

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

The definitions commencing on page 5 of this circular apply *mutatis mutandis* to this front cover.

If you are in any doubt as to what action you should take arising from this circular, please consult your broker, CSDP, banker, attorney, accountant or other professional advisor immediately.

**Action required**

If you have disposed of all of your Imperial Bank preference shares, this circular should be handed to the purchaser of such Imperial Bank preference shares or to the broker, CSDP, banker, attorney or other agent through whom the disposal was effected.

Imperial Bank preference shareholders are referred to page 1 of this circular, which sets out the action required by them.



**NEDBANK**  
Limited

**Nedbank Limited**

(Incorporated in the Republic of South Africa)  
(Registration number 1951/000009/06)  
Share code: NBKP ISIN ZAE000043667



**IMPERIAL BANK**

**Imperial Bank Limited**

(Incorporated in the Republic of South Africa)  
(Registration number 1995/012641/06)  
Share code: IBLP ISIN ZAE000081675

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**CIRCULAR TO IMPERIAL BANK PREFERENCE SHAREHOLDERS**

regarding

**the voluntary, unconditional offer by Nedbank, to Imperial Bank preference shareholders to acquire all of the Imperial Bank preference shares not currently owned by Nedbank to be settled by way of a fresh issue of Nedbank preference shares from Nedbank's existing authorised preference share capital in the ratio of 10 Nedbank preference shares to 1 Imperial Bank preference share tendered. The offer opens on Friday, 13 November 2009 and closes on Friday, 4 December 2009, unless extended by Nedbank with the prior approval of the SRP.**

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Investment bank and sponsor  
to Nedbank



Legal advisor to Nedbank



Independent sponsor  
to Imperial Bank



Independent sponsor to Nedbank



Independent advisor



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Date of issue: Friday, 13 November 2009

Copies of this circular, in English, may be obtained from the registered office of Imperial Bank, Nedbank and the transfer secretaries, the addresses of which are set out in the "Corporate information and advisors" section of this circular.

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## CORPORATE INFORMATION AND ADVISORS

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The definitions commencing on page 5 of this circular apply *mutatis mutandis* to this section:

### **Nedbank Company Secretary and registered office**

G S Nienaber  
Nedbank Limited  
(Registration number 1951/000009/06)  
Block A, Ground Floor  
Nedbank Sandton  
135 Rivonia Road  
Sandton, 2196  
(PO Box 1144, Johannesburg, 2000)

### **Investment bank and sponsor**

Nedbank Capital, a division of Nedbank Limited  
(Registration number 1951/000009/06)  
Block F, 3rd Floor  
Nedbank Sandton  
135 Rivonia Road  
Sandton, 2196  
(PO Box 1144, Johannesburg, 2000)

### **Legal advisor**

Edward Nathan Sonnenbergs Inc  
(Registration number 2006/018200/21)  
150 West Street  
Sandown, Sandton, 2196  
(PO Box 783347, Sandton, 2146)

### **Independent sponsor to Nedbank**

Investec Bank Limited  
(Registration number 1969/004763/06)  
100 Grayston Drive  
Sandton, 2196  
(PO Box 785700, Sandton, 2146)

### **Imperial Bank Company Secretary and registered office**

G Tyusha  
Imperial Bank Limited  
(Registration number 1995/012641/06)  
24 Achter Road  
Paulshof  
Sandton, 2021  
(PO Box 6093, Rivonia, 2128)

### **Transfer secretaries to Imperial Bank and Nedbank**

Computershare Investor Services (Proprietary) Limited  
(Registration number 2004/003647/07)  
Ground Floor  
70 Marshall Street  
Johannesburg, 2001  
(PO Box 61051, Marshalltown, 2107)

### **Independent sponsor to Imperial Bank**

Deloitte & Touche Sponsor Services (Proprietary) Limited  
(Registration number 1996/000034/07)  
Deloitte Place, The Woodlands  
20 Woodlands Drive  
Woodmead, Sandton, 2196  
(Private Bag X6, Gallo Manor, Johannesburg, 2052)

### **Independent advisor**

Ernst & Young Advisory Services Limited  
(Registration number 2006/018260/06)  
Ernst & Young  
Wanderers Office Park  
52 Corlett Drive  
Illovo, Johannesburg, 2196  
(Private Bag X14, Northlands, 2116)

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## ACTION REQUIRED

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The definitions commencing on page 5 of this circular apply *mutatis mutandis* to this section setting out the action required by Imperial Bank preference shareholders.

**Please take careful note of the following provisions regarding the action required by Imperial Bank preference shareholders:**

1. If you have disposed of all of your Imperial Bank preference shares, this circular should be handed to the purchaser of such Imperial Bank preference shares or to the broker, CSDP, banker, attorney or other agent through whom the disposal was effected.
2. If you are in any doubt as to what action you should take arising from this circular, please consult your broker, CSDP, banker, attorney, accountant or other professional advisor immediately.
3. This circular contains information relating to the offer. You should carefully read through this circular and decide how you wish to respond to the offer.
4. You are entitled to accept the offer only in respect of your **entire** holding of Imperial Bank preference shares. **Partial acceptances will not be permitted.**

### 5. Procedure for acceptance of the offer

- 5.1 All Imperial Bank preference shareholders **recorded in the register up until Friday, 4 December 2009, or such later date to which the offer may be extended at the sole discretion of Nedbank and with the prior approval of the SRP**, and wishing to participate in the offer should follow the instructions set out in paragraph 5.2.1.

Should you not wish to accept the offer, then **no** action is required.

### 5.2 To accept the offer:

- 5.2.1 As a **dematerialised Imperial Bank preference shareholder**, with or without own-name registration:

- 5.2.1.1 your CSDP or broker should contact you in the manner stipulated in the custody agreement concluded between you and your CSDP or broker to establish if you wish to accept the offer; and

- 5.2.1.2 if your CSDP or broker does not contact you, you are advised to contact your CSDP or broker timeously and provide them with your instructions by the cut-off time stipulated by your CSDP or broker in terms of the custody agreement between yourself and your CSDP or broker. If your CSDP or broker does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them.

### 6. Nedbank's intention to invoke section 440K

In the event that Imperial Bank preference shareholders holding 90% or more, but less than 100%, of the Imperial Bank preference shares **not held by Nedbank**, accept the offer, Nedbank will invoke the provisions of section 440K of the Companies Act to compel the disposal of Imperial Bank preference shares by the remaining Imperial Bank preference shareholders who did not accept the offer.

Nedbank will, within two months of the closing date, notify the remaining Imperial Bank preference shareholders within two months of the closing date, of the procedures and associated timeline regarding Nedbank's invocation of the provisions of section 440K should Imperial Bank preference shareholders who hold 90% or more, but less than 100% of the Imperial Bank preference shares **not held by Nedbank** accept the offer.

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## IMPORTANT DATES AND TIMES

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The definitions commencing on page 5 of this circular apply *mutatis mutandis* to this important dates and times section.

**2009**

Announcement of salient dates and times and opening of offer period published on SENS	Friday, 13 November
Circular posted to Imperial Bank preference shareholders	Friday, 13 November
Opening of offer at 09:00	Friday, 13 November
Announcement of salient dates and times and opening of offer period published in the national press	Friday, 13 November
Last day to trade in Imperial Bank preference shares on the JSE in order to be eligible to participate in the offer	Friday, 27 November
Imperial Bank preference shares expected to trade "ex" the offer	Monday, 30 November
Record date to be eligible to participate in the offer	Friday, 4 December
Offer period expected to close at 12:00	Friday, 4 December
Results of the offer expected to be released on SENS	Monday, 7 December
Results of the offer expected to be published in the national press	Tuesday, 8 December

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### Notes:

1. The above dates and times are subject to amendment by the offeror. Any such amendment will be announced by Nedbank on SENS and published in the South African press at least 14 days prior to the closing date.
2. The offer consideration due to a dematerialised offer participant will not be posted to such offer participant but will be transferred, at his/her risk, to his/her CSDP or broker within five business days of the later of the receipt of a valid acceptance of the offer or the closing date of the offer.
3. All times indicated above are South African times.
4. This circular is available in English only, and copies hereof may be obtained from the registered offices of Nedbank and Imperial Bank and the transfer secretaries at the addresses set out in the "Corporate information and advisors" section of this circular between Friday, 13 November 2009 and Friday, 4 December 2009.
5. Dematerialised Imperial Bank preference shares may not be materialised between Monday, 30 November 2009 and Friday, 4 December 2009.

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## DEFINITIONS

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In this circular and the annexures hereto, unless otherwise stated or clearly indicated by the context, the words in the first column have the meanings stated opposite them in the second column, words in the singular include the plural and *vice versa*, words importing one gender include the other genders and references to a natural person include references to a juristic person and *vice versa*:

"amalgamation"	the proposed amalgamation of the relevant businesses of Imperial Bank with the businesses of Nedbank in terms of section 54 of the Banks Act, subject to the approval of the SARB and the approvals of the shareholders of Imperial Bank and Nedbank;
"Banks Act"	the Banks Act, 1990, as amended;
"broker"	any person registered as a "broking member (equities)" in terms of the rules and related regulations of the JSE made in accordance with the provisions of the Securities Services Act;
"business day(s)"	a day other than a Saturday, Sunday or official public holiday in South Africa;
"circular"	this circular to Imperial Bank preference shareholders, dated Friday, 13 November 2009, including the annexures hereto, setting out the details of the offer;
"clean closing price"	the quoted closing price on Thursday, 5 November 2009, less the theoretical dividend accrued during each of the two-yearly dividend cycles, as well as any dividend declared and unpaid;
"closing date"	the closing date of the offer, being 12:00 on Friday, 4 December 2009 or such later date as may be announced by the offeror with the approval of the necessary regulatory authorities;
"Common Monetary Area"	South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
"Companies Act"	the Companies Act, 1973, as amended;
"CSDP"	a Central Securities Depository Participant, appointed by individual Imperial Bank preference shareholder(s) for the purpose of and in regard to dematerialisation in terms of the Securities Services Act;
"Deloitte"	Deloitte & Touche Sponsor Services (Proprietary) Limited (Registration number 1996/000034/07), a private company registered and incorporated in South Africa;
"dematerialisation"	the process by which Imperial Bank preference share(s) held by certificated Imperial Bank preference shareholder(s) are converted or held in electronic form as dematerialised Imperial Bank preference share(s) and recorded in the sub-register of Imperial Bank preference shareholder(s) maintained by a CSDP;
"dematerialised Imperial Bank preference share(s)" or "Imperial Bank preference share(s)"	Imperial Bank preference share(s) which have been dematerialised and are held in electronic form on the sub-register of Imperial Bank preference shareholder(s) administered by CSDPs;
"dematerialised Imperial Bank preference shareholder(s)"	those Imperial Bank preference shareholder(s) holding dematerialised Imperial Bank preference share(s);
"dematerialised offer participant(s)" or "offer participant(s)"	dematerialised Imperial Bank preference shareholder(s) who accept the offer during the offer period;
"directors of Imperial Bank" or "board of Imperial Bank"	the board of directors of Imperial Bank as disclosed on page 9 of this circular;

"directors of Nedbank" or "board of Nedbank"	the board of directors of Nedbank as disclosed on page 9 of this circular;
"dissolution" or "dissolve"	the winding-up or deregistration of Imperial Bank after the amalgamation, subject to the necessary regulatory approvals being obtained and the passing and registration of the necessary resolutions approving same;
"dividend cycles"	the periods, 1 January to 30 June, and 1 July to 31 December, each calendar year;
"Ernst & Young" or "independent advisor"	Ernst & Young Advisory Services Limited (Registration number 2006/018260/06), a public company registered and incorporated in South Africa;
"Exchange Control Regulations"	the Exchange Control Regulations, 1961, as amended, promulgated in terms of section 9 of the Currency Exchanges Act, 1933, as amended;
"exchange ratio"	the ratio, calculated in relation to the offer consideration, of 10 (ten) Nedbank preference shares to 1 (one) Imperial Bank preference share;
"Imperial Bank"	Imperial Bank Limited (Registration number 1951/012641/06), a public company registered and incorporated in South Africa, all the issued preference shares of which are listed on the JSE;
"Imperial Bank preference shares"	perpetual, non-redeemable, non-participating, non-cumulative preference shares in the share capital of Imperial Bank, listed on the JSE;
"Imperial Financial Holdings"	Imperial Financial Holdings Limited (Registration number 1995/012640/06), a public company registered and incorporated in South Africa, all the issued ordinary share capital of which is held by Imperial Holdings;
"Imperial Holdings"	Imperial Holdings Limited (Registration number 1946/021048/06), a public company registered and incorporated in South Africa, all the issued ordinary shares of which are listed on the JSE;
"Imperial Bank ordinary shareholders"	registered holders of ordinary shares in the share capital of Imperial Bank;
"Imperial Bank preference shareholders"	registered holders of Imperial Bank preference shares;
"Imperial Bank shareholders"	collectively, the Imperial Bank ordinary shareholders and the Imperial Bank preference shareholders;
"initial cautionary announcement"	a cautionary announcement published by Imperial Bank on 29 May 2009 informing Imperial Bank preference shareholders that Imperial Holdings and Nedbank Group had entered into discussions regarding the ordinary share acquisition;
"Investec"	Investec Bank Limited (Registration number 1969/004763/06), a public company registered and incorporated in South Africa, all the issued shares of which are listed on the JSE;
"JSE"	the securities exchange operated by JSE Limited (Registration number 2005/022939/06), a public company registered and incorporated in South Africa, licensed as an exchange under the Securities Services Act, all the ordinary shares of which are listed on the JSE;
"last practicable date"	the last practicable date prior to the finalisation of this circular, being Thursday, 5 November 2009;
"legal advisor" or "ENS"	Edward Nathan Sonnenbergs Inc. (Registration number 2006/018200/21), a company registered and incorporated in South Africa;
"Listings Requirements"	the Listings Requirements of the JSE, as amended from time to time;
"Motor Finance Corporation" or "MFC"	the division of Imperial Bank through which its vehicle asset finance business is conducted;

"Nedbank" or "the offeror" or "the company"	Nedbank Limited (Registration number 1951/000009/06), a public company registered and incorporated in South Africa and a wholly-owned subsidiary of Nedbank Group, all the issued preference shares of which are listed on the JSE;
"Nedbank Capital"	Nedbank Capital, a division of Nedbank;
"Nedbank Group" or "the Group"	Nedbank Group Limited (Registration number 1966/010630/06), a public company registered and incorporated in South Africa, all the issued ordinary shares of which are listed on the JSE, and its subsidiaries from time to time;
"Nedbank preference shares(s)"	perpetual, non-redeemable, non-participating, non-cumulative preference shares in the share capital of Nedbank, listed on the JSE;
"Nedgroup Securities"	Nedgroup Securities (Proprietary) Limited (Registration number 1995/012240/07), a private company registered and incorporated in South Africa;
"offer" or "proposed offer"	a voluntary, unconditional offer made in terms of this circular by Nedbank to Imperial Bank preference shareholders to acquire those Imperial Bank preference shares not currently owned by Nedbank in exchange for the offer consideration, as set out in this circular;
"offer consideration"	a consideration of 10 (ten) Nedbank preference shares for every 1 (one) Imperial Bank preference share tendered;
"offer period"	the period from 09:00 on the opening date to 12:00 on the closing date;
"opening date"	the opening date of the offer, being Friday, 13 November 2009;
"operative date"	the date on which the offer consideration is transferred to an offer participant following the offer participant's acceptance of the offer;
"ordinary share acquisition"	the acquisition by Nedbank of Imperial Financial Holdings' 49.9% (forty-nine and nine-tenths percentage) interest in the issued ordinary share capital of Imperial Bank;
"prime overdraft rate"	the publicly quoted basic interest rate <i>per annum</i> from time to time, published by Nedbank as being its prime overdraft rate, compounded monthly in arrear;
"Rand" or "R"	South African Rand, the official currency of South Africa;
"record date"	the record date of the offer, being 12:00 on Friday, 4 December 2009;
"redemption amount"	the issue price per Imperial Bank preference share, being R100 per share;
"register"	the register of dematerialised Imperial Bank preference shareholders;
"sale agreement"	the agreement entered into by, <i>inter alia</i> , Imperial Holdings, Imperial Financial Holdings and Nedbank dated 15 September 2009 (and the addenda thereto) in terms of which Nedbank will acquire 49.9% of the ordinary shares in Imperial Bank, subject to fulfilment of certain conditions;
"SARB"	the South African Reserve Bank;
"Securities Services Act"	the Securities Services Act, 2004, as amended;
"SENS"	the Securities Exchange News Service of the JSE;
"South Africa"	the Republic of South Africa;
"SRP"	the Securities Regulation Panel established in terms of section 440B of the Companies Act;
"SRP Code"	the Securities Regulation Code on Take-overs and Mergers and the Rules of the SRP issued in terms of the Companies Act;
"Strate"	Strate Limited (Registration number 1998/022242/06), a public company registered and incorporated in South Africa to administer the electronic settlement system for transactions that take place on the JSE and off-market trades;

"theoretical dividend accrued"

a theoretical calculated amount of the dividend during each dividend cycle, notionally accrued, but not declared, and calculated with no compounding, at 70% of the prevailing average daily prime overdraft rate, in proportion to the number of completed calendar days within the relevant dividend cycle only; and

"transfer secretaries"

Computershare Investor Services (Proprietary) Limited (Registration number 2004/003647/07), a private company registered and incorporated in South Africa and the transfer secretaries of Nedbank and Imperial Bank.



