net interest margin decreased in line with expectations to 3,39% from 3,66% in 2008.[1] The primary drivers of margin compression were:

- liability margin compression reflecting the higher cost of term funding;
- lower endowment on capital and non-repricing of transactional deposit accounts that are not rate-sensitive; and
- quicker downward repricing of interest-earning assets compared with interest-earning liabilities.

These were partially offset by the repricing of asset margins in line with the group's risk-based pricing policies.

Impairments charge on loans and advances

The credit loss ratio of 1,47% for 2009 (2008: 1,17%) showed signs of improvement after having peaked at 1,67% at 31 March 2009.[1]

The credit cycle has to date largely impacted consumers and the smaller businesses, as reflected in the continued deterioration of retail credit loss ratios. High levels of unemployment, lower collateral values due to weak housing and vehicle markets, and delays in recoveries resulting from debt counselling have all played a part in the increase in defaulted advances in retail secured loans.

Wholesale banking credit loss ratios have improved since June 2009 and remained better than anticipated for this part of the economic cycle. On the whole credit quality in the Capital, Corporate and Business Banking books has remained within acceptable levels, although in this volatile economic environment the risk of corporate default remains high.

Credit loss ratio (%)	2009	2008
Nedbank Capital	**0,26**	0,06
Nedbank Corporate	**0,24**	0,12
Nedbank Business Banking	**0,52**	0,59
Nedbank Retail	**3,08**	2,47
Imperial Bank	**1,97**	1,71
Nedbank Group	**1,47**	1,17

Defaulted advances increased by 56,3% from R17 301 million to R27 045 million and represent 5,9% of total advances. Total impairment provisions increased by 24,7% from R7 859 million to R9 798 million. Although early arrears have improved for the last seven consecutive months of the year, defaulted advances have continued increasing, albeit at a slower rate.

NIR

NIR, including the consolidation of the Bancassurance and Wealth joint ventures, grew by 11,0% to R11 906 million (2008: R10 729 million).[1] Like-for-like NIR increased by 6,1%, driven by good growth in commission and fee income and trading income offset to an extent by fair-value gains, which dropped from R368 million in 2008 to R44 million. The drop in fair-value gains is mainly the result of the group reporting, in 2008, fair-value gains of R207 million from the mark-to-market of its own debt, which we mentioned were unlikely to be repeated and were highlighted as poor-quality income that was not attributed to capital. In 2009 fair-value gains on the group's debt amounted to R6 million.

Commission and fee income was 12,4% higher, largely from volume growth in retail transactional banking and increases in fees charged across the bank.

Trading income increased by 18,6% from R1 553 million in 2008 to R1 841 million in 2009, reflecting robust trading activity in treasury, investment banking and the global market businesses.

Private equity income remained broadly flat for the year. However, underlying contributions were mixed with the recovery in the Nedbank Capital private equity portfolio being offset by the Nedbank Corporate property private equity portfolio having a lower unrealised gain.

NIR from private equity (Rm)	2009	2008
Nedbank Capital private equity	**269**	127
Nedbank Corporate property private equity	**35**	176
Total NIR from private equity	**304**	303

Bancassurance and Wealth NIR increased by 61,7% to R1 518 million for the year, driven primarily from the consolidation of the joint ventures for seven months and with good performances from the asset management, financial planning and life insurance businesses. On a like-for-like basis NIR for Bancassurance and Wealth increased by 4,7%, with good growth in the SA businesses, but pressure on NIR in the international businesses due to the challenging economic environment.

Expenses[1]

Nedbank Group continued to maintain tight control on discretionary spending while investing in strategic areas of the business. Expenses increased by 9,9% to R15 100 million (2008: R13 741 million). This increase was impacted by the consolidation of the Bancassurance and Wealth joint-venture acquisitions with effect from June 2009.

On a like-for-like basis, excluding the joint-venture acquisitions, expenses increased by 7,7%.

Staff expenses grew by 10,9%, driven by an average salary increase of 10,2% in April 2009 (with lower-paid staff receiving slightly more) and as a result of the inclusion of the abovementioned joint-venture acquisitions from 1 June 2009. Staff headcount and temporary staff decreased by 1,9% and 12,3%, respectively.

- Marketing costs were restricted to an increase of 1,4%.
- Information technology costs increased by 8,3% and related mainly to project-based software development and processing costs.
- Occupation and accommodation costs increased by 12,5% as a result of branch and office rent increases, renovations, lease cancellation costs and office relocations.
- Other expenses, which include the black economic empowerment (BEE) share-based payments charge, decreased from R194 million to R126 million.

Associate and joint venture income[1]

Associate income decreased to R55 million in 2009 (2008: R154 million) as a result of the BoE Private Clients and Nedgroup Life Assurance Company (NedLife) joint-venture acquisitions that were previously accounted for as joint ventures under the equity method.

