



- Full transparency on financial position of the group
- Recovery programme initiated
- New management team
- Progress in addressing strategic, financial and structural issues
- Strong franchise and solid core businesses
- R5 billion rights issue fully underwritten

## Financial overview

- **Headline earnings: R55 million**
- **Headline earnings, excluding foreign currency translation loss: R1,5 billion**
- **ROE, excluding foreign currency translation loss: 8,5%**
- **Net interest margin: 2,96%**
- **Cost-to-income ratio, excluding foreign currency translation loss: 70,1%**
- **NAV per share: 4 240 cents**
- **Restatement of 2002 financial results in line with commitment to increase transparency**

### Overview of 2003

The 2003 financial year was extremely challenging for Nedcor. The financial performance was disappointing, as indicated in the trading updates provided to shareholders in November and December 2003.

Following the appointment of the new management team in November 2003 under the leadership of Chief Executive Tom Boardman, a recovery programme was launched to address the issues facing the group and to restore the business to a sustainable growth path.

As part of this programme, the balance sheet has been thoroughly analysed and the group is now focused on the implementation of aggressive cost reduction measures and the central management of the group's interest rate risk and foreign exchange exposure. Management is now being held accountable for performance delivery, and will be rewarded on an ROE-based incentive system. A key focus will be on improving client service, and further leveraging Nedcor's strong franchise and solid core businesses to grow revenues.

Management believes that the group's core businesses are solid and attractive, with strong market shares in the business banking and corporate banking sectors in particular. Retail banking has a broad footprint for the implementation of its strategy, and the attractive growth rates of the local banking market also bode well for the group's prospects.

Management also believes that it will be able to improve Nedcor's profitability through aggressive cost-cutting and revenue-enhancing programmes, as detailed below. Further recovery opportunities include enhanced cross-selling after the merger implementation, strengthening the group's pricing discipline and improved margin potential.

As part of the recovery programme that is discussed more fully below under 'Recovery programme and prospects' the original Nedbank Corporate Division has now been split into two clusters to focus the group's activities better, track related financial performance and maximise cross-selling opportunities. These clusters are Nedbank Corporate, which comprises the Corporate Banking, Business Banking, Property and Asset Finance, International and Africa Divisions, as well as Imperial Bank, and Nedbank Capital, which comprises the Capital Markets, Corporate Finance, Treasury and Edward Nathan & Friedland Divisions. The third principal business cluster is Retail and Wealth Management, which comprises the Nedcor Retail and Wealth Management Divisions, together with Peoples Bank. In addition, the former Technology and Operations Division has been split into the Group Business Innovation ('GBI') and Group Operations Divisions within the Shared Services Cluster to align their activities more closely with those of the group's businesses.

The adoption of new accounting standards and other structural changes, which are detailed later in this announcement, have impacted the comparability of the financial results for 2002 and 2003. The 2002 figures include BoE for six months only and those for 2003 are prepared in accordance with AC133. In addition, Nedcor's 2002 consolidated financial statements have been restated, as discussed more fully below under 'Restatement of accounts' to reallocate (i) foreign exchange gains, (ii) losses relating to the Business Banking Division's loan book and (iii) other prior-period charges into the respective financial periods in which they occurred. The restatement did not relate to 2003 and, accordingly, had no impact on the group's financial results in that period. However, the restatement reduced headline earnings in 2002 by R109 million from R2,6 billion to R2,5 billion, and reduced opening retained earnings in 2002 by an equal amount. The impact of this on headline earnings in 2001 would have been a reduction in headline earnings from R3,8 billion to R3,6 billion. All 2002 figures contained in this announcement have been restated as explained in the table under 'Reconciliation of 2002 financial results' below.

The practice of reporting core, headline and attributable earnings has created confusion around the most appropriate measurement of earnings and, as a result, the group will no longer be reporting core earnings.

More detailed information on the group's results, together with the presentation to investment analysts, is available on the group's website at [www.nedcor.com](http://www.nedcor.com).

### Financial performance

The key factors that influenced the group's headline earnings performance were: (i) expenses, which grew at a disproportionately higher rate than revenues, notwithstanding merger savings; (ii) the strengthening of the rand, which resulted in exchange losses on the translation of foreign capital and earnings; (iii) interest rate mismatches; and (iv) a higher tax charge.

Headline earnings declined from R2,5 billion to R55 million, with net profit/loss attributable to ordinary shareholders down from a profit of R875 million to a loss of R1,6 billion.