**NEDBANK**  
Limited

## Nedbank Limited

(Incorporated in the Republic of South Africa)  
(Registration number 1951/000009/06)  
Share code: NBKP ISIN ZAE000043667



**IMPERIAL BANK**

## Imperial Bank Limited

(Incorporated in the Republic of South Africa)  
(Registration number 1995/012641/06)  
Share code: IBLP ISIN ZAE000081675

### Directors of Nedbank

R J Khoza\* (*Chairman*)  
T A Boardman† (*Chief Executive*)  
C J W Ball#&  
M W T Brown† (*Chief Executive Designate*)  
T C P Chikane#  
G W Dempster† (*Chief Operating Officer*)  
M A Enus-Brey\*  
B de L Figaji#  
R M Head\* (*British*)  
M M Katz#  
A de VC Knott-Craig#  
W E Lucas-Bull#  
J B Magwaza#  
M E Mkwana#  
N P Mnxasana#&  
P J Moleketi#  
R K Morathi† (*Chief Financial Officer*)  
G T Serobe\*  
M I Wyman# (*British*)

† Executive

\* Non-executive

‡ Independent non-executive

# These directors are deemed non-executive but not independent, only by virtue of the fact that they are also independent directors of Nedbank's holding company, Nedbank Group

& Directors with mutual directorships on the boards of Nedbank and Imperial Bank

### Directors of Imperial Bank

H R Brody\* (*Chairman*)  
O S Arbee\*  
L E Bakoro‡  
C J W Ball\*#&  
M J Croucamp‡  
P C W Hibbit† (*Chief Financial Officer*)  
N P Mnxasana\*#&  
R van Wykt† (*Chief Executive Officer*)  
P K Ward‡  
P A Wessels\*

## CIRCULAR TO IMPERIAL BANK PREFERENCE SHAREHOLDERS

### 1. INTRODUCTION

On 15 October 2009 Nedbank and Imperial Bank made a joint announcement of a firm intention by Nedbank to make a voluntary unconditional offer to Imperial Bank preference shareholders.

Nedbank offers to acquire all the Imperial Bank preference shares that it does not currently own on the terms and conditions set out in this circular.

The offer is made voluntarily by Nedbank as the SRP has, based on the information set out in various submissions to the SRP, ruled that Nedbank is not required to make a mandatory offer to the holders of the Imperial Bank preference shares pursuant to the ordinary share acquisition.

The offer is nonetheless an "affected transaction" in terms of the SRP Code and is consequently governed by the SRP Code.

The purpose of this circular is to provide Imperial Bank preference shareholders with relevant information relating to the offer in order for Imperial Bank preference shareholders to make an informed decision in deciding whether or not to accept the offer.

## 2. INFORMATION ON THE OFFEROR

### 2.1 Nedbank and the Nedbank Group

Nedbank is the principal banking subsidiary of Nedbank Group, South Africa's fourth largest banking group. The Nedbank preference shares are listed on the JSE in the "Debt – Preference Shares" sector. Nedbank Group is listed on the JSE in the sector "Financials – Banks", with a market capitalisation of R57 billion as at the last practicable date.

Listed on the JSE since 1969, Nedbank Group offers a wide range of wholesale and retail banking services through its four principal business divisions which are: Nedbank Corporate, Nedbank Retail and Business Banking, Nedbank Capital and Nedbank Bancassurance and Wealth. The principal services offered by the Nedbank Group are corporate, business and retail banking, property finance, investment banking, private banking, bancassurance, wealth management, foreign exchange and securities trading.

Nedbank Group performs its banking activities primarily through its 100% owned subsidiary Nedbank. Nedbank currently owns 50,1% of Imperial Bank which specialises in motor vehicle finance through the Motor Finance Corporation brand. Agreement has been reached in terms of which, subject to various conditions being fulfilled, Nedbank will acquire the remaining 49,9% of the ordinary shares in Imperial Bank and constitute Imperial Bank as a wholly-owned subsidiary.

### 2.2 Intentions regarding the business and directors of Imperial Bank

It is the intention that following the ordinary share acquisition (which is anticipated to be finalised between the first and second quarter of 2010), Nedbank will, subject to SARB approval and subject to the necessary resolutions being passed approving the amalgamation, amalgamate the businesses of Imperial Bank with its relevant existing businesses in terms of section 54 of the Banks Act. It is anticipated that the amalgamation will be completed between the fourth quarter of 2010 and the first quarter of 2011.

Imperial Bank will, pursuant to the amalgamation being implemented, make an application to the SARB to have its banking licence cancelled.

Thereafter, steps will be taken to dissolve Imperial Bank. It is anticipated that it will take approximately six to twelve months after the completion of the amalgamation to dissolve Imperial Bank. However, the timing of the intended dissolution is uncertain.

In terms of the articles of association of Imperial Bank, each Imperial Bank preference share will be redeemed upon the dissolution of Imperial Bank at a price equal to the redemption amount together with any accrued and declared but unpaid dividends.

Once the ordinary share acquisition is successfully completed, the directors who have been appointed to the board of Imperial Bank by Imperial Holdings, being Messrs O S Arbee and H R Brody, will resign. The remaining directors will however continue to hold office until the dissolution of Imperial Bank.

## 3. THE OFFER

### 3.1 Terms of the offer

#### 3.1.1 The offer and the offer consideration

Nedbank makes a voluntary, unconditional offer to all Imperial Bank preference shareholders to acquire all of their Imperial Bank preference shares. The offer consideration will be settled by way of a fresh issue of Nedbank preference shares from Nedbank's existing authorised preference share capital in the ratio of 10 Nedbank preference shares to 1 Imperial Bank preference share.

The holders of Imperial Bank preference shares who wish to accept the offer must do so in respect of all the Imperial Bank preference shares registered in their names. Partial acceptances will not be permitted.

The rights and privileges attaching to the Nedbank preference shares are set out in Annexure 11.

#### 3.1.2 No increase statement

Nedbank will not increase the offer consideration.

### 3.1.3 Basis of determination of exchange ratio

The exchange ratio is equal to the ratio of the nominal value of an Imperial Bank preference share to the nominal value of a Nedbank preference share and is consistent with Nedbank's assessment of:

- 3.1.3.1 an exchange basis that will result in the holders of Imperial Bank preference shares who accept the offer improving their income earnings position in comparison with their income earnings position had they continued to own Imperial Bank preference shares;
- 3.1.3.2 the yields on similar or better rated preference shares listed on the JSE (including Nedbank preference shares); and
- 3.1.3.3 the present value of future dividends and the redemption proceeds of the Imperial Bank preference shares upon the dissolution of Imperial Bank at an uncertain time in the future on an unconditional basis.

### 3.1.4 Period of the offer

The offer will remain open from 09:00 on the opening date and will close at 12:00 on the closing date save in the event that Nedbank extends the offer period prior to the closing date, with the approval of the SRP, in which event an announcement will be released on SENS and published in the South African press at least 14 days prior to the closing date.

## 3.2 Rationale

It is Nedbank Group's intention to amalgamate the businesses of Imperial Bank and Nedbank in due course whereafter, once the necessary resolutions have been passed and registered, Imperial Bank will be dissolved. The amalgamation will result in more efficient structures being established in Nedbank Group since the group has been required, *inter alia*, to duplicate governance structures, risk management systems and infrastructures (e.g. properties, computer systems, etc) in respect of similar businesses conducted by Imperial Bank and Nedbank.

Nedbank wishes to afford Imperial Bank preference shareholders the opportunity to dispose of their Imperial Bank preference shares in exchange for the offer consideration prior to the proposed dissolution of Imperial Bank.

## 3.3 Advantages of the offer

The offer presents Imperial Bank preference shareholders with an opportunity to swap their Imperial Bank preference shares for Nedbank preference shares at the exchange ratio. The benefits of this opportunity include, *inter alia*, the following:

- the ability to lock in the gain in the market price since 29 May 2009, being the date at which Nedbank made a cautionary announcement in regard to the ordinary share acquisition as shown under the financial effects in paragraph 3.5 below;
- Imperial Bank preference shareholders accepting the offer will receive an increase in the total dividends received compared with their equivalent current holding of Imperial Bank preference shares as shown under the financial effects in paragraph 3.5 below;
- the offer is unconditional and provides Imperial Bank preference shareholders who accept the offer, with the opportunity to remain invested in preference shares of a similar type. Imperial Bank preference shareholders who do not accept the offer will, upon the dissolution of Imperial Bank, be entitled to the redemption amount as well as any accrued and declared but unpaid dividends. However, the timing of the dissolution is uncertain at this stage and is dependent on a number of conditions being fulfilled, some of which are outside Nedbank's control; and
- increased security, as Nedbank has a larger balance sheet and more diversified earnings, relative to Imperial Bank.

## 3.4 Differences on entitlement upon dissolution

In the event of a dissolution of Nedbank, holders of Nedbank preference shares will be entitled to receive an amount equal to the issue price of each Nedbank preference share. This differs from the entitlement of Imperial Bank preference shareholders on the dissolution of Imperial Bank as they will be entitled to receive the redemption amount in respect of each Imperial Bank preference share plus any declared but unpaid dividends at that time.

### 3.5 Financial impact of the offer

The table below sets out the financial impact on the holder of an Imperial Bank preference share who accepts the offer:

Effect on market value of exchange ratio	Market data (clean closing price)		Market value of the offer consideration at the clean closing price		
	Imperial Bank preference share	Nedbank preference share	1 Imperial Bank preference share	10 Nedbank preference shares	% change
Holding of 1 Imperial Bank preference share pre- initial cautionary announcement converted into 10 Nedbank preference shares (28 May 2009)	R69.52	R10.09	R69.52	R100.85	45.1%
Holding of 1 Imperial Bank preference share post- initial cautionary announcement converted into 10 Nedbank preference shares (29 May 2009)	R79.59	R10.08	R79.59	R100.83	26.7%
Holding of 1 Imperial Bank preference share converted into 10 Nedbank preference shares as at last practicable date (5 November 2009)	R95.48	R9.79	R95.48	R97.89	2.5%

  

Effect on dividend of acceptance of offer on the basis of the exchange ratio	Dividend rate (% of prime)		Notional dividend <sup>(1)</sup>		
	Imperial Bank preference share	Nedbank preference share	1 Imperial Bank preference share	10 Nedbank preference shares	% change
Dividend of 1 Imperial Bank preference share converted into 10 Nedbank preference shares	70%	75%	R7.35	R7.88	7.2%

**Note:**

1. The notional dividend assumes a prevailing prime overdraft rate of 10.5%.

### 3.6 Intention to invoke section 440K of the Companies Act

Nedbank and Nedbank Group are currently offering to acquire all of the Imperial Bank preference shares which they do not already own. In the event that Imperial Bank preference shareholders holding 90% or more but less than 100% of the Imperial Bank preference shares **not held by Nedbank** accept the offer, Nedbank will invoke the provisions of section 440K of the Companies Act to compel the disposal of Imperial Bank preference shares by the remaining Imperial Bank preference shareholders who did not accept the offer.

An extract of section 440K is attached as Annexure 12 to this circular.

Should Nedbank invoke the provisions of section 440K of the Companies Act, it will, within two months after the closing date, give written notice to the Imperial Bank preference shareholders who did not accept the offer, of Nedbank's intention to acquire the remaining Imperial Bank preference shares. Unless any remaining Imperial Bank preference shareholder makes an application to court within six weeks from the date on which such notice is given and the court orders otherwise, Nedbank will be entitled to acquire the remaining Imperial Bank preference shares held by that Imperial Bank preference shareholder.

It is the intention of Nedbank to delist the Imperial Bank preference shares from the JSE should it acquire all of the Imperial Bank preference shares. In the event that Nedbank does not invoke the provisions of section 440K of the Companies Act, the Imperial Bank Preference shares will remain listed until the dissolution of Imperial Bank, subject to the JSE, at its discretion, deciding on a possible delisting should the spread requirements for Imperial Bank preference shares, per the Listings Requirements, not be complied with.

## 4. IMPACT ON IMPERIAL BANK PREFERENCE SHAREHOLDERS WHO DO NOT ACCEPT THE OFFER

Should the requisite approvals for the amalgamation be obtained, Nedbank has irrevocably undertaken to the board of Imperial Bank that it will ensure that from the date of completion of the amalgamation until such time as the Imperial Bank preference shares are redeemed, Imperial Bank shall remain in a position to pay to Imperial Bank preference shareholders who do not accept the offer, any preference share dividends due on Imperial Bank preference shares and the redemption amount on dissolution of Imperial Bank.

In terms of the rights attaching to the Imperial Bank preference shares, the Imperial Bank preference shareholders are not entitled to dividends prior to a dividend being declared. Any such declaration is subject to the board of Imperial Bank being reasonably satisfied as to the requirements of solvency and liquidity having been adhered to as required in terms of the Companies Act. Notwithstanding this provision, a preference dividend will, from the date of amalgamation, until dissolution, be declared and paid to the holders of the Imperial Bank preference shares on the preference dividend payment dates as defined in the articles of association of Imperial Bank. Nedbank, as the ordinary shareholder of Imperial Bank, will not object thereto.

## 5. PROCEDURE FOR ACCEPTANCE OF THE OFFER

5.1 All Imperial Bank preference shareholders **recorded in the register up until Friday, 4 December 2009, or such later date to which the offer may be extended at the sole discretion of Nedbank and with the prior approval of the SRP**, and wishing to participate in the offer should follow the instructions set out in paragraph 5.2.1.

You are entitled to accept the offer only in respect of your **entire** holding of Imperial Bank preference shares. **Partial acceptances will not be permitted.**

Should you not wish to participate in the offer, then **no** action is required.

### 5.2 To accept the offer:

5.2.1 As a **dematerialised Imperial Bank preference shareholder** with or without own-name registration

5.2.1.1 Your CSDP or broker should contact you in the manner stipulated in the custody agreement concluded between you and your CSDP or broker to find out what choice you wish to make in terms of the offer.

5.2.1.2 If your CSDP or broker does not contact you, you are advised to contact your CSDP or broker timeously and provide them with your instructions by the cut-off time stipulated by your CSDP or broker in terms of the custody agreement between yourself and your CSDP or broker. If your CSDP or broker does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them.

### 5.3 Acceptances irrevocable

All acceptances of the offer received by the transfer secretaries and treated as valid by them shall be irrevocable.

### 5.4 Settlement of the offer

5.4.1 The offer consideration due to dematerialised offer participants will not be posted to such offer participants but will be transferred, at his/her risk, to his/her CSDP or broker within five business days of the later of receipt of a valid acceptance of the offer, by the transfer secretaries or the closing date, and dealt with in terms of the custody agreement entered into between the offer participant and his/her broker.

5.4.2 No interest will accrue or be paid on the offer consideration.

## 6. EXCHANGE CONTROL REGULATIONS

The following is a summary of the Exchange Control Regulations insofar as they have application to offer participants. In the event of any doubt, offer participants are advised to consult their professional advisors as soon as possible.

### 6.1 Residents of the Common Monetary Area

In the case of offer participants whose registered addresses in the register are within the Common Monetary Area and have not been restrictively designated in terms of the Exchange Control Regulations, the offer consideration will be credited directly to the accounts nominated for the relevant offer participants by their duly appointed CSDP or broker in terms of the provisions of the custody agreement with their CSDP or broker.

### 6.2 Emigrants from the Common Monetary Area

In the case of offer participants who are emigrants from the Common Monetary Area, the offer consideration will be transferred into the account of the relevant CSDP or broker on the operative date. An offer participant will receive from his CSDP or broker, in accordance with the provisions of the custody agreement between

each such offer participant and his CSDP or broker, that portion of the offer consideration received by the CSDP or broker as is attributable to the dematerialised shares held by the CSDP or broker on behalf of that offer participant.

### 6.3 All other non-residents of the Common Monetary Area

The offer consideration accruing to non-resident offer participants whose registered addresses are outside the Common Monetary Area and who are not emigrants from the Common Monetary Area will be credited by their duly appointed CSDP or broker directly to the accounts nominated by the offer participants in terms of the provisions of the custody agreement with his/her CSDP or broker.