Taxation[1]

The taxation charge (excluding taxation on non-trading and capital items) decreased by 29,9% from R1 757 million in 2008 to R1 232 million. The effective tax rate decreased from 21,6% in 2008 to 20,2% as a result of:

- a reduced secondary tax on companies (STC) charge due to lower dividend declarations in 2009 compared with 2008 and, additionally, the interim dividend in 2008 being a full cash dividend with no scrip offer; and
- the release of tax risk provisions no longer required at December 2009.

Non-trading and capital items[1]

Income after taxation from non-trading and capital items decreased to R549 million for the year (2008: R645 million). The main contribution in 2009 came from the accounting revaluation of the Bancassurance and Wealth joint ventures immediately prior to their acquisition, while in the previous year the main contributor was R622 million after-tax profit from the sale of Visa shares.

Statement of financial position

Total assets

Total assets increased by 0,6% to R571 billion (2008: R567 billion). During the year:

- cash and securities declined by 8,2% mainly from the maturing of R10 billion of additional liquid assets. This was offset by the purchase of replacement government bonds of R4 billion to hedge long-term debt instruments; and
- the group showed lower trading and derivative balances mainly arising from hedge movements.

This was balanced by:

- growth in intangible assets related to the Bancassurance and Wealth joint-venture acquisitions;
- growth in investments from the first-time consolidation of NedLife; and
- an increase in advances.

Advances

Advances increased by 3,7% to R450 billion, reflecting:

- ongoing growth in Nedbank Capital and Imperial Bank;
- slower growth in Nedbank Corporate and Nedbank Retail; and
- reduced advances in Nedbank Business Banking due to a slowdown in client demand for credit and a reduction of single-product loans in line with the drive to reduce higher risk exposures and focus on primary clients.

Growth in advances took place across a number of categories, including personal loans, mortgage loans, preference shares, deposits placed under reverse repurchase agreements and other loans, offset by a decrease in low-margin overnight loans. Overall market share increased by 1,4%.

The group has focused on managing for value and selective asset growth while improving margins, resulting in bank advances growth and lower levels of advances in the trading portfolio. Details of advances growth by division are as follows:

Advances (Rm)	2009	2008	Change (%)
Nedbank Capital	**55 315**	47 686	16,0
Nedbank Corporate	**137 173**	136 222	0,7
Nedbank Business Banking	**50 115**	55 321	(9,4)
Nedbank Retail	**157 500**	150 107	4,9
Imperial Bank	**50 451**	44 734	12,8
Other	**(253)**	163	(>100,0)
Total	**450 301**	434 233	3,7

Deposits[1]

The group retained a strong ratio of advances to deposits of 96%. It grew deposits in line with its requirement to fund the growth in balance sheet assets, with deposits increasing by 0,5% to R469,4 billion (2008: R466,9 billion). In the retail deposit market current and savings account balances remain at low levels as consumers reduce debt levels. In the wholesale deposit market current and savings accounts as well as fixed deposits have increased, partially offset by a reduction in other term deposits.

Optimising and diversifying the funding mix and lengthening the profile continued to be a key management focus. Despite intense competition in the local deposit market, the group has maintained its strong deposit franchise and continues to lead the market in household deposits at 24,2%. During the year a number of innovative retail deposit products were successfully introduced, including Nedbank's Equity-linked Deposit, EasyAccess Deposit and Platinum Park-It.

Capital

Nedbank Group remains focused on optimising and strengthening its capital ratios. During 2009 these ratios have increased significantly and continue to be maintained above the group's target ratios. The group holds a surplus of R13,5 billion above its minimum total regulatory capital adequacy requirements.

Capital adequacy	2009 ratio	2008 ratio	Target range	Regulatory minimum
Core Tier 1 ratio	**9,9%**	8,2%	7,5% to 9,0%	5,25%
Tier 1 ratio	**11,5%**	9,6%	8,5% to 10,0%	7,00%
Total capital ratio	**14,9%**	12,4%	11,5% to 13,0%	9,75%

* *Capital adequacy ratios include unappropriated profit at the year-end.*

Regulatory capital adequacy ratios increased mainly due to the retention of earnings and a key focus on the optimisation of capital and risk-weighted assets, enabled by enhancing data quality and more selective asset growth using our EP-based 'managing for value' philosophy. This resulted in risk-weighted assets decreasing by 8,1%, which is well below overall balance sheet growth of 0,6%. The group was also able to maintain its dividend cover at 2,309 times while increasing capital.

To increase conservatism the group increased its target debt rating (solvency standard) from A- to A for internal economic capital requirements in line with the higher target ratios for regulatory capital announced early in 2009. A more conservative definition of available financial resources to cover the economic capital requirements was also introduced.

The group currently holds a surplus of R11,8 billion against its economic capital requirements. This is calibrated to the new A debt rating including a 10% buffer, which is assessed against comprehensive stress and scenario testing.

The group's leverage ratio (total assets to ordinary shareholders equity) at 14,4 times (2008: 16,2 times) is conservative by international standards and in line with the local peer group.