The formal consolidation of the banking licences of BoE Bank ('BoE'), Nedcor Investment Bank ('NIB') and Cape of Good Hope Bank ('CoGHB') into both Nedbank and Peoples Bank took place on 1 January 2003. While the merger and reorganisation ('M&R') process has progressed well, the long-term funding raised since the acquisition of BoE has had a negative impact on the group's 2003 financial results.

### Analysis of operating income

#### Net interest income

Net interest income represents interest earned net of interest paid in connection with the group's portfolio of bank accounts, deposits, loans and financial and structured products. Net interest income increased by R853 million from R6,0 billion in 2002 to R6,8 billion in 2003. The increase in net interest income was principally due to the inclusion of BoE for the full year, which was offset by a number of one-off items. Excluding the impact of BoE and one-off items in both 2002 and 2003, net interest income across the group's clusters declined marginally over the period, mainly due to a number of fixed-cost funding items that increased the interest expense in a falling interest rate environment.

The principal elements affecting net interest income comprised the following:

- Net interest income declined by R356 million in 2003 due to a change in the application of AC102, which resulted in a decrease in interest income recognised on structured finance deals and a corresponding reduction in notional taxation that had been previously recognised. The taxation charge in 2003 is discussed under 'Taxation' below.
- In January 2002 BEE consortia subscribed for a 30% interest in Peoples Bank. The consortia funded the acquisition of this interest through preference share funding, with Nedbank guaranteeing a 20% annual return by way of a put option granted to the funders. The put option will, if exercised, effectively require Nedbank to assume the preference share funding obligation by paying the funders R864 million in April 2005. In return, Nedbank would receive the consortia's 30% interest as security for assuming that funding. However, as Nedbank has now assumed substantially all of the risks and rewards of the 30% interest, Nedbank is required to consolidate Peoples Bank fully. This has had the effect of increasing the group's

interest expense in the restated 2002 results by R130 million, compared with an increase of R98 million in 2003, and is expected adversely to affect the interest expense by approximately R140 million in 2004, to reflect the liability to pay the 20% return to the funders. This restatement of the treatment of Peoples Bank has resulted in the elimination of the minority interest and associated goodwill relating to Peoples Bank from the group's financial statements.

- Prior to the adoption of AC133 in January 2003, the group's net interest income excluded in full the recognition of interest charged on non-performing loans. As a result of the application of AC133, the group's net interest income includes the recognition of the effective rate of interest earned on non-performing loans. The unrecognised interest is now reflected in the group's income statement under 'Impairment of advances'. Accordingly, the group's net interest income in 2003 benefited from a one-off increase of R424 million, which reflected the reversal of the interest reserve that would have been taken in 2003 had AC133 not applied. This was a group-wide adjustment. The effects of AC133 on the group's financial statements are discussed more fully below.
- Funding for the acquisition of BoE included R4 billion of 13,15% fixed-rate notes callable in 2007. Neither these notes, nor a further R2,0 billion of fixed-rate 11,3% notes issued by Nedcor and callable in 2006, were hedged for interest rate exposure in 2003. This had a negative impact on the group's margin. Nedcor is putting into place a R3,5 billion natural hedge in respect of further interest rate movements.
- As a smaller bank facing liquidity pressures, BoE's funding book was more expensive than that of Nedcor. As a result of its acquisition, this more expensive funding had the effect of reducing Nedcor's margin by approximately five basis points during the period, although this decrease was offset by cheaper funding obtained by Nedcor when the Treasuries of Nedcor and BoE were integrated in January 2003.
- As a result of the need to improve the group's liquidity profile during the merger and to repay the funders, the group increased its fixed-rate negotiable certificates of deposit ('NCD') and promissory note funding from R22 billion to R34 billion during 2003. As a result of lengthening the term of the funding book and not hedging the interest rate risk, its yield deteriorated significantly. The impact of this action was reflected in the Treasury Division of Nedbank Capital. The bulk of this funding will mature by April 2004.

To address the interest rate risk inherent in the balance sheet and to improve the asset liability matching, hedging policies and other initiatives are being implemented, including:

- R3,5 billion of the subordinated debt will be progressively hedged over the next few weeks.
- New NCD and promissory notes with maturities of between four and 12 months will be hedged.
- All new balance sheet interest rate risks of greater than 12 months will be fully hedged, unless a specific decision is taken to the contrary.
- The asset and liability committee ('ALCO') was reconstituted in February 2004. It was reduced from 27 members to eight senior executives, and is charged with seeing to it that strategies are developed and implemented to ensure that interest rate risk is managed effectively to reduce the group's volatility in earnings.
- The Asset and Liability Management ('ALM') Department was restructured to help to ensure an increased level of sophistication in modelling the balance sheet, to understand the group's risk profiles, to analyse all elements of the group's margin, and to develop and execute strategies to achieve the objectives set by ALCO. Interest rate risk will be stripped out of the various business clusters, and will be centralised in the ALM function to help ensure effective risk management.
- The matched maturity funds transfer pricing methodology will be implemented across the group during 2004 to facilitate sound interest rate risk management and to allocate appropriate ownership of the respective components of margin to the individual business clusters.