## 7. OFFER NOT MADE WHERE ILLEGAL

The legality of the offer to persons resident in jurisdictions outside of South Africa may be affected by laws of the relevant jurisdiction. Such persons should satisfy themselves as to any applicable legal requirements, which they are obliged to observe. It is the responsibility of any such person wishing to accept the offer to satisfy himself/herself as to the full observance of the laws of the relevant jurisdiction in connection therewith.

In particular, the offer is not being made, directly or indirectly, in or into any jurisdiction where it is illegal for the offer to be made or accepted or by the use of mail, or by means or instrumentality of inter-state or foreign commerce of, or any facility of a national securities exchange of any of these affected jurisdictions.

Persons wishing to accept the offer should not use the mail of any of the affected jurisdictions or any such means, instrumentality or facility for any purpose, directly or indirectly, relating to the offer. Documents relating to the offer should not be post-marked in any of the affected jurisdictions or otherwise dispatched from any of the affected jurisdictions and all such offer participants must provide addresses outside the affected jurisdictions for receipt of the offer consideration.

## 8. STATEMENT OF DIRECTORS' INTERESTS

### 8.1 Interests of Imperial Bank and Nedbank directors in Imperial Bank preference shares

As at the last practicable date:

8.1.1 None of the directors of Imperial Bank has an interest in the Imperial Bank preference shares, nor have they traded in Imperial Bank preference shares in the preceding six months.

8.1.2 None of the directors of Nedbank has an interest in the Imperial Bank preference shares, nor have they traded in Imperial Bank preference shares in the preceding six months.

### 8.2 Interests of Nedbank and Imperial Bank directors in Nedbank preference shares

As at the last practicable date:

8.2.1 The following Imperial Bank directors have an interest in Nedbank preference shares:

Director	Beneficial		Total	Percentage* holding
	Direct	Indirect		
R van Wyk	55 000	–	55 000	0.02%
C J W Ball	144 300	–	144 300	0.04%
	199 300	–	199 300	0.06%

\* Based on 328 277 491 Nedbank preference shares in issue

8.2.2 The following Nedbank directors have an interest in Nedbank preference shares:

Director	Beneficial		Total	Percentage* holding
	Direct	Indirect		
C J W Ball	144 300	–	144 300	0.04%
T A Boardman	–	85 000	85 000	0.03%
M M Katz	165 000	–	165 000	0.05%
	309 300	–	394 300	0.12%

\* Based on 328 277 491 Nedbank preference shares in issue

### 8.3 Directors' service contracts and emoluments

Save for the chief executive officer and the chief financial officer, there are no service contracts in place with the directors of Imperial Bank. Further, the emoluments of all the directors of Imperial Bank will not be varied as a result of the offer. The service contracts of the chief executive officer and chief financial officer of Imperial Bank will be transferred to Nedbank on the amalgamation, in terms of section 197 of the Labour Relations Act, 1995.

The service contracts of both the chief executive officer and the chief financial officer of Imperial Bank contain terms usual for these types of positions and there are no material particulars as it relates to their services as directors.

## 9. Interests of Nedbank and Nedbank Group in Imperial Bank preference shares

As at the last practicable date, the aggregate interests of Nedbank and Nedbank Group in Imperial Bank preference shares were as follows:

Entity	Number of Imperial Bank preference shares	Percentage holding*
Nedbank (beneficial)	–	0%
Nedbank Group (beneficial)	879 729	29.32%
Nedgroup Securities (executed by Nedgroup Securities in order to hedge single stock futures transactions executed by clients)	16 262	0.54%
	895 991	29.86%

\* Based on 3 000 000 Imperial Bank preference shares in issue

There have been no beneficial dealings in Imperial Bank preference shares by Nedbank and Nedbank Group in the six months prior to the offer other than trades executed by Nedgroup Securities in order to hedge single stock futures transactions executed by clients as set out in Annexure 13.

As at the last practicable date, the aggregate interests of Nedbank in the ordinary shares in the share capital of Imperial Bank were 197 235 078, representing a 50.1% interest. The balance of Imperial Bank's ordinary shares is held by Imperial Financial Holdings and, subject to the sale agreement becoming unconditional, will be owned by Nedbank on completion of the ordinary share acquisition.

## 10. FINANCIAL AND SHARE PRICE INFORMATION OF IMPERIAL BANK PREFERENCE SHARES

10.1 Extracts from the published unaudited interim financial results of Imperial Bank for the six months ended 30 June 2009 and 30 June 2008 are included in Annexure 1 to this circular.

10.2 Extracts from the published audited financial results of Imperial Bank for the four financial years ended 31 December 2008, 31 December 2007, 31 December 2006 and 31 December 2005 are included in Annexure 2 and Annexure 3, to this circular.

10.3 The trading history of Imperial Bank preference shares on the JSE for the period 1 October 2007 to Thursday, 5 November 2009 is set out in Annexure 8 to this circular.

## 11. FINANCIAL AND SHARE PRICE INFORMATION OF NEDBANK PREFERENCE SHARES

11.1 Extracts from the published reviewed interim financial results of Nedbank for the six months ended 30 June 2009 and 30 June 2008 are included in Annexure 4 to this circular.

11.2 Extracts from the published audited financial results of Nedbank for the four financial years ended 31 December 2008, 31 December 2007, 31 December 2006 and 31 December 2005 are included in Annexure 5 and Annexure 6, to this circular.

11.3 The trading history of Nedbank preference shares on the JSE for the period 1 October 2007 to Thursday, 5 November 2009 is set out in Annexure 9 to this circular.

## **12. ULTIMATE OWNER OF THE IMPERIAL BANK PREFERENCE SHARES**

Nedbank has confirmed that the Imperial Bank preference shares acquired in terms of the proposed offer are not being acquired for any other person or entity.

## **13. NO SET-OFF OF OFFER CONSIDERATION**

Settlement of the offer consideration to offer participants will be implemented in full in accordance with the terms of the offer without regard to any lien, right of set-off, counterclaim or other analogous right to which Nedbank may otherwise be, or claim to be, entitled.

## **14. AMENDMENT OR VARIATION OF THE OFFER**

No amendment or variation of the offer will be valid unless it is agreed to by Nedbank in writing and approved by the SRP, provided that Nedbank does not agree to any amendment or variation that has the effect of reducing or increasing the offer consideration.

## **15. GOVERNING LAW**

This circular will be governed by and construed in accordance with the laws of South Africa and is subject to the exclusive jurisdiction of the South African courts.

## **16. SHAREHOLDER SUPPORT AND CONCERT PARTIES**

This offer is unconditional and is not subject to the ordinary share acquisition becoming unconditional or the implementation of the proposed amalgamation. Accordingly the agreement reached with Imperial Holdings and Imperial Financial Holdings in respect of the ordinary share acquisition has no bearing on this offer. Neither Imperial Holdings nor Imperial Financial Holdings are holders of Imperial Bank preference shares and are not acting in concert with Nedbank in relation to this offer.

Nedbank has not entered into any arrangements, undertakings or agreements with regards to support by any of the Imperial Bank preference shareholders for the offer.

## **17. OPINIONS, RECOMMENDATIONS AND UNDERTAKINGS**

17.1 The board of Imperial Bank appointed an independent sub-committee to consider whether the terms and conditions of the offer were fair and reasonable to Imperial Bank preference shareholders. In discharging its functions, the sub-committee undertook its own independent assessment of the terms of the offer and engaged Ernst & Young to provide a fair and reasonable opinion.

17.2 Ernst & Young, acting as independent advisor to the sub-committee, has advised the independent sub-committee that it has considered the terms and conditions of the offer and is of the opinion that these terms and conditions are fair and reasonable to Imperial Bank preference shareholders. The text of the letter from Ernst & Young is included in Annexure 7 to this circular and the letter has not been withdrawn prior to the publication of this circular.

The sub-committee, taking into account the opinion of the independent advisor, expressed the view that the terms and conditions of the offer are fair and reasonable to Imperial Bank preference shareholders and have advised the Imperial Bank board accordingly. A copy of the letter of recommendation from the sub-committee may be obtained from the registered offices of Imperial Bank at 24 Achter Road, Paulshof, Sandton, 2021 as well as the registered office of Nedbank at Block A, Ground Floor, Nedbank Sandton, 135 Rivonia Road, Sandown, 2196.

17.3 The directors of Imperial Bank are of the opinion that the terms and conditions of the offer are fair and reasonable and that the implementation of the offer will be to the benefit of Imperial Bank preference shareholders. Accordingly, the board of Imperial Bank recommends that Imperial Bank preference shareholders accept the offer.

## **18. TAX IMPLICATIONS**

The tax implications of the acceptance of the offer on Imperial Bank preference shareholders will depend on the individual circumstances of each Imperial Bank preference shareholder. Accordingly, offer participants are advised to obtain independent tax advice in relation to the tax implications of the offer.

## **19. MATERIAL CHANGES**

There have been no material changes in the affairs or financial position of Imperial Bank from the six months financial period ended on 30 June 2009 and the last practicable date, save for the sale agreement and associated agreements.

## **20. MATERIAL ARRANGEMENTS, UNDERTAKINGS OR AGREEMENTS**

No arrangements, undertakings or agreements have been concluded between Nedbank and any Imperial Bank preference shareholders with regard to the offer.

## **21. LITIGATION STATEMENT**

The directors, whose names are set out on page 9 of this circular, are not aware of any legal and arbitration proceedings, including proceedings that are pending or threatened, that have or may have had a material effect on Imperial Bank's financial position in the previous 12 months.

## **22. RESPONSIBILITY STATEMENT OF THE BOARDS OF IMPERIAL BANK AND NEDBANK**

22.1 The directors of Imperial Bank, whose names are set out on page 9 of this circular:

- have considered all statements of fact and opinion in this circular;
- collectively and individually, accept full responsibility for the accuracy of the information given;
- certify that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement false or misleading;
- have made all reasonable enquiries in this regard; and
- certify that, to the best of their knowledge and belief, the circular contains all information required by law, the SRP Code and the JSE.

22.2 The directors of Nedbank, whose names are set out on page 9 of this circular:

- have considered all statements of fact and opinion in this circular;
- collectively and individually, accept full responsibility for the accuracy of the information given;
- certify that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement false or misleading;
- have made all reasonable enquiries in this regard; and
- certify that, to the best of their knowledge and belief, the circular contains all information required by law, the SRP Code and the JSE.

## **23. COSTS OF THE OFFER**

All cost pertaining to the offer will be borne and paid by Nedbank.

The costs of the independent advisor's fair and reasonable opinion, amounting to R500 000 (exclusive of VAT), will be borne and paid by Imperial Bank.

## **24. CONSENTS**

Each of the advisors, Nedbank Capital, ENS, Investec, Ernst & Young, Computershare and Deloitte have provided their written consent to act in the capacity stated and to their names being used in this circular and have not withdrawn their consent prior to the publication of this circular.

## 25. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection during normal business hours at the registered offices of Nedbank from Friday, 13 November 2009 up to and including the closing date:

- 25.1 the published unaudited interim financial results of Imperial Bank for the six months ended 30 June 2009 and 30 June 2008;
- 25.2 the audited financial statements of Imperial Bank for the four financial years ended 31 December 2008, 31 December 2007, 31 December 2006 and 31 December 2005;
- 25.3 the published reviewed interim financial results of Nedbank for the six months ended 30 June 2009 and 30 June 2008;
- 25.4 the audited financial statements of Nedbank for the four financial years ended 31 December 2008, 31 December 2007, 31 December 2006 and 31 December 2005;
- 25.5 the memorandum and articles of association of Imperial Bank;
- 25.6 the memorandum and articles of association of Nedbank;
- 25.7 the fair and reasonable opinion of the independent advisor;
- 25.8 the letter of recommendation of the sub-committee to the Imperial Bank board;
- 25.9 the sale agreement;
- 25.10 the consent letters referred to in paragraph 24 above; and
- 25.11 a signed copy of this circular.

By order of the board of Nedbank

By order of the board of Imperial Bank

**G S Nienaber**

**G Tyusha**

Friday, 13 November 2009

Friday, 13 November 2009

**Registered office**

Block A, Ground Floor  
Nedbank Sandton  
135 Rivonia Road  
Sandton, 2196  
(PO Box 1144, Johannesburg, 2000)

**Registered office**

24 Achter Road  
Paulshof  
Sandton, 2021  
(PO Box 6093, Rivonia, 2128)

EXTRACTS FROM THE PUBLISHED UNAUDITED INTERIM FINANCIAL RESULTS OF IMPERIAL BANK FOR THE SIX MONTHS ENDED 30 JUNE 2009 AND 30 JUNE 2008

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

At	June 2009 R'000	June 2008 R'000	December 2008 R'000
Interest and similar income	3 223 371	2 930 092	6 431 739
Interest expense and similar charges	2 264 924	2 120 295	4 699 196
<b>Net interest income</b>	958 447	809 797	1 732 543
Impairment charge on loans and advances	579 335	340 830	700 538
<b>Income from lending activities</b>	379 112	468 967	1 032 005
Non-interest revenue	69 529	73 964	87 324
<b>Operating income</b>	448 641	542 931	1 119 329
Operating expenses	270 200	236 843	524 846
Indirect taxation	25 632	22 570	51 310
<b>Profit from operations before non-trading and capital items</b>	152 809	283 518	543 173
Non-trading and capital items	304	202	285
Net profit on sale of property and equipment	304	202	285
<b>Profit before direct taxation</b>	153 113	283 720	543 458
Total direct taxation	43 694	95 029	182 245
Direct taxation	43 609	94 972	182 165
Taxation on non-trading and capital items	85	57	80
<b>Profit for the period</b>	109 419	188 691	361 213
Other comprehensive income net of taxation:	–	–	11 823
Gains on property revaluation	–	–	15 727
Taxation on other comprehensive income	–	–	(3 904)
<b>Total comprehensive income for the period</b>	109 419	188 691	373 036
Equity holders of the parent	109 419	188 691	373 036
Non-controlling interest – preference shareholders	16 360	14 435	29 895

## CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

At	June 2009 R'000	June 2008 R'000	December 2008 R'000
<b>ASSETS</b>			
Cash and cash equivalents	12 531	280	46 693
Other short-term securities	2 131 806	1 496 794	1 563 385
Derivative financial instruments	63 969	244 444	37 619
Government and other securities	304 562	303 643	529 163
Loans and advances to customers	46 771 744	39 929 663	44 734 236
Current taxation	11 949	–	–
Other assets	448 548	411 821	504 787
Investment securities	4 531	5 422	5 183
Property and equipment	313 566	230 558	279 484
Mandatory deposits with central bank	1 119 403	938 688	1 067 545
<b>Total assets</b>	<b>51 182 609</b>	<b>43 561 313</b>	<b>48 768 095</b>
<b>EQUITY AND LIABILITIES</b>			
Ordinary share capital	3 937	3 400	3 937
Ordinary share premium	1 097 747	648 284	1 097 747
Reserves	2 053 689	1 845 362	1 960 630
<b>Total ordinary shareholders' equity</b>	<b>3 155 373</b>	<b>2 497 046</b>	<b>3 062 314</b>
Preference share capital and premium	298 047	298 047	298 047
<b>Total shareholders' equity</b>	<b>3 453 420</b>	<b>2 795 093</b>	<b>3 360 361</b>
<b>Total liabilities</b>	<b>47 729 189</b>	<b>40 766 220</b>	<b>45 407 734</b>
Derivative financial instruments	262 765	134 911	357 171
Amounts owed to depositors	46 275 936	39 270 932	43 934 979
Other liabilities	206 015	218 927	110 712
Provisions	19 703	35 353	45 403
Current taxation	–	(3 853)	5 706
Deferred taxation	174 509	150 312	162 013
Long-term debt instruments	790 261	959 638	791 750
<b>Total equity and liabilities</b>	<b>51 182 609</b>	<b>43 561 313</b>	<b>48 768 095</b>
Contingent liabilities and unutilised facilities	2 682 445	3 271 564	2 515 567

## CONDENSED GROUP STATEMENT OF CASH FLOWS

For the period ended	June 2009 R'000	June 2008 R'000	December 2008 R'000
Cash generated by operating activities	786 454	639 755	1 364 900
Change in funds for operating activities	(628 245)	(247 877)	(826 524)
Net cash generated by operating activities before taxation paid	158 209	391 878	538 376
Taxation paid	(74 486)	(83 044)	(174 985)
<b>Cash flows from operating activities</b>	<b>83 723</b>	<b>308 834</b>	<b>363 391</b>
Cash flows utilised by investing activities	(49 667)	(61 343)	(106 553)
Cash flows (utilised by)/generated from financing activities	(16 360)	(88 831)	77 092
<b>Net increase in cash and cash equivalents</b>	<b>17 696</b>	<b>158 660</b>	<b>333 930</b>
Cash and cash equivalents at the beginning of the period	1 114 238	780 308	780 308
<b>Cash and cash equivalents at the end of the period</b>	<b>1 131 934</b>	<b>938 968</b>	<b>1 114 238</b>

**CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY**

For the period ended	Number of ordinary shares	Number of preference shares	Ordinary share capital R'000	Ordinary share premium R'000	Revaluation R'000	General credit risk reserve R'000	Accumulated profit R'000	Shareholders' equity R'000	Preference and premium	Total shareholders' equity
Balance at 31 December 2007	240 009 624	3 000 000	3 400	648 284	35 361	229 371	1 480 770	2 397 186	298 047	2 695 233
Transfer (from)/to reserves						(229 371)	229 371	-		-
Total comprehensive income for the period					11 823		361 213	373 036		373 036
Ordinary dividends paid							(128 013)	(128 031)		(128 031)
Preference dividends paid							(29 895)	(29 895)		(29 895)
Ordinary shares issued	53 637 165		537	449 463				450 000		450 000
Balance at 31 December 2008	393 682 789	3 000 000	3 937	1 097 747	47 184	-	1 913 446	3 062 314	298 047	3 360 361
Total comprehensive income for the period							109 419	109 419		109 419
Preference dividends paid							(16 360)	(16 360)		(16 360)
Balance at 30 June 2009	393 682 789	3 000 000	3 937	1 097 747	47 184	-	2 006 505	3 155 373	298 047	3 453 420

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EXTRACTS FROM THE PUBLISHED AUDITED FINANCIAL RESULTS OF  
IMPERIAL BANK FOR THE TWO FINANCIAL YEARS ENDED 31 DECEMBER  
2008 AND 31 DECEMBER 2007

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**GROUP INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008**

	2008 R'000	2007 R'000
Interest and similar income	6 431 739	4 469 435
Interest expense and similar charges	4 699 196	2 978 076
<b>Net interest income</b>	<b>1 732 543</b>	<b>1 491 359</b>
Impairment losses on loans and advances	700 538	412 049
<b>Income from lending activities</b>	<b>1 032 005</b>	<b>1 079 310</b>
Non-interest income	87 609	128 144
<b>Operating income</b>	<b>1 119 614</b>	<b>1 207 454</b>
Operating expenses	524 846	489 321
<b>Net operating income</b>	<b>594 768</b>	<b>718 133</b>
Indirect taxation	21 310	34 049
<b>Profit from operations before direct taxation</b>	<b>543 458</b>	<b>684 084</b>
Direct taxation	182 245	204 930
<b>Net profit for the year</b>	<b>361 213</b>	<b>479 154</b>

GROUP BALANCE SHEET AT 31 DECEMBER 2008

	2008 R'000	2007 R'000
<b>ASSETS</b>		
Cash and cash equivalents	46 693	4 468
Other short-term securities	1 563 385	1 105 594
Derivative financial instruments	37 619	74 630
Government and other securities	529 163	330 985
Loans and advances to customers	44 734 236	35 319 543
Other assets	504 787	397 463
Investment securities	5 183	6 151
Property and equipment	279 484	181 395
Mandatory deposits with central bank	1 067 545	808 109
<b>Total assets</b>	<b>48 768 095</b>	<b>38 228 338</b>
<b>EQUITY AND LIABILITIES</b>		
Ordinary share capital	3 937	3 400
Ordinary share premium	1 097 747	648 284
Reserves	1 960 630	1 745 502
<b>Total ordinary shareholders' equity</b>	<b>3 062 314</b>	<b>2 397 186</b>
Preference share capital and premium	298 047	298 047
<b>Total shareholders' equity</b>	<b>3 360 361</b>	<b>2 695 233</b>
<b>Total liabilities</b>	<b>45 407 734</b>	<b>35 533 105</b>
Bank overdraft	–	32
Derivative financial instruments	357 171	90 207
Amounts owed to depositors	43 934 979	34 047 864
Other liabilities	110 712	183 069
Provisions	45 403	67 703
Current taxation	5 706	2 392
Deferred taxation	162 013	109 512
Long-term debt instrument	791 750	1 000 089
<b>Total equity and liabilities</b>	<b>48 768 095</b>	<b>38 228 338</b>
Contingent equity and liabilities	2 515 567	1 540 059

## GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER

	Number of ordinary shares	Number of preference shares	Ordinary share capital R'000	Ordinary share premium R'000	Revaluation reserve R'000	General credit risk reserve* R'000	Accumulated profit R'000	Total ordinary share- holders' equity R'000	Preference share capital and premium R'000	Total share- holders' equity R'000
Balance at 31 December 2005	358 934 487	-	3 589	648 285	2 823	97 611	770 496	1 522 804	-	1 522 804
Transfer to/(from) reserves					(2 823)	83 210	(80 387)	-		-
Net profit for the year							386 060	386 060		386 060
Ordinary shares repurchased	(70 711 888)		(707)	(299 293)				(300 000)		(300 000)
Preference shares issued		3 000 000						-	300 000	300 000
Share issue and repurchase expenses				(190)				(190)	(1 938)	(2 128)
Balance at 31 December 2006	288 222 599	3 000 000	2 882	348 802	-	180 821	1 076 169	1 608 674	298 062	1 906 736
Transfer to/(from) reserves						48 550	(48 550)	-		-
Net profit for the year							479 154	479 154		479 154
Preference dividends paid							(26 003)	(26 003)		(26 003)
Revaluation of land and buildings					35 361			35 361		35 361
Ordinary shares issued	51 787 025		518	299 482				300 000	(15)	300 000
Share issue and repurchase expenses								-		(15)
Balance at 31 December 2007	340 009 624	3 000 000	3 400	648 284	35 361	229 371	1 480 770	2 397 186	298 047	2 695 233
Transfer (to)/from reserves						(299 371)	229 371	-		-
Net profit for the year							361 213	361 213		361 213
Ordinary dividends paid							(128 013)	(128 013)		(128 013)
Preference dividends paid							(29 895)	(29 895)		(29 895)
Revaluation of land and buildings					11 823			11 823		11 823
Ordinary shares issued	53 673 165		537	449 463				450 000		450 000
Balance at 31 December 2008	393 682 789	3 000 000	3 937	1 097 747	47 184	-	1 913 446	3 062 314	298 047	3 360 361

\* Represents non-distributable reserves transferred from other distributable reserves in order to comply with the Banks Act, 1990.

**GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER**

	2008 R'000	2007 R'000
Cash received from clients	6 567 560	4 545 223
Cash paid to clients, staff and suppliers	(5 221 734)	(3 442 695)
Recoveries on loans previously written off	19 074	6 701
<b>Cash generated by operating activities</b>	<b>1 364 900</b>	<b>1 109 229</b>
<b>Change in funds for operating activities</b>	<b>(826 524)</b>	<b>(1 043 912)</b>
Increase in operating assets	(10 908 116)	(8 019 139)
Increase in operating liabilities	10 081 592	6 975 227
<b>Net cash generated by operating activities before taxation</b>	<b>538 376</b>	<b>65 317</b>
Taxation paid	(174 985)	(199 895)
<b>Net cash generated by/(utilised in) operating activities</b>	<b>363 391</b>	<b>(134 578)</b>
<b>Net cash utilised in investing activities</b>	<b>(106 553)</b>	<b>(27 900)</b>
Acquisition of property and equipment	(116 889)	(29 880)
Proceeds on disposal of property and equipment	10 336	1 980
<b>Net cash from financing activities</b>	<b>77 092</b>	<b>273 982</b>
Proceeds from issue of ordinary shares	450 000	300 000
Dividends paid	(157 908)	(26 003)
Preference share costs	–	(15)
Redemption of long-term debt instrument	(515 000)	–
Proceeds from issue of long-term instrument	300 000	–
<b>Net increase in cash and cash equivalents</b>	<b>333 930</b>	<b>111 504</b>
Cash and cash equivalents at the beginning of the year	780 308	668 804
<b>Cash and cash equivalents at the end of the year</b>	<b>1 114 238</b>	<b>780 308</b>

**ACCOUNTING POLICIES**
**1. Accounting policies**

The following principal accounting policies have been applied consistently in dealing with items that are considered material in relation to the Imperial Bank Group financial statements:

**1.1 Basis of preparation**

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the South African Companies Act.

The financial statements are presented in South African Rands (ZAR), the functional currency of the Group, and unless otherwise stated, are rounded to the nearest thousand rands. They are prepared on the historical cost basis of accounting, except for:

- non-current assets and disposal groups held for sale that are stated at the lower of carrying amount and fair value less costs to sell; and
- the following assets and liabilities that are stated at their fair value:
  - derivative financial instruments;
  - financial assets and financial liabilities classified as held-for-trading;
  - financial assets and financial liabilities designated at fair value through profit or loss;
  - financial assets classified as available-for-sale; and
  - investment property and owner-occupied properties.

The accounting policies set out below have been applied consistently by all Group entities to all periods presented in preparing these group financial statements.

More detail relating to the financial statements can be found on the Imperial Bank website ([www.imperialbank.co.za](http://www.imperialbank.co.za)).

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EXTRACTS FROM THE PUBLISHED AUDITED FINANCIAL RESULTS OF  
IMPERIAL BANK FOR THE TWO FINANCIAL YEARS ENDED 31 DECEMBER  
2006 AND 31 DECEMBER 2005

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GROUP INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	2006 R'000	2005 R'000
Interest and similar income	2 909 071	2 438 341
Interest expense and similar charges	1 830 442	1 634 177
<b>Net interest income</b>	<b>1 078 629</b>	804 164
Impairment losses on loans and advances	210 807	114 589
<b>Income from lending activities</b>	<b>867 822</b>	689 575
Non-interest revenue	64 127	50 668
<b>Total income</b>	<b>931 949</b>	740 243
Operating expenses	404 540	352 637
<b>Net income from operations</b>	<b>527 409</b>	387 606
Indirect taxation	21 150	14 099
<b>Profit from operations before direct taxation</b>	<b>506 259</b>	373 507
Direct taxation	120 199	79 024
<b>Net profit for the year</b>	<b>386 060</b>	294 483

GROUP BALANCE SHEET AS AT 31 DECEMBER 2006

	2006 R'000	2005 R'000
<b>ASSETS</b>		
Cash and cash equivalents	12 774	11 189
Other short-term securities	1 154 105	569 465
Derivative financial instruments	78 334	
Government and other securities	360 114	450 356
Loans and advances to customers	27 736 031	19 697 107
Other assets	272 304	239 166
Investment securities	5 309	8 693
Non-current assets held for sale	–	13 395
Deferred taxation	–	9 643
Property and equipment	125 160	134 512
Mandatory deposits with central bank	656 030	463 296
<b>Total assets</b>	<b>30 400 161</b>	<b>21 813 999</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	2 882	3 589
Share premium	348 802	648 285
Reserves	1 256 990	870 930
<b>Total ordinary equity</b>	<b>1 608 674</b>	<b>1 522 804</b>
Preference share capital and premium	298 062	–
<b>Total shareholders' equity</b>	<b>1 906 736</b>	<b>1 522 804</b>
<b>Total liabilities</b>	<b>28 493 425</b>	<b>20 291 195</b>
Derivative financial instruments	102 585	219 120
Amounts owed to depositors	27 036 305	19 229 181
Other liabilities	237 974	209 293
Current taxation	54 582	53 119
Deferred taxation	3 797	–
Long-term debt instruments	1 058 182	580 482
<b>Total equity and liabilities</b>	<b>30 400 161</b>	<b>21 813 999</b>
Contingent liabilities	943 913	868 765

## GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Number of ordinary shares	Number of preference shares	Ordinary share capital R'000	Ordinary share premium R'000	Revaluation reserve R'000	General risk reserve* R'000	Accumu- lated profit R'000	Total ordinary share- holders equity R'000	Preference share capital and premium R'000	Total share- holders' equity R'000
Balance as at 31 December 2003	301 998 332	–	3 020	434 205	2 902	57 638	368 493	866 258	–	866 258
Transfer to/(from) reserves					(39)	13 188	(13 149)	–	–	–
Net profit for the year							147 414	147 414		147 414
Balance as at 31 December 2004	301 998 332	–	3 020	434 205	2 863	70 826	502 758	1 013 672	–	1 013 672
Transfer to/(from) reserves					(40)	26 785	(26 745)	–	–	–
Net profit for the year							294 483	294 483		294 843
Share issues	56 936 155		569	214 431				215 000		215 000
Share issue expenses				(351)				(351)		(351)
Balance as at 31 December 2005	358 934 487	–	3 589	648 285	2 823	97 611	770 496	1 522 804	–	1 522 804
Transfer to/(from) reserves					(2 823)	83 210	(80 387)	–	–	–
Net profit for the year							386 060	386 060		386 060
Ordinary shares repurchased	(70 711 888)		(707)	(299 293)				(300 000)		(300 000)
Preference shares issued		3 000 000						–	300 000	300 000
Share issue and repurchase expenses				(190)				(190)	(1 938)	(2 128)
Balance as at 31 December 2006	288 222 599	3 000 000	2 882	348 802	–	180 821	1 076 169	1 608 674	298 062	1 906 736

\* Represents non-distributable reserves transferred from other distributable reserves in or order to comply with the Banks Act, 1990.

**GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006**

	<b>2006</b>	<b>2005</b>
	<b>R'000</b>	<b>R'000</b>
Cash received from clients	3 011 542	2 409 602
Cash paid to clients, staff and suppliers	(2 212 469)	(1 965 145)
Dividend received	6 525	3 458
Recoveries on loans previously written off	6 658	9 217
<b>Cash generated by operating activities</b>	<b>812 256</b>	<b>457 132</b>
<b>Change in funds for operating activities</b>	<b>(486 029)</b>	<b>(446 426)</b>
Increase in operating assets	(8 632 056)	(4 864 913)
Increase in operating liabilities	8 146 027	4 418 487
Net cash generated by operating activities before taxation	326 227	10 706
Taxation paid	(132 059)	(19 731)
<b>Net cash generated by/(utilised in) operating activities</b>	<b>194 168</b>	<b>(9 025)</b>
<b>Net cash generated by/(utilised in) investing activities</b>	<b>2 279</b>	<b>(97 849)</b>
Acquisition of property and equipment	(18 551)	(108 037)
Proceeds on disposal of property and equipment	20 830	10 188
<b>Net cash (utilised in)/from financing activities</b>	<b>(2 128)</b>	<b>214 649</b>
Proceeds from issue of ordinary shares	–	214 649
Cash from repurchase of ordinary shares	(300 000)	–
Proceeds from issue of preference shares	297 872	–
<b>Net increase in cash and cash equivalents</b>	<b>194 319</b>	<b>107 775</b>
Cash and cash equivalents at the beginning of the year	474 485	366 710
<b>Cash and cash equivalents at the end of the year</b>	<b>668 804</b>	<b>474 485</b>

EXTRACTS FROM THE PUBLISHED REVIEWED INTERIM FINANCIAL RESULTS OF NEDBANK FOR THE SIX MONTHS ENDED 30 JUNE 2009 AND 30 JUNE 2008

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED

Rm	Reviewed June 2009	Reviewed June 2008	Audited December 2008
Interest and similar income	24 316	25 477	55 154
Interest expense and similar charges	16 527	17 942	39 874
<b>Net interest income</b>	<b>7 789</b>	<b>7 535</b>	<b>15 280</b>
Impairments charge on loans and advances	3 426	1 865	4 755
<b>Income from lending activities</b>	<b>4 363</b>	<b>5 670</b>	<b>10 525</b>
Non-interest revenue	4 812	4 541	9 877
<b>Operating income</b>	<b>9 175</b>	<b>10 211</b>	<b>20 402</b>
Total operating expenses	6 587	6 191	12 671
Operating expenses	6 523	6 087	12 484
BEE transaction expenses	64	104	187
Indirect taxation	165	182	356
<b>Profit from operations before non-trading and capital items</b>	<b>2 423</b>	<b>3 838</b>	<b>7 375</b>
Non-trading and capital items	15	766	745
Net profit on sale of subsidiaries, investments, and property and equipment	17	766	756
Net impairment of investments, property and equipment, and capitalised development costs	(2)		(11)
<b>Profit from operations</b>	<b>2 438</b>	<b>4 604</b>	<b>8 120</b>
Share of (losses)/profits of associates and joint ventures	(1)	7	9
Profit before direct taxation	2 437	4 611	8 129
Total direct taxation	541	1 068	1 791
Direct taxation	540	958	1 683
Taxation on non-trading and capital items	1	110	108
<b>Profit for the period</b>	<b>1 896</b>	<b>3 543</b>	<b>6 338</b>
Other comprehensive income net of taxation	7	(273)	(218)
Exchange differences on translating Foreign operations	(2)	17	(24)
Fair-value adjustments on available-for-sale assets	9	(298)	(272)
Gains on property revaluations	–	8	78
<b>Total comprehensive income for the period</b>	<b>1 903</b>	<b>3 270</b>	<b>6 120</b>
Profit attributable to: Equity holders of the parent	1 832	3 434	6 106
Non-controlling interest			
– ordinary shareholders	56	102	217
– preference shareholders	8	7	15
<b>Profit for the period</b>	<b>1 896</b>	<b>3 543</b>	<b>6 338</b>

## HEADLINE EARNINGS RECONCILIATION

Rm	Reviewed June 2009		Reviewed June 2008		Audited December 2008	
	Gross	Net of taxation	Gross	Net of taxation	Gross	Net of taxation
Profit attributable to equity holders of the parent		1 832		3 434		6 106
Less: Non-trading and capital items	15	14	766	656	745	637
Net profit on sale of subsidiaries, investments, and property and equipment	17	16	766	656	756	648
Net impairment of investments, property and equipment, and capitalised development costs	(2)	(2)			(11)	(11)
Headline earnings		1 818		2 778		5 469

## CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED

Rm	Reviewed June 2009	Reviewed June 2008	Audited December 2008
Cash generated by operations	6 811	6 219	13 867
Change in funds for operating activities	(4 024)	(2 675)	(9 842)
Net cash generated by operating activities before taxation	2 787	3 544	4 025
Taxation paid	(931)	(1 127)	(2 087)
Cashflows from operating activities	1 856	2 417	1 938
Cashflows utilised by investing activities	(643)	(236)	(1 214)
Cashflows utilised by financing activities	(700)	(478)	(921)
Net increase/(decrease) in cash and cash equivalents	513	1 703	(197)
Cash and cash equivalents at the beginning of the period*	17 699	17 896	17 896
Cash and cash equivalents at the end of the period*	18 212	19 599	17 699

\* Including mandatory reserve deposits with central banks.