In response to the global financial crisis the Basel Committee on Banking Supervision has released far-reaching new requirements and proposals related to capital, liquidity, risk management and accounting provisioning aimed at creating a more resilient global banking sector. Currently these have a targeted implementation date of the end of 2012. The impact on capital is, at this early stage, anticipated to be moderate for the major SA banks, but remains subject to a comprehensive quantitative impact study in the first half of 2010 and finalisation of the proposals by the end of 2010. The impact of the liquidity proposals would be significant on SA banks if implemented as is, but we anticipate modifications and changes appropriate for South Africa. No liquidity issues were experienced in South Africa during the global financial crisis.

Funding and liquidity

The group's liquidity position remains sound, with a loan-to-deposit ratio of 95,9%. Management continues to focus on diversifying the funding base, lengthening the funding profile and further strengthening and increasing the liquidity buffers.

In addition to the strong deposit franchise across Nedbank Retail, Nedbank Business Banking and Nedbank Corporate providing a diverse funding mix, the group successfully increased the size of its liquidity buffer in 2009 and lengthened the overall funding profile in order to achieve improved asset-to-liability matching. Increased focus on capital market issuance under the domestic medium-term note programme, the introduction of innovative fixed-deposit products for retail clients and a broader offering of money market products were the primary drivers behind the lengthening of the funding profile.

During the year the following programmes were undertaken to diversify the funding base and lengthen the bank's existing funding profile:

- the issuing of R5,6 billion of senior unsecured debt, which was five times oversubscribed;[1]
- the raising of R153 million in perpetual preference shares;[1]
- obtaining a $100 million credit line from a foreign development bank; and [1]
- focusing on the retail deposit base through innovative products.[1]

Nedbank Group maintains a low reliance on interbank, capital market and foreign funding. The group's small proportion of foreign funding at just over 1,0% is driven by the group's regional focus where 91,4% of the group's asset base is in South Africa. Low historic reliance in the abovementioned markets creates diversification opportunities subject to pricing.

Nedbank Group continues to adopt a strategy of applying best international practice, with the Basel principles on sound liquidity management having been further embedded during this financial period.

Transformation

Transformation remains a key strategic differentiator and the group continues to seek opportunities to realise its ambition of becoming a truly southern African group. There have been clear measurable shifts in attitude, culture and diversity, and this progress has raised morale in the organisation. The group was ranked as the most empowered financial institution in South Africa and the third most empowered company out of the JSE top 200 companies. Our progress is reflected in the group having been verified as a level-two BEE contributor (2008: level three) in terms of the Department of Trade and Industry (dti) Scorecard.

Outlook, targets and prospects

The group currently anticipates gross domestic product (GDP) growth of around 2,2% in 2010, indicating slightly better prospects for the banking sector. The global environment and the 2010 FIFA World Cup are primary factors influencing domestic recovery, although the global recovery remains fragile and reliant on continued government support.

Locally retail trading conditions are expected to improve as disposable income stabilises, retrenchments ease, general labour conditions start improving, debt burdens moderate and house prices start to recover. Interest rates are likely to remain steady at current levels and lead to lower impairment levels. The 2010 FIFA World Cup is expected to lift confidence and encourage an increase in household credit demand and transactional banking volumes.

Fixed-investment activity is expected to remain modest as a result of excess capacity in the private sector and some loss of momentum in the government's infrastructure spending programme as several large projects around the hosting of the FIFA World Cup are completed. These developments are likely to contain corporate demand for credit, while strong competition will place pressure on margins.

Interest rate cuts from the previous year will continue to have a negative endowment effect on banking interest margins, but should be partially offset by a gradual decrease in impairments as recoveries and arrears levels improve. The reversal of provisions in the balance sheet is expected to take longer as defaulted advances continue to increase, albeit at a slower rate. The group remains cautious about impairments as, although corporate impairments have been benign, there can be large once-off charges that are difficult to predict, and it is uncertain how the current economic challenges could further impact consumers.

Nedbank Group's performance in 2010 is likely to reflect:

- advances growth in the mid single digits;
- pressure on interest margins remaining as a result of a continued negative endowment effect and anticipated to be compressed by a further 10 to 20 basis points;
- continued improvement of the group credit loss ratio, but remaining above our target range;
- mid double-digit NIR growth, the increase being impacted by the consolidation of the Bancassurance and Wealth joint-venture acquisitions for the full period in 2010, compared with the seven months in 2009;
- lower double-digit expense growth. The increase being impacted by the consolidation of the Bancassurance and Wealth joint-venture acquisitions;
- a further strengthening of capital adequacy ratios and focus on funding and liquidity; and
- a focus on extracting value from acquisitions made in 2009.

The economic environment remains fragile, presenting forecast risk. The short-term outlook for 2010 assumes that interest rates will remain unchanged for the year.