As a result of these and other initiatives within the group, Nedcor management expects that the net interest income margin will improve and be more stable in 2004.

### Non-interest revenue

Non-interest revenue ('NIR') includes commissions and fees, exchange and securities trading income, dividends from investments and net gains on the sale of investment banking assets. In addition, the net income from Nedcor's non-banking activities, which comprise property development, insurance and portfolio-related management activities, as well as computer-related services, are also included in NIR.

NIR increased from R6,8 billion in 2002 to R8,0 billion in 2003. The principal reason for the increase in NIR in 2003 is the consolidation of BoE for the full year, as well as the R512 million positive impact of the group-wide AC133 fair-value adjustments. Included in the transitional adjustment for AC133 made to opening retained earnings for 2003 was a decrease of R1,2 billion relating to fair-value adjustments. See 'Implementation of AC133' below for a more detailed discussion of AC133.

- The principal factor impacting NIR in 2003 was commission and fee income, which increased by R668 million from R4,5 billion in 2002 to R5,2 billion in 2003. Fee and commission income consists of fee income for the provision of banking services and investment advice, retainers, institutional stockbroking commissions and brokerage, fund management, and similar items that are likely to recur due to the nature of the activities, as well as facility arrangement fees, corporate finance fees and similar items that are transactional in nature and therefore generate more erratic income streams. The increase in commission and fee income during the period was largely attributable to Nedbank Corporate (excluding Imperial Bank), particularly in the Property and Asset Finance and Business Banking Divisions, as well as to the Nedbank Retail Division of Retail and Wealth Management, and Imperial Bank. The increase was offset slightly by a decline in income attributable to all divisions across Nedbank Capital. Of these movements, BoE's consolidation accounted for the entirety of that within Retail and Wealth Management and for most of that within Nedbank Corporate.
- The bulk of the remainder of NIR comprised trading income, which includes trading income derived from equities and other securities such as foreign exchange instruments. Debt securities and equity shares held for trading purposes are revalued at each balance sheet date and the change in value is recognised as a charge or a profit under trading profits. Trading income rose by R514 million from R1,2 billion in 2002 to R1,7 billion in 2003. This was largely due to the R409 million allocation of group-wide AC133 fair-value held-for-trading adjustments. The remaining increase in trading income during the period was largely attributable to the Treasury Division within Nedbank Capital, as well as to Nedbank Corporate (excluding Imperial Bank), particularly in the Property and Asset Finance and International Divisions. The increases in these clusters were partly offset by a decline in the Group Capital Management Division of Capital Management and Central Funding that resulted from currency gains in 2002, which were attributable to the former NIB business that did not recur.
- In addition, BoE Private Clients, a 50:50 joint venture between Old Mutual South Africa ('OMSA') and Nedcor, was, prior to 2003, wholly owned by Nedcor. This business is now equity-accounted by Nedcor following OMSA's acquisition of a 50% stake in January 2003, and is reflected in the Wealth Management Division of Retail and Wealth Management. R11 million of earnings (post-tax) from this business in 2003 was reflected in the group's income statement as 'attributable earnings of associates'. The commission and fee income attributable to this joint venture in 2003 was R223 million. Previously this would have been reflected in NIR with the associated expenses of R201 million, as discussed below under 'Expenses'.

Opportunities for sustained growth in NIR include:

- improving pricing discipline to ensure a consistent pricing policy and its application across the business clusters;
- exploiting cross-selling opportunities between the business clusters and between members of the Old Mutual group;
- mass-marketing opportunities through retail alliances;
- generating profits from the sale of investments;

- increasing the productivity of the sales force; and
- eliminating duplication in Retail and Wealth Management following the planned integration of Peoples Bank.