**CONDENSED GROUP STATEMENT OF FINANCIAL POSITION**

Rm	Reviewed June 2009	Reviewed June 2008	Audited December 2008
<b>ASSETS</b>			
Cash and cash equivalents	7 328	10 122	7 638
Other short-term securities	14 104	16 517	10 411
Derivative financial instruments	18 635	18 082	23 114
Government and other securities	35 938	36 188	41 834
Loans and advances	428 376	408 325	433 422
Other assets	3 938	6 547	4 731
Clients' indebtedness for acceptances	1 847	3 121	2 998
Current taxation receivable	553	2	314
Investment securities	2 708	2 667	2 743
Non-current assets held for sale			10
Investments in associate companies and joint ventures	908	788	913
Deferred taxation asset	64	78	71
Investment property	104	75	104
Property and equipment	4 264	3 757	4 124
Long-term employee benefit assets	1 725	1 528	1 667
Computer software and capitalised development costs	1 653	1 473	1 587
Mandatory reserve deposits with central banks	10 884	9 477	10 061
Goodwill	1 390	1 390	1 390
<b>Total assets</b>	<b>533 869</b>	<b>520 137</b>	<b>547 132</b>
<b>EQUITY AND LIABILITIES</b>			
Ordinary share capital	27	27	27
Ordinary share premium	14 422	14 422	14 422
Reserves	17 531	15 691	16 927
<b>Total equity attributable to equity holders of the parent</b>	<b>31 980</b>	<b>30 140</b>	<b>31 376</b>
Preference share capital and premium	3 122	3 122	3 122
Non-controlling interest attributable to ordinary shareholders	1 633	1 307	1 644
Preference shareholders	300	300	300
<b>Total equity</b>	<b>37 035</b>	<b>34 869</b>	<b>36 442</b>
Derivative financial instruments	15 486	16 952	23 077
Amounts owed to depositors	456 571	438 728	461 084
Provisions and other liabilities	5 375	10 388	6 145
Liabilities under acceptances	1 847	3 121	2 998
Current taxation liabilities	118	210	117
Deferred taxation liabilities	1 792	1 670	1 982
Long-term employee benefit liabilities	1 260	1 251	1 227
Long-term debt instruments	14 385	12 948	14 060
<b>Total liabilities</b>	<b>496 834</b>	<b>485 268</b>	<b>510 690</b>
<b>Total equity and liabilities</b>	<b>533 869</b>	<b>520 137</b>	<b>547 132</b>
Guarantees on behalf of clients	25 941	20 287	25 154

Rm	Headline earnings		
	Reviewed June 2009	Reviewed June 2008	Audited December 2008
South Africa	1 795	2 769	5 408
Business operations	2 044	3 042	5 932
BEE transaction expenses	(62)	(105)	(187)
Profit attributable to non-controlling interest			
– preference shareholders	(187)	(168)	(337)
Rest of Africa	103	70	182
Rest of World – business operations	90	104	175
Total per Nedbank Group	1 988	2 943	5 765
Fellow-subsiary adjustments	(170)	(165)	(296)
<b>Total</b>	<b>1 818</b>	<b>2 778</b>	<b>5 469</b>

Rm	Total equity attributable to equity holders of the parent	Preference share capital and premium	Non-controlling interest attributable to ordinary shareholders	Non-controlling interest attributable to preference shareholders	Total equity
<b>Balance at 31 December 2007</b>	<b>28 403</b>	<b>3 122</b>	<b>1 307</b>	<b>300</b>	<b>33 132</b>
Ordinary					
Non-controlling					
Shareholders' share of preference dividends paid			(7)	7	–
Dividends to ordinary shareholders	(934)		(67)		(1 001)
Dividends to preference shareholders	(161)			(14)	(175)
Total income and expense for the period	2 832	–	74	7	2 913
Total comprehensive income for the period	3 161		102	7	3 270
Net income recognised directly in equity	(329)	–	(28)	–	(357)
Share-based payment reserve movement	(328)				(328)
Disposal of subsidiaries			(29)		(29)
Other movements	(1)		1		–
<b>Balance at 30 June 2008</b>	<b>30 140</b>	<b>3 122</b>	<b>1 307</b>	<b>300</b>	<b>34 869</b>
Ordinary non-controlling shareholders' share of preference dividends paid			(8)	8	–
Dividends to ordinary shareholders	(1 360)				(1 360)
Dividends to preference shareholders	(172)			(16)	(188)
Shares issued by subsidiary			225		225
Total income and expense for the period	2 768	–	120	8	2 896
Total comprehensive income for the period	2 721		121	8	2 850
Net income recognised directly in equity	47	–	(1)	–	46
Share-based payment reserve movement	40				40
Regulatory risk reserve provision	7				7
Other movements			(1)		(1)
<b>Balance at 1 December 2008</b>	<b>31 376</b>	<b>3 122</b>	<b>1 644</b>	<b>300</b>	<b>36 442</b>
Ordinary non-controlling shareholders' share of preference dividends paid			(9)	9	–
Dividends to ordinary shareholders	(669)		(5)		(674)
Dividends to preference shareholders	(333)			(17)	(350)
Total income and expense for the period	1 606	–	3	8	1 617
Total comprehensive income for the period	1 839		56	8	1 903
Net income recognised directly in equity	(233)	–	(53)	–	(286)
Share-based payment reserve movement	(233)				(233)
Buyout of non-controlling interest			(53)		(53)
<b>Balance at 30 June 2009</b>	<b>31 980</b>	<b>3 122</b>	<b>1 633</b>	<b>300</b>	<b>37 035</b>

EXTRACTS FROM THE PUBLISHED AUDITED FINANCIAL RESULTS OF  
NEDBANK FOR THE TWO FINANCIAL YEARS ENDED 31 DECEMBER 2008  
AND 31 DECEMBER 2007

GROUP INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER

	2008 Rm	2007 Rm
Interest and similar income	55 154	40 185
Interest expense and similar charges	39 874	26 631
<b>Net interest income</b>	<b>15 280</b>	<b>13 554</b>
Impairments charge on loans and advances	4 755	2 115
<b>Income from lending activities</b>	<b>10 525</b>	<b>11 439</b>
Non-interest revenue	9 877	9 725
<b>Operating income</b>	<b>20 402</b>	<b>21 164</b>
Total operating expenses	12 671	12 768
– Operating expenses*	12 484	12 633
– BEE transaction expenses	187	135
Indirect taxation	356	298
<b>Profit from operations before non-trading and capital items</b>	<b>7 375</b>	<b>8 098</b>
Non-trading and capital items	745	25
<b>Profit from operations</b>	<b>8 120</b>	<b>8 123</b>
Share of profits of associates and joint ventures	9	54
<b>Profit before direct taxation</b>	<b>8 129</b>	<b>8 177</b>
Direct taxation*	1 791	2 185
<b>Profit for the year</b>	<b>6 338</b>	<b>5 992</b>
<b>Profit attributable to:</b>		
Equity holders of the parent*	6 106	5 681
Minority interest – ordinary shareholders	217	298
Minority interest – preference shareholders	15	13
	<b>6 338</b>	<b>5 992</b>
Basic earnings per share (cents)*	22 416	20 855
Diluted earnings per share (cents)*	22 416	20 855
Dividend declared per share (cents)	4 993	9 648
Dividend paid per share (cents)	8 422	7 160

\* 2007 restated.

GROUP BALANCE SHEET AT 31 DECEMBER

	2008 Rm	2007 Rm
<b>ASSETS</b>		
Cash and cash equivalents	7 638	9 545
Other short-term securities	10 411	11 775
Derivative financial instruments	23 114	9 924
Government and other securities	41 834	29 271
Loans and advances*	433 422	373 185
Other assets	4 731	4 920
Clients' indebtedness for acceptances	2 998	2 236
Current taxation receivable	314	29
Investment securities	2 743	2 739
Non-current assets held for sale	10	
Investments in associate companies and joint ventures	913	735
Deferred taxation asset	71	65
Investment property	104	75
Property and equipment	4 124	3 757
Long-term employee benefit assets	1 667	1 305
Computer software and capitalised development costs	1 587	1 323
Mandatory reserve deposits with central bank	10 061	8 351
Goodwill	1 390	1 392
<b>Total assets</b>	<b>547 132</b>	<b>460 627</b>
<b>EQUITY AND LIABILITIES</b>		
Ordinary share capita	27	27
Ordinary share premium	14 422	14 422
Reserves	16 927	13 954
<b>Total equity attributable to equity holders of the parent</b>	<b>31 376</b>	<b>28 403</b>
Preference share capital and premium	3 122	3 122
Minority shareholders' equity attributable to:		
– ordinary shareholders	1 644	1 307
– preference shareholders	300	300
<b>Total equity</b>	<b>36 442</b>	<b>33 132</b>
Derivative financial instruments	23 077	10 336
Amounts owed to depositors**	461 084	389 290
Provisions and other liabilities***	6 145	10 419
Liabilities under acceptances	2 998	2 236
Current taxation liabilities	117	275
Deferred taxation liabilities	1 982	1 470
Long-term employee benefit liabilities	1 227	1 145
Long-term debt instruments	14 060	12 324
Total liabilities	510 690	427 495
<b>Total equity and liabilities</b>	<b>547 132</b>	<b>460 627</b>
<b>Guarantees on behalf of clients</b>	<b>25 154</b>	<b>20 564</b>

\* Included in loans and advances are loans to fellow subsidiaries amounting to R15,7 billion (2007: R20,2 billion).

\*\* Included in amounts owed to depositors are deposits from fellow subsidiaries amounting to R12,3 billion (2007: R22,0 billion).

\*\*\* 2007 restated. Refer to note 5.

**GROUP CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER**

	2008 Rm	2007 Rm
<b>Cash generated by operations</b>	<b>13 867</b>	<b>11 882</b>
Cash received from clients	64 802	49 766
Cash paid to clients, employees and suppliers*	(51 509)	(38 421)
Dividends received on investments	221	119
Recoveries on loans previously written off	349	414
Effects of exchange rate changes on opening cash and cash equivalents (excluding foreign borrowings)	4	4
<b>Change in funds for operating activities</b>	<b>(9 842)</b>	<b>(10 560)</b>
Increase in operating assets	(90 616)	(65 688)
Increase in operating liabilities*	80 774	55 128
<b>Net cash generated from operating activities before taxation</b>	<b>4 025</b>	<b>1 322</b>
Taxation paid	(2 087)	(2 126)
<b>Cashflows from/(utilised by) operating activities</b>	<b>1 938</b>	<b>(804)</b>
<b>Cashflows utilised by investing activities</b>	<b>(1 214)</b>	<b>(1 418)</b>
Acquisition of property and equipment, computer software and development costs and investment property	(1 507)	(1 086)
Disposal of property and equipment, computer software and development costs and investment property	18	37
Net movement on non-current assets	(10)	41
Net disposal of investment banking assets	8	25
Acquisition of associate companies	(318)	(546)
Disposal of associate companies	145	293
Acquisition of other investments	(721)	(696)
Disposal of other investments	1 131	438
Disposal of investments in subsidiary companies net of cash	40	282
Acquisition of investments in subsidiary companies net of cash		(206)
<b>Cashflows (utilised by)/from financing activities</b>	<b>(921)</b>	<b>1 927</b>
Net proceeds from issue of preference shares		361
Issue of long-term debt instruments	2 264	8 063
Redemption of long-term debt instruments	(528)	(4 255)
Dividends paid to ordinary shareholders	(2 294)	(1 948)
Preference share dividends paid	(363)	(294)
<b>Net decrease in cash and cash equivalents</b>	<b>(197)</b>	<b>(295)</b>
Cash and cash equivalents at the beginning of the year**	17 896	18 191
<b>Cash and cash equivalents at the end of the year**</b>	<b>17 699</b>	<b>17 896</b>

\* 2007 Restated. Refer to note 5.

\*\* Including mandatory reserve deposits with central banks.

**GROUP STATEMENT OF CHANGES IN TOTAL SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER**

	Number of ordinary shares	Ordinary share capital Rm	Ordinary share premium Rm	Foreign currency translation reserve Rm
<b>Balance at 31 December 2006</b>	<b>27 240 023</b>	<b>27</b>	<b>14 422</b>	<b>(34)</b>
<b>Net effect of adopting IFRIC 11***</b>				
<b>Restated balance at 31 December 2006</b>	<b>27 240 023</b>	<b>27</b>	<b>14 422</b>	<b>(34)</b>
<b>Shares issued by subsidiary</b>				
Preference shares issued by subsidiary				
Share issue expenses				
Ordinary minority shareholders' share of preference dividends paid				
Preference share dividends paid				
Dividends to shareholders				
Total income and expense for the year		–	–	4
Profit for the year***				
Net income/(expense) recognised directly in equity		–	–	4
– Transfer from/(to) reserves***				
– Foreign currency translation reserve movement				4
– Property revaluation reserve movement				
– Share-based payments reserve movement***				
– Available-for-sale reserve movement				
– Disposal of subsidiaries				
– Buyout of minorities				
– Other movements				
<b>Balance at 31 December 2007</b>	<b>27 240 023</b>	<b>27</b>	<b>14 422</b>	<b>(30)</b>
<b>Shares issued by subsidiary</b>				
Ordinary minority shareholders' share of preference dividends paid				
Preference share dividends paid				
Dividends to shareholders				
Total income and expense for the year		–	–	17
Profit for the year				
Net income/(expense) recognised directly in equity		–	–	17
– Transfer from/(to) reserves				
– Foreign currency translation reserve movement				41
– Property revaluation reserve movement				(24)
– Share-based payments reserve movement				
– Regulatory risk reserve provision				
– Available-for-sale reserve movement				
– Disposal of subsidiaries				
– Other movements				
<b>Balance at 31 December 2008</b>	<b>27 240 023</b>	<b>27</b>	<b>14 422</b>	<b>(13)</b>

\* Represents other non-distributable revaluation surplus on capital items and non-distributable reserves transferred from other distributable reserves in order to comply with the Banks Act, 1990.

\*\* Represents the accumulated profits after distributions to shareholders and appropriations of retained earnings to other non-distributable reserves.

\*\*\* 2007 restated. Refer to note 5.