	Medium-to-long-term targets	2010 outlook
ROE (excluding goodwill)	5% above monthly weighted average cost of ordinary shareholders' equity	Improving, but below target.
Efficiency ratio	< 50,0%	Worsening, remaining above target.
NIR-to-expenses ratio	> 85%	Improving, but below target.
Growth in diluted headline EPS	At least consumer price index + GDP growth + 5%	Improving, forecast to exceed target.
Impairment charge (credit loss ratio)	Between 0,6% and 1,0% of average advances	Improving, but above target.
Basel II core Tier 1 capital adequacy ratio	7,5% to 9,0%	Improving, above top end of target.
Basel II Tier 1 capital adequacy ratio	8,5% to 10,0%	Improving, above top end of range.
Basel II total capital adequacy ratio	11,5% to 13,0%	Improving, above top end of range.
Economic capital	Capitalised to 99,93% confidence interval on economic capital basis (target debt rating A including 10% buffer)	A including 10% buffer.
Dividend cover policy	2,25 to 2,75 times	2,25 to 2,75 times.

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

Group Executive Committee

During 2009 the group announced a new management structure. The new executive appointments were mostly internal and, with the exception of two of the appointments, all were previously in a senior management role in the same business area, ensuring a smooth transition.

- Tom Boardman, Chief Executive (CE), retires with effect from 28 February 2010, and will be succeeded by Mike Brown who has been appointed CE with effect from 1 March 2010. Mike was Chief Financial Officer (CFO) until 31 August 2009 when he was appointed CE Designate.
- Graham Dempster, Chief Operating Officer (COO) and Executive Director, has overall responsibility for Group Finance, Balance Sheet Management, Information Technology, Human Resources, Marketing and Corporate Affairs, and Strategic Planning.
- Philip Wessels, Chief Risk Officer
- Selby Baqwa, Chief Governance and Compliance Officer
- Raisibe Morathi, CFO and Executive Director.
- Brian Kennedy, Managing Executive: Nedbank Capital.
- Mfundo Nkuhlu, Managing Executive: Nedbank Corporate.
- Ingrid Johnson, Managing Executive: Retail and Business Banking and with overall responsibility for Business Banking and Nedbank Retail.
- Sandile Shabalala, Managing Executive: Business Banking.
- Saks Ntombela, Managing Executive: Nedbank Retail.
- David Macready, Managing Executive: Bancassurance and Wealth.
- Fred Swanepoel, Chief Information Officer
- Shirley Zinn, Group Executive: Human Resources
- Trevor Adams, Group Executive: Balance Sheet Management.
- Ciko Thomas, Group Executive: Marketing and Corporate Affairs.
- John Bestbier, Group Executive: Strategic Planning.

Nedbank Group would like to thank Tom Boardman for his significant contribution during his tenure as CE. Tom implemented and successfully led the group through its turnaround. During this period, with Tom's focus on staff, the group saw a dramatic improvement in staff morale and an alignment of values. His comprehensive focus on sustainability issues saw the group becoming one of the most transformed companies in South Africa, the cementing of its position as the 'green bank', improvements in client service and support for government and communities. This has provided a solid platform for long-term, sustainable growth and has enabled the group to remain profitable in spite of the challenging operating environment.

Board changes

As previously reported, the following changes were made during the course of the year:

Independent non-executive directors	*Appointed*
Alan Knott-Craig	1 January 2009
Wendy Lucas-Bull	1 August 2009
Jabu Moleketi	1 August 2009
Malcolm Wyman	1 August 2009
Non-executive directors	
Julian Roberts	1 December 2009
Don Hope	1 December 2009
Executive directors	
Graham Dempster	5 August 2009
Raisibe Morathi	1 September 2009

Following the retirement of Tom Boardman as CE on 28 February 2010, he has accepted the invitation from the board to serve as a non-executive director of Nedbank Group and Nedbank Limited with effect from 1 March 2010.

Rosie Harris, Lot Ndlovu and Bob Head resigned from the board on 31 March 2009, 16 October 2009 and 19 February 2010 respectively.

Michael Katz, JB Magwaza and Mafika Mkwanazi retired as independent non-executive directors with effect from 19 November 2009, each having served on the board for more than nine years.

Accounting policies[1]

Nedbank Group Limited is a company domiciled in South Africa. The summarised consolidated financial results of the group at and for the year ended 31 December 2009 comprised the company and its subsidiaries 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 previous financial years, except for the adoption for this year of IFRS 3: Business Combinations, IFRS 2: Vesting Conditions and Cancellations (amendment), IAS 1: Presentation of Financial Statements (amendment), IAS 27: Consolidated and Separate Financial Statements (amendment), IFRS 7: Enhancing Disclosures about Fair Value and Liquidity Risk (amendment), IAS 32: Financial Instruments: Presentation, and IAS 1: Presentation of Financial Instruments: Puttable Financial Instruments Arising on Liquidation and Obligations (amendment), IAS 39: Financial Instruments: Recognition and Measurement – Eligible Hedged Items and Clarification regarding Assessment of Embedded Derivatives (amendment), IFRIC 13: Customer Loyalty Programmes and IFRIC 17: Distributions of Non-cash Assets to Owners.