### Foreign exchange translation losses

The strengthening of the rand from R8,60/\$ to R6,62/\$ and R13,85/£ to R11,81/£ during 2003 resulted in the recognition in the group's income statement of unrealised translation losses of R1,4 billion, compared with R1,2 billion in 2002. These translation losses primarily reflected the effect of translating the net assets of the group's integrated foreign operations into rands on consolidation of the group financial statements. Management recognises that the group has held excessive amounts of its capital in foreign currencies and, therefore, has made it one of ALCO's priorities to address this issue. To reduce this exposure, the group converted offshore capital to rand-denominated capital in the amount of R1,0 billion in November and December 2003. In connection with the group's rationalisation of its offshore operations, the group intends to dispose of Chiswell Associates and various other international wealth management subsidiaries in 2004 and to repatriate the proceeds during 2005. The repatriation of offshore capital is expected to enhance net interest income and to reduce future volatility in the balance sheet and capital position of the group.

Due to expected changes in applicable accounting standards in 2004, Nedcor expects that a portion of foreign exchange translation movements may in future be reflected directly in equity in the balance sheet under 'Reserves', although it cannot quantify the impact of any such changes at this time. In addition, new legislation enacted during December 2003 will allow the group to return the accumulated reserves of its offshore subsidiary companies without any South African tax effects after 1 January 2005. Previously, these dividends would have been taxable at the South African ruling tax rate. The group plans to take advantage of this relief in connection with its intended reduction of its offshore capital base.

### Credit impairment

Prior to January 2003 the 'legal certainty' provisioning methodology was applied to Nedcor's business, resulting in the later recognition of provisions than is the case under the new accounting standard, AC133.

AC133 introduces a fundamental shift in the manner in which specific impairments are determined, in that it requires the present value of future cash flows to be calculated for all advances that are considered to be impaired. The difference between the present value of those future cash flows and the carrying value is recognised as an impairment. As the anticipated cash flows in respect of impaired advances were not previously discounted, this results in an increase in the specific impairment for doubtful advances.

Prior to the implementation of AC133, a general provision for bad debts of 0,8% of total advances was carried by Nedcor to cover unexpected defaults inherent in its performing advances book. Under AC133 the credit risk premium included in interest rates charged is expected to offset losses inherent in the portfolio of performing advances. Therefore, a portfolio impairment is required only to the extent that the originally anticipated risk profile has deteriorated.

In determining the portfolio impairment against performing advances that are not considered to be individually impaired, expected default rates are applied to all future cash flows. Discounting these expected cash flows to present value results in a significant decrease in the required new portfolio impairment, as compared with the previous Nedcor general provision. The determination of the portfolio impairment is dependent on accurate credit-risk-pricing models. Nedcor's current risk-pricing models are adequate and will need refinement as the banking industry moves towards the implementation of the Basel II requirements.

In August 2003 the group announced in its 2003 interim statement that it booked an additional credit impairment under AC133 of R963 million against advances. Subsequently the principles relating to amounts included in the transitional adjustment were clarified by the Accounting Practices Board. As a result of this clarification and the refinement by Nedcor of its credit impairment processes, the actual transitional adjustment as of 1 January 2003 increased by an additional impairment charge of R737 million, resulting in a total transitional adjustment of R1,7 billion. These amounts are reflected as transitional adjustments to opening retained income. As the group indicated in August 2003, the calculation of the adjustment was still not finalised. However, the group has made a significant investment since that time to determine the correct transitional adjustment and believes that the group will benefit from recognising impaired advances at an earlier stage in the credit cycle.

The credit climate held steady during the first half of 2003 in spite of the high interest rate environment, and is showing an improvement following the 5,5% decrease in interest rates during the second half of 2003. As discussed above, there has been an increase in the impairments in 2003, including those in respect of a loan to fund a housing advances book in Gabon of R180 million, which was reflected in the Capital Markets Division of Nedbank Capital, and the property development and other related losses of R64 million, which were reflected in the Property and Asset Finance Division of Nedbank Corporate, as well as additional write-downs in BoE's loan portfolio. In 2003, there was also an additional AC133 negative impact of R368 million, which represented the reclassification of an interest reserve balance of R424 million, as noted above, and a release of R56 million in credit impairments.

### Expenses

Operating expenses, excluding M&R costs of R394 million, but including synergies of R341 million, grew by 35% from R7,4 billion in 2002 to R9,9 billion in 2003. The cost-to-income ratio (excluding foreign currency translation losses) increased from 59% in 2002 to 70% in 2003. A significant portion of this increase was due to the inclusion of BoE for the full year.