Property revaluation reserve Rm	Share-based payments reserve Rm	Other non-distributable reserves* Rm	Available-for-sale reserve Rm	Other distributable reserves** Rm	Total equity attributable to equity-holders of the parent Rm	Preference share capital and premium Rm	Minority shareholders' equity attributable to ordinary shareholders Rm	Minority shareholders' equity attributable to preference shareholders Rm	Total equity Rm
483	155 259	266	462	8 251 278	24 032 537	2 770	955	300	28 057 537
483	414	266	462	8 529	24 569	2 770	955	300	28 594
					-		150		150
						364			364
						(3)			(3)
							(13)	13	-
				(259)	(259)	(9)		(26)	(294)
				(1 948)	(1 948)		(21)		(1 969)
341	206	132	(70)	5 428	6 041	-	236	13	6 290
				5 681	5 681		298	13	5 992
341	206	132	(70)	(253)	360	-	(62)	-	298
(13)	127	132	4	(250)	-				-
					4				4
354					354				354
	79				79				79
			(74)		(74)				(74)
					-		(54)		(54)
					-		(23)		(23)
				(3)	(3)		15		12
824	620	398	392	11 750	28 403	3 122	1 307	300	33 132
					-		225		225
					-		(15)	15	-
				(333)	(333)			(30)	(363)
				(2 294)	(2 294)		(67)		(2 361)
98	(338)	(295)	(282)	6 400	5 600	-	194	15	5 809
				6 106	6 106		217	15	6 338
98	(338)	(295)	(282)	294	(506)	-	(23)	-	(529)
20	(50)	(302)	(4)	295	-				-
					(24)				(24)
78					78				78
	(288)				(288)				(288)
		7			7				7
			(278)		(278)		6		(272)
					-		(29)		(29)
				(1)	(1)			(1)	(1)
922	282	103	110	15 523	31 376	3 122	1 644	300	36 442

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER

### 1. PRINCIPAL ACCOUNTING POLICIES

#### 1.1 Basis of preparation

The following principal accounting policies have been applied consistently in dealing with items that are considered material in relation to the Nedbank Limited consolidated financial statements as well as the Nedbank Limited financial statements.

The financial statements have been prepared on a going-concern basis.

The group and company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the South African Companies Act, 1973, as amended.

The financial statements are presented in South African rands (ZAR), the functional currency of Nedbank Limited, and are rounded to the nearest million rands. The statements are prepared on the accrual and historical-cost basis of accounting, except for:

- non-current assets and disposal groups held for sale, which are all stated at the lower of carrying amount and fair value less costs to sell; and
- the following assets and liabilities, which are stated at their fair value;
  - financial assets and financial liabilities at fair value through profit or loss;
  - financial assets classified as available for sale; and
  - investment property and owner-occupied properties.

More detail relating to the financial statements can be found on the Nedbank website ([www.nedbank.co.za](http://www.nedbank.co.za))

EXTRACTS FROM THE PUBLISHED AUDITED FINANCIAL RESULTS OF  
NEDBANK FOR THE TWO FINANCIAL YEARS ENDED 31 DECEMBER 2006  
AND 31 DECEMBER 2005

GROUP INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	2006 Rm	2005 Rm
Interest and similar income	27 089	22 574
Interest expense and similar charges	16 600	13 878
<b>Net interest income</b>	<b>10 489</b>	<b>8 696</b>
Impairment losses on loans and advances	1 465	987
<b>Income from lending activities</b>	<b>9 024</b>	<b>7 709</b>
Non-interest revenue*	8 566	7 454
<b>Operating income</b>	<b>17 590</b>	<b>15 163</b>
Total operating expenses	11 725	10 494
Operating expenses*	11 581	10 195
Merger and recovery programme expenses		121
BEE transaction expenses	144	178
Indirect taxation	334	213
<b>Profit from operations before non-trading and capital items</b>	<b>5 531</b>	<b>4 456</b>
Non-trading and capital items	183	833
<b>Profit from operations</b>	<b>5 714</b>	<b>5 289</b>
Share of profits of associates and joint ventures	68	67
<b>Profit before direct taxation</b>	<b>5 782</b>	<b>5 356</b>
Direct taxation	1 669	935
<b>Profit for the year</b>	<b>4 113</b>	<b>4 421</b>
<b>Profit attributable</b>		
Equity holders of the parent	3 870	4 228
Minority interest – ordinary shareholders	243	193
	<b>4 113</b>	<b>4 421</b>
Basic earnings per share (cents)	14 206	15 731
Diluted earnings per share (cents)	14 206	15 731
Dividend paid per share (cents)	2 473	1 951
Dividend declared per share (cents)	1 926	2 679

\* 2005 restated, refer note 9.

GROUP BALANCE SHEET AS AT 31 DECEMBER 2006

	2006 Rm	2005 Rm
<b>ASSETS</b>		
Cash and cash equivalents	11 165	10 586
Other short-term securities	13 855	9 496
Derivative financial instruments	10 314	12 534
Government and other securities	22 031	22 505
Loans and advances*^	319 180	249 162
Other assets	5 120	5 088
Clients' indebtedness for acceptances	2 544	1 248
Current taxation receivable	138	119
Investment securities	2 385	2 419
Non-current assets held for sale	41	66
Investments in associate companies and joint ventures	690	397
Deferred taxation asset	48	626
Investment property	66	87
Property and equipment	3 323	3 039
Long-term employee benefit assets	1 357	1 225
Computer software and capitalised development costs	1 236	1 281
Mandatory reserve deposits with central bank	7 026	5 732
Goodwill^	1 369	1 370
<b>Total assets</b>	<b>401 888</b>	<b>326 980</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		
Ordinary share capital	27	27
Ordinary share premium	14 422	14 422
Reserves	9 583	6 263
Total equity attributable to equity holders of the parent	24 032	20 712
Preference share capital and premium	2 770	2 770
Minority shareholders' equity attributable to:		
– ordinary shareholders	955	872
– preference shareholders	300	
Total equity	28 057	24 354
Derivative financial instruments	11 549	15 463
Amounts owed to depositors**	339 164	271 244
Other liabilities	9 098	5 224
Liabilities under acceptances	2 544	1 248
Current taxation liabilities	338	333
Deferred taxation liabilities	1 410	774
Long-term employee benefit liabilities	1 210	1 067
Long-term debt instruments	8 518	7 273
Total liabilities	373 831	302 626
Total equity and liabilities	401 888	326 980
Guarantees on behalf of customers	15 235	11 064

\* Included in loans and advances are loans to fellow subsidiaries amounting to R18.2 billion (2005: R10.4 billion).

\*\* Included in amounts owed to depositors from fellow subsidiaries amounting to R27.6 billion (2005: R18.5 billion).

^ On the acquisition of the assets and liabilities of BoE Bank Limited, the excess of the purchase price over the identifiable assets, liabilities and contingent liabilities was applied to reduce the loan amount owing to BoE Bank Limited. To align the accounting with the purchase agreement the excess amounting to R807 million has been raised as goodwill. Comparative results have been restated accordingly.

GROUP STATEMENT OF CHANGES IN TOTAL SHAREHOLDER'S EQUITY FOR YEAR ENDED 31 DECEMBER 2006

	Number of ordinary shares	Ordinary share capital Rm	Ordinary share premium Rm	Foreign currency translation reserve Rm
<b>Balance at 31 December 2004</b>	26 850 570	27	13 945	(186)
Net income/(expenses) recognised directly in equity		–	–	64
Transfer from/(to) reserves				
Foreign currency translation reserve movements				
Revaluation of owner-occupied property				
Share-based payments reserve movements				
Available-for-sale reserve movements				
Redemption of preference share in subsidiaries				
Capitalisation of minorities				
Acquisition of subsidiaries				
Other				
Ordinary shares issued during the year	389 453	*	480	
Share issue expenses			(3)	
Preference share dividend paid				
Dividends to shareholders				
Profit of the year				
<b>Balance at 31 December 2005</b>	<b>27 240 023</b>	<b>27</b>	<b>14 422</b>	<b>(122)</b>
Net income/(expense) recognised directly in equity		–	–	88
Transfer from/(to) reserves				
Foreign currency translation reserve movements				88
Revaluation of owner-occupied property				
Share-based payments reserve movements				
Available-for-sale reserve movements				
Other				
Share issued/(repurchased) by subsidiary				
Preference share dividend paid				
Dividends to shareholders				
Profit for the year				
<b>Balance at 31 December 2006</b>	<b>27 240 023</b>	<b>27</b>	<b>14 422</b>	<b>(34)</b>

\* Represents amounts less than R1 million.

\*\* Represents mainly other non-distributable revaluation surplus on capital items.

\*\*\* Represents the accumulated profits after distributions to shareholders and appropriations of distributable reserves to other non-distributable reserves.

Continued

Property revaluation reserve Rm	Share-based payments reserve Rm	Other non-distributable reserves* Rm	Available-for-sale reserve Rm	Other distributable reserves** Rm	Total equity attributable to equity-holders of the parent Rm	Preference share capital and premium Rm	Minority shareholders' equity attributable to preference shareholders Rm	Minority shareholders' equity attributable to ordinary shareholders Rm	Total shareholders' equity Rm
262		162	446	1 894	16 550	2 770	245	558	20 123
153	28	26	(42)	(20)	209	–	(245)	122	86
		28		(28)	–				–
					64				64
153					153				153
	28				28				28
			(42)		(42)				(42)
							(245)		(245)
					–			107	107
					–			13	13
		(2)		8	6			2	8
					480				480
					(3)				(3)
				(228)	(228)				(228)
				(524)	(524)				(524)
				4 228	4 228			(1)	(525)
								193	4 421
415	28	188	404	5 350	20 712	2 770	–	872	24 354
68	127	78	58	(82)	337	–	–	–	337
(7)	(7)	83		(69)	–				–
					88				88
75					75				75
	134				134				134
			58		58				58
		(5)		(13)	(18)				(18)
					–		300	(150)	150
				(219)	(219)				(219)
				(668)	(668)			(10)	(678)
				3 870	3 870			243	4 113
483	155	266	462	8 251	24 032	2 770	300	955	28 057

**Group cash flow statement for the year ended 31 December**

	2006 Rm	2005 Rm
<b>Cash generated by operations</b>	<b>8 114</b>	<b>6 672</b>
Cash received from clients*	35 484	29 758
Cash paid to clients, employees and suppliers*	(27 469)	(23 436)
Dividends received on investments	164	130
Recoveries on loans previously written off	296	226
Effects of exchange rate changes on cash and cash equivalents (excluding foreign borrowings)	(361)	(6)
<b>Change in funds for operating activities</b>	<b>(5 267)</b>	<b>1 291</b>
Increase in operating assets	(74 299)	(437)
Increase in operating liabilities	69 032	1 728
<b>Net cash from operating activities before taxation</b>	<b>2 847</b>	<b>7 963</b>
Taxation paid	(752)	(725)
<b>Cash flows from operating activities</b>	<b>2 095</b>	<b>7 238</b>
<b>Cash flows utilised by investing activities</b>	<b>(730)</b>	<b>(302)</b>
Acquisition of property and equipment	(1 067)	(755)
Proceeds on disposal of property and equipment	57	132
Net movement on non-current assets	25	(18)
Net income of investment banking assets	6	1
Proceeds on disposal of investments in associate companies and other investments	249	337
Disposal of investments in subsidiary companies net of cash		1
<b>Cash flows from/(utilised by) financing activities</b>	<b>508</b>	<b>(200)</b>
Ordinary shares issued		480
Increase/(Decrease) in long-term debt instruments	1 245	(35)
Capital contribution by minority	150	107
Dividends paid to ordinary shareholders	(668)	(524)
Preference dividends paid	(219)	(228)
<b>Net increase in cash and cash equivalents</b>	<b>1 873</b>	<b>6 736</b>
Cash and cash equivalents at the beginning of the year (including mandatory reserve deposits with central bank)	16 318	9 582
<b>Cash and cash equivalents at the end of the year (including mandatory reserve deposits with central bank)</b>	<b>18 191</b>	<b>16 318</b>

\*2005 restated.

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## INDEPENDENT ADVISOR'S FAIR AND REASONABLE OPINION

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"The Board of Directors  
Imperial Bank Limited  
24 Achter Road  
Paulshof  
Sandton  
2021

5 November 2009

Dear Sirs/Madams

**OPINION REGARDING THE OFFER BY NEDBANK LIMITED ("NEDBANK") TO THE HOLDERS (OTHER THAN NEDBANK) OF IMPERIAL BANK LIMITED ("IMPERIAL BANK") PERPETUAL, NON-REDEEMABLE, NON-PARTICIPATING, NON-CUMULATIVE PREFERENCE SHARES ("IMPERIAL BANK PREFERENCE SHARES") ("THE OFFER")**

### INTRODUCTION

On 16 September 2009 Nedbank announced that an agreement had been reached with Imperial Financial Holdings Limited, a 100%-held subsidiary of Imperial Holdings Limited, in terms of which Nedbank will, subject to the fulfilment of certain conditions, acquire Imperial Bank, thereby constituting Imperial Bank as a wholly-owned subsidiary of Nedbank ("the acquisition").

Subsequent to this announcement, Nedbank has proposed an offer to acquire those Imperial Bank preference shares it does not currently own in terms of section 440A of the Companies Act, 1973. The offer consideration is to be settled by way of a fresh issue of 10 Nedbank preference shares for each Imperial Bank preference share tendered.

The offer is made voluntarily by Nedbank as the Securities Regulation Panel ("SRP"), based on submissions made to it, has ruled that Nedbank is not required to make a mandatory offer to the holders of the Imperial Bank preference shares pursuant to the acquisition. The offer is however governed by the Securities Regulation Code on Takeovers and Mergers and Rules of the Securities Regulation Panel ("SRP Code") as the offer constitutes an "affected transaction".

In terms of Rule 3 of the SRP Code the board of directors of an offeree company should obtain appropriate external advice in respect of an offer, in particular the effects of such an offer on a shareholder of the offeree company.

The independent sub-committee of the board of directors of Imperial Bank ("the board") has requested Ernst & Young Advisory Services Limited to act as independent advisers to the board as the offer is an affected transaction in terms of the SRP Code, and to provide the board with an opinion as to whether the terms and conditions of the offer are Fair and Reasonable only as far as the Imperial Bank preference shareholders of Imperial Bank are concerned.

Full details of the transaction have been set out in a circular to the Imperial Bank preference shareholders of Imperial Bank, to be dated on or about 12 November 2009.

### DEFINITION OF FAIR AND REASONABLE

An offer is generally fair and reasonable if the consideration is equal to or greater than the value of the shares being the subject of the transaction.

Fairness is primarily based on quantitative issues and reasonableness on qualitative issues surrounding the particular offer. Even though the consideration may differ from the market value of the assets being acquired, an offer may still be fair and reasonable after considering other significant factors.

This fair and reasonable opinion does not purport to cater for individual shareholders' positions but rather the general body of shareholders. A shareholder's decision regarding the fairness and reasonableness of the offer may be influenced by his or her particular circumstances (for example taxation and the price paid for the shares). Should a shareholder be in doubt, he or she should consult an independent adviser as to the merits of the offer, considering his or her personal circumstances.

## SOURCES OF INFORMATION

In the course of our analysis, we relied upon financial and other information, including prospective financial information, obtained from Imperial Bank and Nedbank management, together with industry-related and other information in the public domain. Our conclusion is dependent on such information being complete and accurate in all material respects.

The principal sources of information used in formulating our opinion regarding the terms and conditions of the offer include:

- the terms and conditions of the offer;
- representations, information and assumptions made available by, and discussions held with, the management of Imperial Bank and Nedbank;
- historical share trading data for Imperial Bank and Nedbank preference shares;
- audited financial information for Imperial Bank and Nedbank for the financial year ended 31 December 2008;
- reviewed financial information for Imperial Bank and Nedbank for the six months ended 30 June 2009; and
- current market data regarding interest rates and yields on listed preference shares.

Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of our opinion, whether in writing or obtained through discussions with the management of Imperial Bank and Nedbank.

Our procedures and enquiries did not constitute an audit. Accordingly, we cannot express any opinion on the financial data or other information used in arriving at our opinion.

## PROCEDURES

In arriving at our opinion in respect of the offer, we have, *inter alia*, considered the following:

- the relevant information included in the terms and conditions of the offer, as described in the draft circular;
- the rationale for the offer, as represented by the directors and management;
- the Imperial Bank and Nedbank directors' financial assessment of the offer;
- historical trading data for Imperial Bank and Nedbank preference shares;
- the information and assumptions made available by, and discussions held with, the directors and management of Imperial Bank and Nedbank;
- an assessment of the yield on Imperial Bank and Nedbank preference shares in comparison with current market rates or yields; and
- the value Imperial Bank preference shareholders are expected to realise prior to, and as a result, of the dissolution of Imperial Bank relative to the offer consideration ("the dissolution alternative").

We have not interviewed Imperial Bank and Nedbank preference shareholders to obtain their views on the offer.

## ASSUMPTIONS

Our opinion is based on the following key assumptions:

- current economic, regulatory and market conditions will not change materially;
- Imperial Bank and Nedbank are not involved in any material legal proceedings;
- Imperial Bank and Nedbank have no material outstanding disputes with the South African Revenue Service;
- there are no other contingencies that could affect the value of Imperial Bank and Nedbank's preference shares; and
- representations made by the Imperial Bank and Nedbank management during the course of forming this opinion.