Nedbank Group's consolidated 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 year ended 31 December 2009. These assumptions are subject to ongoing review and possible amendments.

Subsequent events[1]

As of the date of this announcement there are no adjusting post consolidated statement of financial position events to report. On 5 February 2010 approval for the acquisition of the remaining 49,9% share in Imperial Bank was obtained from the SA Reserve Bank. Further details are included in the acquisition note attached.

Audited results – auditors' opinion

KPMG Inc and Deloitte & Touche, Nedbank Group's independent auditors, have audited the consolidated annual financial statements of Nedbank Group Limited from which the summarised consolidated financial results have been derived, and have expressed an unmodified audit opinion on the consolidated annual financial statements. The summarised consolidated financial results comprise the consolidated statement of financial position at 31 December 2009, consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cashflow statement for the year then ended, and selected explanatory notes. The selected explanatory notes are marked with [1]. The audit report is available for inspection at Nedbank Group's registered office.

Forward-looking statement

This announcement contains certain forward-looking statements with respect to the financial condition and results of operations of Nedbank Group and its group companies, which 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 audited.

Annual general meeting

The Nedbank Group annual general meeting will be held on Tuesday, 4 May 2010, in the Auditorium, Retail Place West, Nedbank Sandton, 135 Rivonia Road, Sandown, at 09:00.

Capitalisation award with a cash dividend alternative[1]

Notice is hereby given that the directors of the company have resolved to issue fully paid ordinary shares in the company as a capitalisation award to ordinary shareholders. Ordinary shareholders will be entitled, in respect of all or part of their shareholding, to elect to receive new fully paid ordinary shares, which will be issued only to those ordinary shareholders who elect in respect of all or part of their shareholding, on or before 12:00 on Friday, 9 April 2010, in South Africa, and on or before 11:00 on Friday, 9 April 2010, in Namibia to receive the capitalisation award shares. Shareholders not electing to receive new fully paid ordinary shares in respect of all or part of their shareholding will be entitled to receive a cash dividend alternative of 230 cents per ordinary share (the cash dividend alternative).

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

	2010
Last day to trade to participate in the capitalisation award or the cash dividend alternative	Wednesday, 31 March
Shares trade ex the capitalisation award election and the cash dividend alternative on	Thursday, 1 April
Listing of the maximum number of new ordinary shares that may be taken up in terms of the capitalisation award on	Thursday, 1 April
Last day to elect to receive capitalisation award shares (by 12:00), failing which the cash dividend alternative will be received	Friday, 9 April
Record date to participate in the capitalisation award or receive the cash dividend alternative	Friday, 9 April
Payment of the cash dividend alternative to shareholders who have not elected to participate in the capitalisation award or have participated in the capitalisation award in respect of only part of their shareholding on	Monday, 12 April
New shares issued and posted or participant or broker accounts credited regarding the shares to be issued to shareholders participating in the capitalisation award in respect of all or part of their shareholding on	Monday, 12 April
The maximum number of new shares listed in terms of the capitalisation award, adjusted to reflect the actual number of shares issued in terms of the capitalisation award, on or about	Friday, 16 April

Shares may not be dematerialised or rematerialised between Thursday, 1 April 2010, and Friday, 9 April 2010, both days inclusive.

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.

The number of capitalisation shares to which shareholders are entitled will be determined in the ratio that 230 cents per ordinary share bears to the 30-day volume-weighted average price for the company's share, to be determined no later than Tuesday, 23 March 2010. Details of the ratio will be published on SENS no later than Wednesday, 24 March 2010, at 11:00 and in the financial press the following business day. Trading in the STRATE environment does not permit fractions and fractional entitlements. Accordingly, where a shareholder's entitlement to new ordinary shares calculated in accordance with the above formula gives rise to a fraction of a new ordinary share, such fraction will be rounded up to the nearest whole number, where the fraction is greater than or equal to 0,5, and rounded down to the nearest whole number, where the fraction is smaller than 0,5.

A circular relating to the capitalisation award and the cash dividend alternative will be posted to shareholders on or about 15 March 2010.

Note:

1. Dematerialised shareholders are required to notify their duly appointed participant or broker of their election in terms of the capitalisation award in the manner and at the time stipulated in the agreement governing the relationship between shareholders and their participant or broker.
2. The right to elect capitalisation award shares in jurisdictions other than the Republic of South Africa may be restricted by law and failure to comply with any of these restrictions may constitute a violation of the securities laws of any such jurisdictions.