The major issues impacting the increase in expenses were:

- Staff expenses increased by R1,1 billion from R3,9 billion in 2002 to R4,9 billion in 2003. This increase primarily reflected the consolidation of BoE for the full year, as well as the addition of contractors and other temporary staff during the period. In addition, the increase reflected the inclusion of R165 million of employee incentive awards. In 2002 employee incentive awards were allocated in the form of share options and appropriately recognised in shareholders' equity in line with then applicable accounting standards. Had these awards been recognised in the income statement, staff expenses in 2002 would have increased by R340 million.
- Fees and insurances increased by R453 million from R593 million to R1 046 million in 2002 and 2003, respectively. In addition to the impact of BoE, this increase principally reflected a R142 million decrease in the amount of management fees recoverable by Nedcor from certain of its alliance partners pursuant to the terms of their joint venture agreement, a R63 million increase attributable to a reclassification of expense items from NIR, and an increase in consulting fees of R69 million.
- Computer processing fees increased by R322 million from R948 million in 2002 to R1,3 billion in 2003, primarily as a result of an increase in project spend of R158 million, as well as the consolidation of BoE for the full period of 2003, which resulted in an increase in computer processing fees of R110 million.
- Occupation and accommodation expenses increased by R204 million from R765 million in 2002 to R969 million in 2003. A large portion of this increase was due to the full year's contribution of lease and related expenses associated with BoE's branch network and offices.
- The growth in strategic projects and the resultant write-offs in respect of these increased expenses by R162 million. These expenses were reflected in the GBI Division of Shared Services.
- An increase of R123 million resulted from the consolidation of certain companies for the first time in 2003.
- Expenses of R201 million relating to the BoE Private Clients joint venture were not reflected in expenses in 2003 as a result of the change in accounting treatment described above under NIR.

Management recognises the imperative to reduce costs aggressively and intends to provide Nedcor's stakeholders with a detailed report on progress in reducing the group's expenses when it announces the group's 2004 half-year results in August. More generally, the group will seek to reduce costs through, among other initiatives:

- the continued implementation of the M&R programme and the delivery of synergies from the merger;
- the integration of Peoples Bank into Nedbank Retail;
- the introduction of a new activity-justified transfer pricing process between the central functions and the business divisions – this initiative reflects management's commitment to promote accountability within the group and to allow costs to be more effectively managed and allocated; and
- the elimination of duplication of central and back-office services that continue to operate within each of Nedbank, BoE, CoGHB and NIB – the full benefit of these synergies can be achieved only once these businesses are fully integrated.

### Taxation

The group's effective tax rate, excluding the impact of foreign currency translation losses and exceptional items, increased from 10% to 32% in 2003. In 2002 the taxation charge was reduced by a deferred-tax asset raised in Peoples Bank of R185 million. In 2003 the tax charge was affected by:

- additional secondary tax on companies ('STC') of R63 million;
- an increase in the taxation of foreign entities, which now have their revenue taxed at the South African rate for a full year;
- a reallocation from net interest income as a result of AC102, which decreased notional taxation by R356 million, compared with R134 million in 2002;
- contingencies of R261 million that have been raised against specific tax industry issues; and
- a tax charge of R147 million in 2003 due to the AC133 adjustments discussed above.

In addition to the R261 million raised in the income statement, an additional amount of R583 million was raised as a similar provision in respect of BoE preacquisition items. The



AC102 entries arising from Nedcor's structured finance book resulted in a reduction in the carrying value of structured finance assets of R1,2 billion, with a corresponding decrease in deferred tax liabilities of R1,2 billion.

The group, through structured finance deals in the past, has oversold its tax base. This has created estimated tax losses that will take some time for the group to utilise fully. The group's taxation rate is likely to be closer to the statutory rate of 30% in future periods.

#### Exceptional capital items

Exceptional capital items amounted to R1,8 billion and R1,7 billion in 2002 and 2003 respectively. The main components in 2002 comprised a R1,0 billion write-down of Nedcor's investment in Dimension Data plc, goodwill amortisation of R426 million and a goodwill impairment charge of R75 million.

The impairment and amortisation of goodwill in 2003 totalled R1,8 billion. This was due to the impairment in full of the goodwill on the acquisition of the remaining shares in NIB of R362 million and Peoples Bank of R193 million, and an impairment of the goodwill on the acquisition of BoE and its subsidiaries of R650 million. The amortisation charge was R424 million, and the remaining goodwill impairments principally related to a subsidiary of the group's UK-based wealth management company, Gerrard Private Bank, and Acturis, a UK-based software company that was consolidated for the first time in 2003.

Prior to this impairment the goodwill attributable to the acquisition of BoE was increased by R858 million as a result of a reassessment of the fair value of the net assets of BoE acquired by Nedcor. This resulted principally from:

- an additional provision for tax liabilities of R583 million;
- a further provision in respect of the carrying value of Century City of R118 million; and,
- an additional impairment of R70 million against non-performing advances.