## OPINION

Our opinion is based on the current economic, market, regulatory and other conditions and the information made available to us by Imperial Bank and Nedbank's management up to 15 October 2009. Accordingly, subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

Based on the results of our procedures performed and other considerations, we believe that a fair exchange ratio for Nedbank preference shares to 1 Imperial Bank preference share to be between 7.55 and 7.93 Nedbank preference shares for every 1 Imperial Bank preference share held.

We have also considered the offer consideration relative to the value Imperial Bank preference shareholders would realise under the dissolution alternative. The value expected to be realised by Imperial Bank preference shareholders under the dissolution alternative is estimated to be below the offer consideration.

In considering the exchange ratio range listed above shareholders should take particular notice of the following factors:

- the actual market price achieved in a specific transaction may be higher or lower than our estimate of the exchange ratio range depending upon the circumstances of the transaction (for example strategic considerations of the purchaser), the nature of the business (for example the purchaser's perception of potential synergies); and
- the above valuation range represents a stand-alone valuation of Imperial Bank and Nedbank's preference shares as currently structured under current management, strategies and business plans. As a result, it specifically excludes any potential synergies that may arise from a purchase by the current bidder.

Subject to the foregoing assumptions, based upon our analysis and after taking into account all financial and non-financial considerations (such as, *inter alia*, the process followed by the board in securing the offer), we are of the opinion that the terms and conditions in respect of the offer are fair and reasonable to the preference shareholders of Imperial Bank.

## **INDEPENDENCE**

We confirm that Ernst and Young Advisory Services Limited holds no shares in Imperial Bank and Nedbank, directly or indirectly. We have no interest, direct or indirect, beneficial or non-beneficial, in Imperial Bank and Nedbank or the outcome of the offer.

In addition, Ernst and Young Advisory Services Limited has no material interest in the offer or the success or failure of the offer. Accordingly, we believe we are sufficiently independent to provide this fair and reasonable opinion.

## **LIMITING CONDITIONS**

Forecasts relate to future events and are based on assumptions that may not remain valid for the whole of the relevant period. Consequently this information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely actual results will correspond to those projected/forecast by the management of Imperial Bank and Nedbank.

This letter and opinion is provided solely for the benefit of the board in connection with and for the purpose of their consideration of the offer as it falls under the jurisdiction of the SRP and their recommendation to the preference shareholders of Imperial Bank. It does not constitute a recommendation to any preference shareholder of Imperial Bank as to how to vote at any meeting relating to the offer or on any matters relating to it, nor as to the acceptance of the offer. Therefore, it should not be relied upon for any other purpose. We assume no responsibility to anyone if this letter, the exchange ratio range estimate, and opinion are used or relied upon for anything other than its intended purpose.

## **CONSENT**

We hereby consent to this letter and the references thereto being made public to holders of Imperial Bank preference shares in the form and context in which they are published in this document to Imperial Bank preference shareholders on or about 12 November 2009. We confirm that we have given and have not withdrawn our consent prior to the issue of the said document to Imperial Bank preference shareholders.

Yours faithfully

**Anil Khimjee**  
Director"

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**TRADING HISTORY OF IMPERIAL BANK PREFERENCE SHARES ON THE JSE**


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The trading history of Imperial preference shares on the JSE are set out below

	High (cents)	Low (cents)	Close (cents)	Volume	Value (R'm)
<b>Quarterly</b>					
31 December 2007	9 070	8 000	8 895	46 332	3.9
31 March 2008	9 200	8 205	9 000	85 172	7.1
30 June 2008	8 827	7 400	8 100	87 678	7.1
30 September 2008	8 400	7 500	7 900	358 495	29.3
31 December 2008	7 700	6 800	7 400	231 971	16.3
31 March 2009	7 400	6 000	6 950	150 178	10.9
30 June 2009	9 000	6 950	8 900	567 367	45.0
30 September 2009	9 800	8 800	9 250	262 005	24.1
<b>Monthly</b>					
31 October 2008	7 700	7 000	7 000	65 855	4.7
30 November 2008	7 700	6 800	7 235	117 365	8.1
31 December 2008	7 400	7 050	7 400	48 751	3.5
31 January 2009	7 400	7 250	7 390	53 215	3.9
28 February 2009	7 400	7 000	7 000	48 931	3.6
31 March 2009	7 130	6 000	6 950	48 032	3.3
30 April 2009	7 000	6 950	6 999	55 594	3.9
31 May 2009	8 350	6 980	8 350	227 683	17.1
30 June 2009	9 000	8 150	8 900	284 090	24.0
31 July 2009	9 050	8 800	9 050	39 400	3.5
31 August 2009	9 800	9 050	9 800	68 735	6.4
30 September 2009	9 300	8 950	9 250	153 870	14.1
30 October 2009	9 950	9 200	9 800	190 632	18.5
<b>Daily</b>					
1 October 2009	–	–	9 250	0	–
2 October 2009	9 275	9 250	9 275	250	0.0
5 October 2009	–	–	9 275	0	–
6 October 2009	9 300	9 275	9 300	1 000	0.1
7 October 2009	–	–	9 300	0	–
8 October 2009	9 300	9 290	9 300	6 510	0.6
9 October 2009	–	–	9 300	0	–
12 October 2009	9 300	9 200	9 300	8 500	0.8
13 October 2009	9 300	9 200	9 300	20 300	1.9
14 October 2009	9 295	9 210	9 295	2 000	0.2
15 October 2009	9 800	9 800	9 800	11 000	1.1
16 October 2009	9 950	9 800	9 950	8 000	0.8
19 October 2009	–	–	9 950	0	–
20 October 2009	9 805	9 800	9 800	13 000	1.3
21 October 2009	9 885	9 800	9 800	21 800	2.1
22 October 2009	9 885	9 885	9 885	100	0.0
23 October 2009	9 840	9 800	9 800	25 000	2.5
26 October 2009	9 830	9 800	9 820	57 180	5.6
27 October 2009	–	–	9 820	0	–
28 October 2009	–	–	9 820	0	–
29 October 2009	–	–	9 820	0	–
30 October 2009	9 820	9 800	9 800	15 992	1.6
2 November 2009	–	–	9 800	0	–
3 November 2009	9 801	9 800	9 800	4 900	0.5
4 November 2009	–	–	9 800	0	–
5 November 2009	9 810	9 803	9 804	1 000	–

Source: I-Net Bridge

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**TRADING HISTORY OF NEDBANK PREFERENCE SHARES ON THE JSE**


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The trading history of Nedbank preference shares on the JSE are set out below

	High (cents)	Low (cents)	Close (cents)	Volume	Value (R'm)
<b>Quarterly</b>					
31 December 2007	1 030	993	1 030	14 360 517	201.292175
31 March 2008	1 065	980	980	34 542 359	354.807661
30 June 2008	1 015	950	998	9 871 877	97.380228
30 September 2008	1 110	940	976	13 194 170	133.243699
31 December 2008	1 005	882	990	12 901 776	124.23304
31 March 2009	1 030	940	950	16 872 881	168.161388
30 June 2009	1 068	950	995	17 325 284	175.179056
30 September 2009	1 051	950	958	15 159 896	152.411186
<b>Monthly</b>					
31 October 2008	975	882	915	4 433 260	41.389364
30 November 2008	1 005	900	970	5 114 913	49.643517
31 December 2008	1 000	965	990	3 353 603	33.200159
31 January 2009	1 030	940	973	5 211 481	51.582284
28 February 2009	1 014	962	1 005	4 258 826	42.802981
31 March 2009	1 020	950	950	7 402 574	73.776123
30 April 2009	1 000	950	998	6 003 010	58.377266
31 May 2009	1 068	996	1 050	8 662 596	88.751114
30 June 2009	1 067	995	995	2 659 678	28.050676
31 July 2009	1 051	970	1 050	4 678 366	48.545142
31 August 2009	1 040	975	980	5 493 442	55.138526
30 September 2009	999	950	958	4 988 088	48.727518
30 October 2009	1 030	953	1 005	8 716 582	86.49739
<b>Daily</b>					
01 October 2009	957	953	955	65 892	0.628874
02 October 2009	956	955	956	96 503	0.921703
05 October 2009	956	955	956	72 816	0.695394
06 October 2009	970	956	956	47 127	0.453001
07 October 2009	980	970	974	1 511 012	14.729091
08 October 2009	988	975	986	524 690	5.162519
09 October 2009	990	985	989	255 873	2.530026
12 October 2009	995	975	995	1 652 826	16.361699
13 October 2009	998	995	998	586 530	5.84152
14 October 2009	998	990	998	571 233	5.687056
15 October 2009	999	996	999	349 256	3.485238
16 October 2009	1 000	997	1 000	400 258	3.99777
19 October 2009	1 005	1 000	1 000	114 148	1.14383
20 October 2009	1 005	1 000	1 000	167 663	1.680927
21 October 2009	1 005	999	1 005	628 233	6.305674
22 October 2009	1 008	1 001	1 008	132 384	1.329471
23 October 2009	1 030	1 005	1 030	290 700	2.932475
26 October 2009	1 029	1 010	1 010	137 800	1.40925
27 October 2009	1 010	1 000	1 010	233 400	2.34563
28 October 2009	1 015	1 005	1 010	189 380	1.914112
29 October 2009	1 010	1 005	1 005	395 188	3.983029
30 October 2009	1 010	1 005	1 005	293 670	2.9591
02 November 2009	1 010	1 000	1 010	71 827	0.721077
03 November 2009	1 020	1 010	1 010	293 815	2.968971
04 November 2009	1 010	1 005	1 005	629 573	6.354862
05 November 2009	1 008	1 005	1 007	145 157	–

Source: I-Net Bridge

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## RELEVANT EXTRACTS FROM THE IMPERIAL BANK ARTICLES OF ASSOCIATION AS THEY PERTAIN TO RIGHTS AND PRIVILEGES OF IMPERIAL BANK PREFERENCE SHARES

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### "41. TERMS OF THE NON-REDEEMABLE, NON-CUMULATIVE, NON-PARTICIPATING PREFERENCE SHARES

The following are the rights, privileges, restrictions and conditions, which attach to the 8 000 000 (eight million) non-redeemable, non-cumulative, non-participating, preference shares in the capital of the Company (the "Preference Shares").

41.1 For the purpose of this Article 41 –

41.1.1 "**Business Days**" shall mean all days, excluding Saturdays, Sundays and official public holidays in the Republic of South Africa;

41.1.2 "**Deemed Value**" means an amount of R100,00 (one hundred rand) per Preference Share, notwithstanding the actual issue price of the Preference Share (being the par value of the Preference Share of R0,0005 (zero point zero zero zero five rands) plus a premium thereon) which may vary because of a difference in the premium at which the Preference Shares are issued from time to time;

41.1.3 "**Dividend Period**" means the same period(s) as are applicable to Nedbank Limited, from time to time, for the calculation and payment of dividends in respect of its issued ordinary share capital, at present the consecutive 6 (six) month periods commencing 1 January and ending 30 June, and commencing 1 July and ending 31 December of each and every calendar year;

41.1.4 "**Income Tax Act**" means the Income Tax Act, No. 58 of 1962, as amended or replaced from time to time;

41.1.5 "**Prime Rate**" means the publicly quoted basic rate per annum and calculated on a 365 (three hundred and sixty-five) day year factor (irrespective of whether or not the year is a leap year) ruling from time to time, quoted by Nedbank Limited as being its prime overdraft rate. A certificate issued under the hand of any manager (whose authority and appointment it shall not be necessary to prove) of Nedbank Limited as to the Prime Rate from time to time shall, in the absence of manifest error, be final and binding upon the Company and the holder of a Preference Share;

41.1.6 "**Preference Dividend Accrual Date**" means 30 June and 31 December each year;

41.1.7 "**Preference Dividend Payment Dates**" means, if declared, the earlier of –

41.1.7.1 a date at least 7 (seven) Business Days prior to the date on which the Company pays its ordinary dividends, if any, in respect of the same period; and

41.1.7.2 a date not later than 120 (one hundred and twenty) Business Days after each relevant Preference Dividend Accrual Date.

41.2 Each Preference Share shall rank as regards dividends and a repayment of capital on the winding-up of the Company prior to the ordinary shares and any other class of shares in the capital of the Company not ranking prior to or *pari passu* with the Preference Shares. Each Preference Share shall confer on the holder the right to a return of capital on the winding-up of the Company, in priority to any payment in respect of any other class of shares in the Company's capital, of an amount equal to the issue price thereof, plus any accrued and unpaid dividends, and shall not confer upon any holder of a Preference Share any further rights to any participation in the assets or profits of the Company, other than as set out in this Article 41.

41.3 Each Preference Share shall confer upon the holder thereof the right to receive out of the profits of the Company which it shall determine to distribute, in priority to any payment of dividends to the holders of any other class of shares in the capital of the Company not ranking prior to or *pari passu* with the Preference Shares, a non-cumulative preference cash dividend. The rate of such preference dividend shall be 70% (seventy per cent) of the Prime Rate multiplied by the Deemed Value, calculated daily during the appropriate period referred to in Article 41.4, but never compounded.

- 41.4 The preference dividends shall, if declared in respect of any Dividend Period, accrue half-yearly in arrear on the Preference Dividend Accrual Date immediately following the expiry of such Dividend Period and, if so declared, shall be payable by not later than the relevant Preference Dividend Payment Date immediately following the relevant Preference Dividend Accrual Date and, if so declared, failing payment by such relevant Preference Dividend Payment Date, shall be in arrear. Notwithstanding the foregoing, the first preference dividend on the Preference Shares issued prior to 31 December 2006 shall, if declared, accrue on 31 December 2006 and shall be calculated from the date on which the Preference Shares were issued until 31 December 2006 (both dates inclusive) and shall, if so declared, be paid on the immediately following Preference Dividend Payment Date and, if so declared, failing payment by the immediately following Preference Dividend Payment Date, shall be in arrear.
- 41.5 If a preference dividend is not declared by the Company in respect of the period to which such Preference Dividend Accrual Date relates, the preference dividend shall not accumulate and shall accordingly never become payable by the Company, whether in preference to payments to any other class of shares in the Company or otherwise. Notwithstanding the foregoing, the Company shall, in respect of any applicable Dividend Period where it has declared a preference dividend and having so declared, failed to pay such preference dividend, and for so long as such preference dividend remains unpaid –
- 41.5.1 not be entitled to pay dividends on any other class of share ranking either after or *pari passu* with the preference shares;
- 41.5.2 not make any other distribution of any nature to the holders of any other class of share ranking either after or *pari passu* with the preference shares; and
- 41.5.3 not repurchase any other class of share ranking either after or *pari passu* with the preference shares.
- 41.6 If there is an amendment (or amendments) to the Income Tax Act, which results in the preference dividends being taxable in the hands of the Preference Shareholders and which results in payment of the preference dividends becoming a deductible expense for the Company, then (provided such amendment is uniformly applicable to all corporate tax payers and not only because of the particular circumstances of the Company or any Preference Shareholder) the percentage of the Prime Rate referred to in Article 41.1.5 shall be increased by the Company. The extent of such increase shall be limited to such an increase that the Company does not incur savings in the costs of servicing the Preference Shares, which savings it would not have incurred but for such amendments to the Income Tax Act. If such amendments to the Income Tax Act do not result the Company incurring lesser costs in servicing the Preference Shares, then, notwithstanding that such amendment may result in a decrease in the returns of any Preference Shareholder on its Preference Share investment, no amendment shall be made to the percentage of the Prime Rate contemplated in Article 41.1.5. The Company shall be entitled to require its auditors to verify whether it is obliged to increase the percentage of the Prime Rate referred to in Article 41.1.5 in accordance with this Article 41.6. The auditors, in deciding whether such increase is required in terms of this Article 41.6 shall act as experts and not as arbitrators and their decision shall be final and binding on the Company and all Preference Shareholders. The costs of such auditors shall be borne and paid by the Company.
- 41.7 Save as set out in Articles 41.4 to 41.6 above, the Preference Shares shall not be entitled to any further participation in the profits or assets of the Company nor, on a winding-up, to any surplus assets of the Company.
- 41.8 The Company shall be obliged to give the preference shareholders notice, in terms of the statutes, of any meeting of preference shareholders. At every meeting of preference shareholders, the provisions of these articles relating to general meetings of ordinary meetings shall apply, *mutatis mutandis*, except that a quorum of any such class meeting shall be 3 (three) holders of Preference Shares entitled to vote, personally present, or if any such preference shareholder is a body corporate, represented at that meeting, provided that if at any adjournment of such meeting a quorum is not so present, the provisions of the articles relating to adjourned general meetings shall apply *mutatis mutandis*.
- 41.9 The holders of the Preference Shares shall not be entitled to be present or to vote, either in person or by proxy, at any general meeting of the Company, by virtue of or in respect of the Preference Shares, unless either or both of the following circumstances prevail at the date of the meeting –
- 41.9.1 during any period determined as provided for in section 194(2) of the Companies Act in which any dividend or any part of any dividend on such preference shares remains in arrear and unpaid; and/or;

- 41.9.2 a resolution of the Company is proposed (in which event the Preference Shareholders shall be entitled to vote only on such resolution) which directly affects the rights attached to the Preference Shares or the interests of the holders thereof, including a resolution for the winding-up of the Company or for the reduction of its capital.
- 41.10 At every general meeting of the Company at which holders of Preference Shares as well as other classes of shares are present and entitled to vote a Preference Shareholder shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by him bear to the aggregate amount of the nominal value of all shares issued by the Company.
- 41.11 Notwithstanding the provisions of Article 41.2, no shares in the capital of the Company ranking, as regards rights to dividends or, on a winding-up, as regards return of capital, in priority to the Preference Shares, shall be created or issued, without the prior sanction of a resolution passed at a separate class meeting of the holders of the Preference Shares in the same manner *mutatis mutandis* as a special resolution. At every meeting of the holders of the Preference Shares the provisions of these Articles relating to general meetings of ordinary members shall apply *mutatis mutandis*, except that a quorum at any such general meeting shall be any person or persons holding or representing by proxy at least 3 (three) of the Preference Shares, provided that, if at any adjournment of such meeting a quorum is not so present, the provisions of the Articles relating to adjourned general meetings shall apply *mutatis mutandis*.
- 41.12 A certificate issued by the auditors of the Company in the manner, *mutatis mutandis*, in accordance with the provisions as set out in Article 41.6, shall be *prima facie* proof of the amount of any preference dividend to be paid on any Preference Dividend Payment Date.”