For and on behalf of the board

Dr RJ Khoza
Chairman

TA Boardman
Chief Executive

MWT Brown
Chief Executive Designate

25 February 2010

AUDITED SUMMARISED FINANCIAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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

Capital position strengthened (total ratio up from 12,4% to 14,9%)

Net asset value per share increased 6,8% to 9 100 cents

Diluted headline earnings per share down 29,8% to 983 cents

Final dividend per share of 230 cents

Improving credit loss ratio (H1: 1,57% to H2: 1,41%)

Significant progress on transformation – level-two BBBEE

Financial highlights

at 31 December		2009	2008
Statistics			
Number of shares listed	m	498,7	468,9
Number of shares in issue, excluding shares held by group entities	m	435,7	409,7
Weighted average number of shares	m	423,4	405,4
Diluted weighted average number of shares	m	435,1	411,5
Headline earnings per share	cents	1 010	1 422
Diluted headline earnings per share	cents	983	1 401
Ordinary dividends declared per share	cents	440	620
– Interim	cents	210	310
– Final	cents	230	310
Ordinary dividends paid per share	cents	520	660
Dividend cover	times	2,30	2,29
Net asset value per share	cents	9 100	8 522
Tangible net asset value per share	cents	7 398	7 179
Closing share price	cents	12 405	9 550
Price/earnings ratio	historical	12	7
Market capitalisation	Rbn	61,9	44,8
Number of employees		27 037	27 570
Key ratios (%)			
Return on ordinary shareholders' equity (ROE)		11,5	17,7
ROE, excluding goodwill		13,0	20,1
Return on total assets (ROA)		0,75	1,09
Net interest income to average interest-earning banking assets		3,39	3,66
Non-interest revenue to total income		42,2	39,9
Credit loss ratio		1,47	1,17
Non-interest revenue to total operating expenses		78,8	78,1
Efficiency ratio		53,5	51,1
Effective taxation rate		20,2	21,6
Group capital adequacy ratios: Basel II (including unappropriated profits)			
– Core Tier I		9,9	8,2
– Tier 1		11,5	9,6
– Total		14,9	12,4
Statement of financial position statistics (Rm)			
Total equity attributable to equity holders of the parent		39 649	34 913
Total equity		44 984	40 073
Amounts owed to depositors		469 355	466 890
Loans and advances		450 301	434 233
– Gross		460 099	442 092
– Impairment of loans and advances		(9 798)	(7 859)
Total assets		570 703	567 023

Consolidated statement of comprehensive income

for the year ended 31 December Rm		2009	2008
Interest and similar income		50 537	57 986
Interest expense and similar charges		34 231	41 816
Net interest income		16 306	16 170
Impairments charge on loans and advances		6 634	4 822
Income from lending activities		9 672	11 348
Non-interest revenue		11 906	10 729
Operating income		21 578	22 077
Total operating expenses		15 100	13 741
– Operating expenses		14 974	13 547
– BEE transaction expenses		126	194
Indirect taxation		438	374
Profit from operations before non-trading and capital items		6 040	7 962
Non-trading and capital items		624	756
– Net profit on sale of subsidiaries, investments, and property and equipment		635	767
– Net impairment of investments, property and equipment, and capitalised development costs		(11)	(11)
Profit from operations		6 664	8 718
Share of profits of associates and joint ventures		55	154
Profit before direct taxation		6 719	8 872
Total direct taxation		1 307	1 868
– Direct taxation		1 232	1 757
– Taxation on non-trading and capital items		75	111
Profit for the year		5 412	7 004
Other comprehensive (expense)/income net of taxation		(228)	255
– Exchange differences on translating foreign operations		(335)	242
– Fair-value adjustments on available-for-sale assets		21	(71)
– Gains on property revaluations		86	84
Total comprehensive income for the year		5 184	7 259
Profit attributable to:			
Equity holders of the parent		4 826	6 410
Non-controlling interest – ordinary shareholders		242	257
– preference shareholders		344	337
Profit for the year		5 412	7 004
Total comprehensive income attributable to:			
Equity holders of the parent		4 603	6 665
Non-controlling interest – ordinary shareholders		237	257
– preference shareholders		344	337
Total comprehensive income for the year		5 184	7 259
Basic earnings per share	cents	1 140	1 581
Diluted earnings per share	cents	1 109	1 558

Headline earnings reconciliation

for the year ended 31 December	2009		2008	
Rm	Gross	Net of taxation	Gross	Net of taxation
Profit attributable to equity holders of the parent		4 826		6 410
Less: Non-trading and capital items	624	549	756	645
– Net profit on sale of subsidiaries, investments, and property and equipment	635	560	767	656
– Net impairment of investments, property and equipment, and capitalised development costs	(11)	(11)	(11)	(11)
Headline earnings		4 277		5 765

Condensed consolidated statement of cashflows

for the year ended 31 December Rm	2009	2008
Cash generated by operations	14 915	14 557
Change in funds for operating activities	(14 603)	(10 674)
Net cash from operating activities before taxation	312	3 883
Taxation paid	(2 318)	(2 233)
Cashflows (utilised by)/from operating activities	(2 006)	1 650
Cashflows utilised by investing activities	(3 171)	(999)
Cashflows from/(utilised by) financing activities	4 878	(685)
Net decrease in cash and cash equivalents	(299)	(34)
Cash and cash equivalents at the beginning of the year*	18 674	18 708
Cash and cash equivalents at the end of the year*	18 375	18 674