All of these items were disclosed by BoE to Nedcor. In line with AC131 the group had a window period until 31 December 2003 to reassess preacquisition adjustments, which it has now completed.

Management believes that no further impairment is considered necessary for the BoE goodwill, as the revenue being generated by the former BoE divisions, together with merger savings, should exceed the estimated return envisaged at the time of the transaction.

From 1 January 2005 the accounting policy for goodwill will change as a result of the proposed introduction of a new South African accounting standard. If this standard is introduced, goodwill will be subject to an annual impairment review rather than amortisation.

Following a comprehensive review of the carrying value of Nedcor's investments and fixed assets, a total impairment charge of R239 million was made in 2003. This included an impairment of capitalised and development software of R137 million.

The disposal of certain non-core subsidiaries, investments and property, plant and equipment generated a net profit of R349 million.

#### Shareholders' equity

The group's total shareholders' equity declined from R19,5 billion at 31 December 2002 to R15,1 billion at 31 December 2003. This decline will be remedied by the rights issue referred to below. The principal reasons for this decline were:

- a net loss attributable to ordinary shareholders for 2003 of R1,6 billion;
- the application of AC133 resulting in a reduction to opening shareholders' equity of R2,1 billion;
- ordinary and preference dividends paid in 2003 of R1,5 billion;
- the release of reserves relating to the Nedcor employee share scheme of R357 million; and
- a foreign currency translation loss of R181 million that was not included in the net loss attributable to ordinary shareholders.

These declines were offset by the issuance by Nedbank during the year of R825 million of preference shares and R381 million of ordinary shares issued in respect of share options exercised during the period.

#### Restatement of accounts

The process of finalising the 2003 financial results included a review of prior-year disclosure items. In particular, there were a number of non-recurring income and expense items in the 2002 income statement that related to prior years. An amount of R610 million in respect of historic foreign currency translation gains previously not recognised was released in the 2002 income statement. Of this amount R405 million was included across various income and expense lines, but was offset by expense items relating to prior years totalling R308 million. The remaining R205 million gain was included in net foreign currency translation losses. These amounts have been removed from the 2002 income statement, along with a further adjustment of R193 million (post-tax) to reallocate the losses from the Business Banking book, and have been allocated to the years to which they related. The cumulative effect of these adjustments had the net effect of reducing headline earnings in 2002 by R109 million and increased opening retained earnings by an equal amount. If 2001 had been restated, the impact would have included additional expenses of R308 million (post-tax) that were originally booked in 2002, foreign currency translation gains of R150 million and the negative impact of losses in the Business Banking book of R81 million (post-tax). This would have resulted in a decrease in headline earnings of R239 million in 2001.

While the 2002 financial statements have been restated for these items, it is important to note that the offsetting nature of these items meant that the original 2002 financial statements were not materially affected. However, in the interest of full disclosure, these adjustments have been made to their correct lines for the prior years.

AC102 – As disclosed in net interest income, notional tax on structured finance transactions was included in net interest income. As a result of the restatement of the 2002 results in full compliance with AC102, the following restatements have been made:

- deferred tax assets have increased by R1,2 billion;
- deferred tax liabilities have increased by R259 million;
- sundry debtors have decreased by R348 million; and
- sundry creditors have increased by R491 million.

This has also resulted in a reduction of net interest income of R142 million.

Peoples Bank – The 2002 results have been restated for the Peoples Bank put option described under 'Net Interest Income' above to ensure full compliance with AC412. As a result of the restatement, minority interest in the balance sheet was reclassified as 'Deposit, current and other accounts'. Minority interest attributable to ordinary shareholders declined by R130 million and interest expense increased by an equivalent amount.

Refer to the reconciliation of the 2002 financial results restatement noted in the table below.

#### Capital raised during 2003

In September 2003 Nedcor raised two tranches of indebtedness: R500 million subordinated debt due 2005 that qualifies as Tier 3 capital; and R500 million unsecured subordinated callable notes due 2009, with a call option in June 2004, that qualifies as Tier 2 capital. As noted above, the group also raised R825 million of qualifying Tier 1 non-redeemable, non-cumulative preference share capital in November 2003. Following a balance sheet review in December 2003 the group announced the likelihood of significant write-downs to its capital and raised additional qualifying Tier 2 capital of R2 billion in the form of unsecured subordinated debt from OMSA. The rights issue will significantly improve Nedcor's Tier 1 capital ratio, and it intends to use a portion of the net proceeds to redeem the R500 million of subordinated callable notes and the R2,0 billion loan provided by OMSA.