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## RELEVANT EXTRACTS FROM THE NEDBANK ARTICLES OF ASSOCIATION AS THEY PERTAIN TO RIGHTS AND PRIVILEGES OF NEDBANK PREFERENCE SHARES

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### "1. INTERPRETATION

In these Articles, unless the context otherwise requires:

- 1.2 "these Articles" means the Articles of Association as amended from time to time;
- 1.4 "board" means the board of directors of the company;
- 1.7 "the company" means Nedbank Limited;
- 1.8 "the directors" means the directors of the company serving as such from time to time, or, as the case may be, a quorum of directors assembled as a board or acting by written resolution in terms of these Articles;
- 1.16 "member or shareholder" means a registered holder of shares in the company;
- 1.19 "notice" means a notice in terms of the Companies Act;
- 1.21 "preference shares" means the non-redeemable, non-cumulative, non-participating, preference shares in the capital of the company;
- 1.22 "profits" includes revenue and capital profits;
- 1.25 "the Republic" means the Republic of South Africa;
- 1.27 "securities" includes stocks, shares (of any class), debentures (issued by a company having a share capital), units of stocks issued in place of shares and options on stocks or shares or on such debentures or units, and rights thereto;
- 1.35 "uncertificated securities" means securities as defined in section 91A of the Companies Act which are by virtue of the Statutes transferable without a written instrument and are not evidenced by a share certificate;
- 1.36 "year" means a calendar year."

### "44. TERMS OF THE NON-REDEEMABLE, NON-CUMULATIVE, NON-PARTICIPATING PREFERENCE SHARES

The following are the rights, privileges, restrictions and conditions which attach to the non-redeemable, non-cumulative, non-participating, preference shares in the capital of the company ("the preference shares"):

- 44.1 Each preference share will rank as regards dividends and a repayment of capital on the winding up of the company prior to the ordinary shares and any other class of shares in the capital of the company not ranking prior to or *pari passu* with the preference shares.
- 44.2 For the purpose of this Article 44.2, the "prime rate" means the publicly quoted basic rate per annum ruling from time to time at which the company lends on overdraft. Each preference share will confer upon the holder thereof the right to receive out of the profits of the company which it shall determine to distribute, in priority to any payment of dividends to the holders of any other class of shares in the capital of the company not ranking prior to or *pari passu* with the preference shares, a non-cumulative preference cash dividend. The rate of such preference dividend will not exceed 75% (seventy-five per cent) of the prime rate multiplied by the "deemed value" of the preference shares calculated daily during the appropriate period referred to in Article 44.3, but never compounded. The deemed value of each preference share, for purposes of calculation of the preference dividend, shall always be an amount of R10.00 (ten rand), notwithstanding the actual issue price of the preference share (that is the nominal value of the preference share plus a premium thereon) which may vary because of a difference in the premium at which the preference shares are issued from time to time.

- 44.3 The preference dividends shall, if declared, accrue half-yearly in arrear on 30 June and 31 December each year ("preference dividend accrual date"), and if declared shall be payable, in respect of the appropriate period ending on those dates, on dates being 7 (seven) business days prior to the dates on which NEDBANK GROUP LIMITED pays its ordinary dividends (if any) in respect of the same periods but in any event, if declared shall be payable not later than 120 (one hundred and twenty) business days after 30 June and 31 December, respectively ("preference dividend payment dates") and, if declared, failing payment by the relevant dividend payment date will be considered in arrear. "Business days" shall mean all days, excluding Saturdays, Sundays and public holidays in the Republic of South Africa. Preference shares issued between the dates on which the preference dividends accrue, shall, if declared, accrue on the first preference dividend accrual date after their issue and shall be calculated from the day following the last preference dividend accrual date until the date on which they accrue. Notwithstanding the foregoing, the first preference dividend on the preference shares issued prior to 31 December 2002 shall, if declared, accrue on 30 June 2003 and shall be calculated from the date on which the preference shares were issued until 30 June 2003 (both dates inclusive).
- 44.4 If a preference dividend is not declared by the company in respect of the period to which such preference dividend accrual date relates, the preference dividend will not accumulate and will accordingly never become payable by the company whether in preference to payments to any other class of shares in the company or otherwise. Notwithstanding the foregoing, the company shall, if it fails to declare a preference dividend in respect of any applicable period, be obliged to retain in reserve an amount equivalent to the aggregate amount of profits generated by the company during such applicable period.
- 44.5 If there is an amendment (or amendments) to the Income Tax Act, No 58 of 1962 ("the Income Tax Act") that results in the preference dividends being taxable in the hands of the preference shareholders and which results in payment of the preference dividends becoming a deductible expense for the company then, (provided such amendment is uniformly applicable to all corporate tax payers and not only because of the particular circumstances of the company or any preference shareholder) the percentage of the prime rate referred to in Article 44.2 will be increased by the company. The extent of such increase will be limited to an increase such that the company does not incur savings in the costs of servicing the preference shares which savings it would not have incurred but for such amendments to the Income Tax Act. If such amendments to the Income Tax Act do not result in the company incurring lesser costs in servicing the preference shares, then, notwithstanding that such amendment may result in a decrease in the returns of any preference shareholder on its preference share investment, no amendment shall be made to the percentage of the prime rate contemplated in Article 44.2. The company shall be entitled to require its auditors to verify whether it is obliged to increase the percentage of the prime rate referred to in Article 44.2 in accordance with this Article 44.5. The auditors in deciding whether such increase is required in terms of this Article 44.5 shall act as experts and not as arbitrators and their decision shall be final and binding on the company and all preference shareholders. The costs of such auditors shall be borne and paid by the company.
- 44.6 Each preference share shall confer on the holder the right to a return of capital on the winding-up of the company, in priority to any payment in respect of any other class of shares in the company's capital, of an amount equal to the issue price thereof.
- 44.7 Save as set out in Articles 44.2 to 44.6 (inclusive), the preference shares shall not be entitled to any further participation in the profits or assets of the company nor on a winding up to any surplus assets of the company.
- 44.8 The holders of the preference shares shall not be entitled to be present or to vote, either in person or by proxy, at any meeting of the company, by virtue of or in respect of the preference shares, unless either or both of the following circumstances prevail at the date of the meeting –
- 44.8.1 the preference dividend or any part thereof remains in arrear and unpaid after 6 (six) months from the due date thereof;
- 44.8.2 a resolution of the company is proposed (in which event the preference shareholders shall be entitled to vote only on such resolution), which directly affects the rights attached to the preference shares or the interests of the holders thereof, including a resolution for the winding up of the company or for the reduction of its capital.
- 44.9 At every general meeting of the company at which holders of preference shares as well as other classes of shares are present and entitled to vote, a preference shareholder shall be entitled to that proportion of the total votes in the company which the aggregate amount of the nominal value of the shares held by him bear to the aggregate amount of the nominal value of all shares issued by the company.

Notwithstanding the provisions of Article 44.6, no shares in the capital of the company ranking, as regards rights to dividends or, on a winding-up as regards return of capital, in priority to the preference shares, shall be created or issued, without the prior sanction of a resolution passed at a separate class meeting of the holders of the preference shares in the same manner *mutates mutandis* as a special resolution. At every meeting of the holders of the preference shares, the provisions of these Articles relating to general meetings or ordinary members shall apply *mutatis mutandis*, except that a quorum at any such general meeting shall be any person or persons holding or representing by proxy at least 2 (two) of the preference shares, provided that if at any adjournment of such meeting a quorum is not so present, the provisions of the Articles relating to adjourned general meetings shall apply *mutatis mutandis*."

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**EXTRACT OF SECTION 440K**

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"440K. Compulsory acquisition of securities of minority in affected transaction

(1)

- (a) If an offer for the acquisition of securities under an affected transaction involving the transfer of securities or any class of securities of a company to an offeror, has within four months after the date of the making of such offer been accepted by the holders of not less than nine-tenths of the securities or any class of securities whose transfer is involved (other than securities already held at the date of the issue of the offer by, or by a nominee for, the offeror or its subsidiary), the offeror may at any time within two months after the date of such acceptance give notice in the prescribed manner to any holder of such securities who has not accepted the said offer, that he or it desires to acquire his or its securities, and where such notice is given, the offeror shall be entitled and bound to acquire those securities on the terms on which under the affected transaction the securities of the holders who have accepted the offer, were or are to be transferred to the offeror, unless on an application made by such holder within six weeks from the date on which the notice was given, the Court –
- (i) orders that the offeror shall not be so entitled and bound; or
  - (ii) imposes conditions of acquisition different from those of the offer.
- (b) If the said offer has not been accepted to the extent necessary for entitling the offeror to give notice under subsection (1)(a), the Court may, on application by the offeror, issue an order authorizing him to give notice under that subsection if the Court is satisfied that –
- (i) the offeror has after reasonable enquiry been unable to trace one or more of the persons holding securities to which the offer relates;
  - (ii) the securities whose transfer is involved, by virtue of acceptances of the offer, together with the securities held by the person or persons referred to in sub paragraph (i), amount to not less than the minimum specified in subsection (1)(a); and
  - (iii) the consideration offered is fair and reasonable,

but the Court shall not issue an order under this paragraph unless it considers that it is just and equitable to do so having regard, in particular, to the number of holders of securities who have been traced but who have not accepted the offer.

- (2) Where a notice has been given by the offeror under subsection (1) and the Court, on an application made by a holder of the securities who has not accepted the offer, has not ordered as contemplated in subsection (1)(a), the offeror shall, on the expiration of six weeks from the date on which the notice was given, or, if an application to the Court by such holder is then pending, after the application has been disposed of, transmit a copy of the notice to the offeree company, together with an instrument of transfer executed on behalf of such holder by any person appointed by the offeror, and pay or transfer to the offeree company the amount or other consideration representing the price payable by the offeror for the securities which by virtue of this section he or it is entitled to acquire, and, subject to the payment of the stamp duties ordinarily payable, the offeree company shall thereupon register the offeror as the holder of those securities: Provided that an instrument of transfer shall not be required for any security for which a share warrant is for the time being outstanding.
- (3) Where, in pursuance of an affected transaction referred to in subsection (1), securities of an offeree company were or are to be transferred to a person and those securities, together with any other securities of the said offeree company held by, or by a nominee for, the offeror or its subsidiary at the date of the acceptance of the offer in question, comprise or include nine-tenths of the securities in the offeree company or of any class of those securities, then –
- (a) the offeror shall within a month from the date of such acceptance (unless he or it has already complied with this requirement under subsection (1)) give notice of that fact in the prescribed manner to the holders of the remaining securities or of the remaining securities of that class, as the case may be, who have not accepted the offer under the affected transaction in question; and

(b) any such holder may within three months from the giving of the notice to him require the offeror to acquire the securities in question,

and where the holder gives notice under paragraph (b) in relation to any securities, the offeror shall be entitled and bound to acquire those securities on the conditions on which under the affected transaction the securities of the holders who have accepted the offer were or are to be transferred to him or it, or on such other conditions as may be agreed upon or as the Court on the application of either the offeror or the holder may think fit to order.

- (4) Any sum, and any dividend or other sum accruing from any other consideration, received by the offeree company under this section shall be paid into a separate bank account with a banking institution registered under the Banks Act, 1965 (Act No. 23 of 1965), and any such sums, dividend or any other consideration so received shall be held in trust by the offeree company for the person entitled to the securities in respect of which the said sums, dividend or other consideration was received.
- (5) In this section any reference to a "holder of securities who has not accepted the offer" includes any holder who has failed or refused to transfer his securities to the offeror in accordance with the affected transaction. "

TRADES IN IMPERIAL BANK PREFERENCES SHARES BY NEDGROUP  
SECURITIES TO HEDGE SINGLE STOCK FUTURES TRANSACTIONS  
EXECUTED BY CLIENTS

Week commencing	Type of trade	Number of trades	Average price (cents)	Volume	Value (R'm)
2009/04/13	Buy	4	6 988	1 350	0.1
2009/04/13	Sell	7	6 999	6 700	0.5
2009/04/20	Buy	2	7 000	150	0.0
2009/04/20	Sell	1	6 999	300	0.0
2009/04/27	Buy	–	–	–	–
2009/04/27	Sell	1	6 999	500	0.0
2009/05/04	Buy	1	6 994	500	0.0
2009/05/04	Sell	14	6 995	21 150	1.5
2009/05/11	Buy	2	6 994	2 700	0.2
2009/05/11	Sell	15	6 983	21 600	1.5
2009/05/18	Buy	4	7 063	2 959	0.2
2009/05/18	Sell	1	6 990	40 000	2.8
2009/05/25	Buy	–	–	–	–
2009/05/25	Sell	5	8 024	92 500	7.4
2009/06/01	Buy	9	8 156	205 110	16.7
2009/06/01	Sell	15	8 211	295 937	24.3
2009/06/08	Buy	12	8 607	204 888	17.6
2009/06/08	Sell	5	8 602	221 817	19.1
2009/06/15	Buy	7	8 566	137 100	11.7
2009/06/15	Sell	13	8 548	99 200	8.5
2009/06/22	Buy	5	8 516	27 995	2.4
2009/06/22	Sell	6	8 598	63 241	5.4
2009/06/29	Buy	3	8 831	1 600	0.1
2009/06/29	Sell	–	–	–	–
2009/07/06	Buy	3	8 854	1 100	0.1
2009/07/06	Sell	1	8 800	12 500	1.1
2009/07/13	Buy	3	8 885	200	0.0
2009/07/13	Sell	3	8 820	1 400	0.1
2009/07/20	Buy	–	–	–	–
2009/07/20	Sell	–	–	–	–
2009/07/27	Buy	3	9 026	1 050	0.1
2009/07/27	Sell	6	9 000	5 450	0.5
2009/08/03	Buy	9	9 165	2 310	0.2
2009/08/03	Sell	7	9 206	7 710	0.7
2009/08/10	Buy	–	–	–	–
2009/08/10	Sell	8	9 250	5 000	0.5
2009/08/17	Buy	3	9 468	2 300	0.2
2009/08/17	Sell	–	–	–	–
2009/08/24	Buy	5	9 632	600	0.1
2009/08/24	Sell	11	9 400	9 770	0.9
2009/08/31	Buy	1	9 800	1 000	0.1
2009/08/31	Sell	1	9 800	1 000	0.1
2009/09/07	Buy	4	9 005	2 200	0.2
2009/09/07	Sell	5	8 975	14 930	1.3
2009/09/14	Buy	5	9 190	9 200	0.8
2009/09/14	Sell	13	9 250	31 300	2.9
2009/09/21	Buy	5	9 261	3 200	0.3

Week commencing	Type of trade	Number of trades	Average price (cents)	Volume	Value (R'm)
2009/09/21	Sell	30	9 250	60 500	5.6
2009/09/28	Buy	6	9 239	1 200	0.1
2009/09/28	Sell	1	9 250	1 000	0.1
2009/10/05	Buy	2	9 277	1 000	0.1
2009/10/05	Sell	–	–	–	–
2009/10/12	Buy	5	9 391	600	0.1
2009/10/12	Sell	5	9 464	13 900	1.3
2009/10/19	Buy	6	9 824	3 900	0.4
2009/10/19	Sell	14	9 804	38 400	3.8
2009/10/26	Buy	3	9 825	1 200	0.1
2009/10/26	Sell	8	9 800	12 300	1.2