** Including mandatory reserve deposits with central banks.*

Condensed segmental reporting

for the year ended 31 December	Total assets		Operating income		Headline earnings	
Rm	2009	2008	2009	2008	2009	2008
Nedbank Corporate	148 606	148 506	4 129	3 985	1 534	1 564
Business Banking	79 386	79 646	3 637	4 020	1 055	1 360
Nedbank Capital	196 560	188 706	3 205	2 684	1 349	1 266
Nedbank Retail	177 857	170 963	8 585	9 413	(156)	1 002
Imperial Bank	55 660	48 768	1 275	1 120	201	166
Shared Services	7 431	6 373	195	2	133	(32)
Central Management	34 487	36 639	629	929	161	439
Eliminations	(129 284)	(112 578)	(77)	(76)		
Total	570 703	567 023	21 578	22 077	4 277	5 765

Consolidated statement of financial position

at 31 December Rm	2009	2008
ASSETS		
Cash and cash equivalents	7 867	8 609
Other short-term securities	18 550	18 589
Derivative financial instruments	12 710	22 321
Government and other securities	35 983	42 138
Loans and advances	450 301	434 233
Other assets	5 455	6 084
Clients' indebtedness for acceptances	2 031	3 024
Current taxation receivable	602	346
Investment securities	11 025	8 455
Non-current assets held for sale	12	10
Investments in associate companies and joint ventures	924	1 167
Deferred taxation asset	282	200
Investment property	211	213
Property and equipment	4 967	4 327
Long-term employee benefit assets	1 860	1 741
Mandatory reserve deposits with central banks	10 508	10 065
Intangible assets	7 415	5 501
Total assets	570 703	567 023
EQUITY AND LIABILITIES		
Ordinary share capital	436	410
Ordinary share premium	13 728	11 370
Reserves	25 485	23 133
Total equity attributable to equity holders of the parent	39 649	34 913
Non-controlling interest attributable to		
– ordinary shareholders	1 849	1 881
– preference shareholders	3 486	3 279
Total equity	44 984	40 073
Derivative financial instruments	11 551	23 737
Amounts owed to depositors	469 355	466 890
Provisions and other liabilities	11 252	9 829
Liabilities under acceptances	2 031	3 024
Current taxation liabilities	315	235
Deferred taxation liabilities	1 945	2 100
Long-term employee benefit liabilities	1 304	1 231
Investment contract liabilities	6 749	5 843
Insurance contract liabilities	1 133	
Long-term debt instruments	20 084	14 061
Total liabilities	525 719	526 950
Total equity and liabilities	570 703	567 023
Guarantees on behalf of clients	28 161	25 226

Condensed consolidated statement of changes in equity

Rm	Total equity attributable to equity holders of the parent	Non-controlling interest attributable to ordinary shareholders	Non-controlling interest attributable to preference shareholders	Total equity
Balance at 31 December 2007	30 193	1 511	3 421	35 125
Ordinary non-controlling shareholders' share of preference dividends paid		(4)	4	–
Dividends to shareholders	(2 736)	(81)	(341)	(3 158)
Issues of shares net of expenses	997	225		1 222
Shares issued/delisted by BEE trusts	318			318
Shares acquired/cancelled by BEE trusts	(658)			(658)
Total income and expense for the year	6 799	230	195	7 224
Total comprehensive income for the year	6 665	257	337	7 259
Net income/(expense) recognised directly in equity	134	(27)	(142)	(35)
Release of reserves previously not available	(61)			(61)
Share-based payment reserve movement	188			188
Regulatory risk reserve provision	7			7
Disposal of subsidiaries		(29)		(29)
Preference shares held by group entities			(142)	(142)
Other movements		2		2
Balance at 31 December 2008	34 913	1 881	3 279	40 073
Ordinary non-controlling shareholders' share of preference dividends paid		(9)	9	–
Dividends to shareholders	(2 253)	(5)	(353)	(2 611)
Issues of shares net of expenses	2 664		361	3 025
Shares issued/delisted by BEE trusts	296			296
Shares acquired/cancelled by group entities and BEE trusts	(576)			(576)
Total income and expense for the year	4 605	(18)	190	4 777
Total comprehensive income for the year	4 603	237	344	5 184
Net income/(expense) recognised directly in equity	2	(255)	(154)	(407)
Share-based payment reserve movement	28			28
Buyout of non-controlling interests	(17)	(281)		(298)
Regulatory risk reserve provision	(4)			(4)
Acquisition of subsidiaries		26		26
Preference shares acquired by group entities			(154)	(154)
Other movements	(5)			(5)
Balance at 31 December 2009	39 649	1 849	3 486	44 984

Condensed geographical segmental reporting

for the year ended 31 December	Operating income		Headline earnings	
Rm	2009	2008	2009	2008
South Africa	19 867	20 504	3 800	5 408
– Business operations	19 867	20 504	4 260	5 932
– BEE transaction expenses			(116)	(187)
– Non-controlling interest – preference shareholders			(344)	(337)
Rest of Africa	860	764	213	182
Rest of world – business operations	851	809	264	175
Total	21 578	22 077	4 277	5 765

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

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

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

Transfer secretaries in Namibia: Transfer Secretaries (Pty) Limited, Shop 8, Kaiserkrone Centre, Post Street Mall, Windhoek, Namibia; PO Box 2401, Windhoek, Namibia.