#### Rights issue

To ensure that the group has sufficient capital to provide a foundation for growth and to meet Nedcor's anticipated minimum capital requirements, the group has proposed a rights offer to raise R5,0 billion of additional ordinary share capital, the application of which will allow it to achieve a better balance between Tier 1 and Tier 2 capital.

This capital raising, together with more active balance sheet management, is planned to enable the group to meet the proposed 7,5% regulatory minimum for primary capital by 31 December 2004. Active management of the balance sheet will include:

- the reorganisation of the group structure so that certain assets are not impaired for the purposes of the calculation of the group's capital adequacy;
- the disposal of non-core assets; and
- the reduction of risk-weighted assets.

Management believes that these measures will allow the group to achieve acceptable levels of new business in advances.

Old Mutual plc has undertaken to take up its rights under the rights issue. The balance of the new shares to be issued has been fully underwritten.

A circular is being posted to Nedcor shareholders today to convene a general meeting to increase the company's authorised but unissued share capital to facilitate the rights issue and the capitalisation share award as well as to allow the company to meet its obligations to issue shares required for its share incentive scheme prior to the annual general meeting.

The full terms of the rights issue, including the number of shares to be issued and the issue price, are expected to be announced no later than 25 March 2004. This will enable stakeholders to consider the financial results and our plans for the future, prior to the pricing of the issue. The rights issue will be subject to customary conditions, including regulatory approvals by the JSE Securities Exchange South Africa and the Registrar of Banks, and the underwriting agreement having become unconditional and not having been terminated in accordance with its terms.

The securities offered in the rights issue will not be registered under the US Securities Act of 1933, and may not be offered or sold without registration or an applicable exemption from the registration requirements.

Prices and values of, and income from, Nedcor's shares may go down, as well as up, and an investor may not get back the amount invested. It should be noted that past performance is no guide to future performance. Persons needing advice should consult an independent adviser.

This announcement does not constitute an offering of securities in the United States, Canada, Australia or Japan or otherwise constitute an invitation to any person to acquire securities in any company within the group.

#### Recovery programme and prospects

Management believes that real progress has been made in addressing the strategic, financial, risk and structural issues confronting the group. In October 2003 the new Chief Executive, Tom Boardman, announced a five-point recovery programme:

- the appointment of a new executive team;
- a strategic review of the business;
- the successful completion of the M&R programme;
- improved transparency; and
- a clear focus on client service.

The immediate priority was to align the structure of the group with its strategy and reconstitute the Group Executive Committee. Accordingly, the group now comprises three principal business clusters, Nedbank Corporate, Nedbank Capital and Retail and Wealth Management. In addition, the former technology and operation functions of the group have been split into GBI and Group Operations.

The retail banking interests are being aligned, and Nedcor is in the process of integrating Peoples Bank under the Nedbank Retail banner. The group is at an advanced stage of negotiations with the BEE consortia of Peoples Bank in this regard.

At the same time the group finance function is being reviewed to improve financial management and management information systems. This includes the introduction of appropriate allocation policies around funds transfer pricing and cost transfer pricing as well as ensuring that capital is consistently applied within divisions. This will help to ensure appropriate measurement of a division's profitability and is expected to lead to greater accuracy and accountability of divisional management.

Seven new members were added to the group's executive team. They are Pete Backwell (Retail and Wealth Management), Graham Dempster (Nedbank Corporate), Len de Villiers (Group Operations), Brian Kennedy (Nedbank Capital), Ivan Mzimela (Group Human Resources), Rob Shuter (Corporate Affairs and Strategy) and Nolitha Fakude, formerly Chairperson of the Black Management Forum ('BMF'), who was recruited externally to coordinate BEE and, the implementation of the requirements of the Financial Sector Charter in the group. The newly appointed management team is actively addressing the governance and structural and cultural issues, and implementing measures to enhance returns to shareholders.

Bob Head has been seconded from Old Mutual plc to Nedcor as acting Chief Financial Officer at the request of Tom Boardman. The board is currently considering a number of candidates for the position of Chief Financial Officer, and expects to make an appointment in the next six months.

Nedcor has initiated a project to realise its non-core assets, including certain technology investments, non-core foreign operations in Nedcor Wealth Management, and its luxury property investments.

The group acknowledges that its progress relating to the Financial Sector Charter has been hampered by the merger and the unfolding events of the past year. During this time of uncertainty it has been difficult to initiate plans with potential empowerment partners and the ability to recruit and retain black professionals has also been limited. The group remains determined to meet its targets under the Financial Sector Charter and will pursue its transformation goals with vigour in the year ahead.