Company Secretary: GS Nienaber

Reg No: 1966/010630/06 **ISIN:** ZAE000004875

JSE share code: NED **NSX share code:** NBK

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

Acquisitions

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

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

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

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

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

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

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

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

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

Expenses relating to these acquisitions of R2 million were recognised in the statement of comprehensive income. An additional R3 million relating to share issue expenses was debited to equity.

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

The acquired businesses contributed R619 million to the group's NIR and R259 million to the group's profit for the period after the acquisition. If the acquired businesses had been included in the statement of financial position for the entire year, it would have resulted in NIR of R920 million and profit for the period of R370 million, relating to the acquired businesses, being recognised in the consolidated statement of comprehensive income.

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

Allocation of purchase consideration:

Rm	
Purchase consideration: shares issued	926
Less: Loan account acquired	80
Net consideration paid for shares	846
Increase for 100% shareholding	1 692
Provisional fair value of net identifiable assets acquired	566
Provisional goodwill	1 126

Assets and liabilities acquired:

Rm	Acquiree's carrying amount	Provisional fair value
Property and equipment	9	9
Other assets	500	500
Cash and cash equivalents	48	48
Investment securities	1 469	1 469
Intangible assets	1	653
Policyholder funds	(1 101)	(1 101)
Deferred taxation asset	7	7
Deferred taxation liabilities	(5)	(188)
Current taxation liabilities	(49)	(49)
Other liabilities	(782)	(782)
Net identifiable assets acquired	97	566

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

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

Acquisition of remaining stake in Imperial Bank Limited
During 2009 the group announced its intention to acquire the remaining 49,9% shareholding in Imperial Bank Limited from non-controlling shareholders. The group held 50,1% of the shares in Imperial Bank Limited before the transaction commenced. On 5 February 2010 (the effective date of the transaction) approval for this transaction was obtained from the SA Reserve Bank.

The merging entities are Nedbank Limited and Imperial Bank Limited. Imperial Bank's businesses will be combined, in principle, with the following clusters:

- The Motor Finance Corporation will be included in Nedbank Retail.
- Supplier Asset Finance will be included in Nedbank Business Banking.
- Property Finance will be included in Nedbank Corporate.
- Professional Finance will be included in both Nedbank Wealth Management and Nedbank Retail.

The purchase price is 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 R5 million that will be recognised in the statement of comprehensive income. These transaction costs exclude costs associated with the integration of the above business units into the group.

The total purchase consideration will be settled in four instalments. The total amount, which will include interest at the three-month JIBAR, amounts to R1 889 million and will be settled by 13 August 2010.

Goodwill

Rm	2009	2008
Reconciliation of carrying amount		
Carrying amount at the beginning of the year	3 894	3 898
Arising on business combinations	1 126	
Realised through disposals		(2)
Foreign currency translation and other	(39)	(2)
Carrying amount at the end of the year	4 981	3 894

Analysis	2009			2008		
Rm	Cost	Accumulated impairment losses	Carrying amount	Cost	Accumulated impairment losses	Carrying amount
Fairbairn Private Bank (Jersey) Limited/ Fairbairn Trust Company Limited (Guernsey)	408	(138)	270	447	(138)	309
Peoples Mortgage Limited	198	(198)	–	198	(198)	–
Imperial Bank Limited	285	(25)	260	285	(25)	260
Nedbank Limited	3 938	(1 114)	2 824	3 938	(1 114)	2 824
Old Mutual Bank	206		206	206		206
BoE (Pty) Limited	725		725			–
Nedgroup Life Assurance Company Limited	401		401			–
Nedbank Namibia Limited	134	(2)	132	134	(2)	132
Capital One	82		82	82		82
American Express	81		81	81		81
	6 458	(1 477)	4 981	5 371	(1 477)	3 894

New and revised accounting standards and interpretations adopted

IFRS 3: Business Combinations and IAS 27: Consolidated and Separate Financial Statements (amendment)
The most significant revision to IFRS 3 requires a move from a purchase price allocation approach to a fair-value measurement principle. The group adopted the revision in the current year and it has been applied to the acquisitions described in these results. The revision of this standard does not affect past business combinations. The adoption of the IAS 27 amendment did not have an impact on the group's financial results.

IFRS 7: Financial Instruments: Disclosures (amendment)
The amendment to IFRS 7: Enhancing Disclosures about Fair Value and Liquidity Risk requires entities to provide additional disclosure regarding the fair value and liquidity risk of financial instruments. This disclosure will be provided in the group annual financial statements.

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

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

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