The merger and restructuring process is proceeding according to a well-defined plan, and most synergy benefits are being realised earlier than originally projected. The full annual benefit of R700 million is expected to be realised during 2006. The total cost to achieve these merger benefits is still expected to be R868 million.

The major migration of the Business Banking Division's corporate clients was completed in February 2004, and the last client migration project is the transfer of NBS clients to the Nedbank Retail Division during 2004. It then remains to consolidate certain data centres, general ledgers and other back-office functions for the merger to be completed.

A key strategy of the group is to increase the number of clients for whom it is the primary banker, in both the corporate and retail markets. To achieve this goal the group is focusing on providing enhanced client service through the following key initiatives:

- a major client-service-related initiative involving comprehensive staff training is being introduced over the next six months;
- systems are being reviewed and functionality is being improved to ensure that products are client-focused;
- client research is being intensified; and
- staff incentive schemes are being implemented to align rewards with client service excellence.

Transparency is an ongoing priority, and management is committed to pursuing this policy both internally and externally. Management believes that there is now greater transparency on the financial position of the group following the comprehensive review of its balance sheet, the ongoing derisking of its balance sheet through interest rate and foreign exchange risk management and the solid AC133 credit risk impairments against non-performing advances. Management believes that this results announcement demonstrates its commitment to this policy, which will continue.

#### Board of directors

The Chairman of Nedcor, Chris Liebenberg, who will reach the mandatory retirement age this year, will be retiring, after more than fifty years' service with the group, at the time of the annual general meeting ('AGM') of shareholders in May. Warren Clewlow, currently the Deputy Chairman, will succeed Mr Liebenberg. The group is not proposing to appoint a Deputy Chairman.

In accordance with the recommendations of the Myburgh Commission the number of directors on the Nedcor Board is being reduced. It is the group's intention that in future only the Chief Executive and the Chief Financial Officer will be Executive Directors on the board.

In line with this policy Executive Directors Barry Hore and Derek Muller, who retire by rotation and are eligible for reelection as directors at the AGM, will not be making themselves available for reelection.

Executive Directors Izak Botha and Stuart Morris have both elected to take early retirement with effect from 31 May 2004, and will be stepping down from the board with effect from 23 February 2004.

As a result of these changes, the board will be reduced from 22 to 17, which aligns the group more closely with the governance requirements of King II and the recommendations of the Myburgh Report. The board has also established a Financial Oversight Committee under the chairmanship of experienced South African banker Chris Ball, who is an independent non-executive director of the group. The mandate of the committee is to ensure that the group's accounting and control systems meet the highest standards.

#### Relationship with Old Mutual plc

The relationship between Nedcor and its parent company, Old Mutual plc, has strengthened over the past year, as evidenced by Old Mutual's support for the recovery programme, the granting of the R2,0 billion loan described above, the secondment of Bob Head, and its commitment to take up rights in the forthcoming rights issue. The relationship has now been formalised through an agreement that outlines the manner in which the two companies will conduct their relationship. This agreement can be obtained from both companies.

#### Dividend policy

The board of directors has amended the group's dividend policy for 2004 onwards to a range of between 3,0 and 3,5 times cover at the headline earnings level. Management believes that this policy will allow Nedcor to retain sufficient qualifying capital and reserves to grow the business.

#### Changes in group structure and in basis of accounting

These abridged financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. BoE was acquired and consolidated with effect from 1 July 2002 and the outstanding NIB minorities of 16% were acquired and consolidated with effect from 1 October 2002. In addition, in accordance with South African Generally Accepted Accounting Practices, Nedcor was required to adopt the complex accounting standard AC133 'Financial Instruments: Recognition and Measurement' with effect from 1 January 2003. This was a significant change in the basis of accounting for the banking industry. AC133 is a prospective statement, which means that historical figures are not adjusted to the new basis of accounting, and adjustments to determine the new equity and asset and liability base are dealt with as transitional adjustments to opening retained earnings.

A number of amendments to International Financial Reporting Standards ('IFRS') were published at the end of 2003 and several others are likely to be introduced during 2004. The significant changes that are likely to affect Nedcor's results include the calculation and expensing of share options and changes to IAS 39 (AC133 in South Africa), which will be effective from 1 January 2005. Furthermore, South African companies listed on the JSE Securities Exchange South Africa will have to comply with IFRS from 2005 onwards.

Two accounting standards that have been in place for some time, being AC105 (leases) and AC102 (tax), are particularly relevant to structured finance deals. AC105 requires that income on lease-based structured finance deals be recognised from period to period without taking account of the tax cash flows inherent in the deal, only the cash flows from the client. By the same token, AC102 requires that tax benefits passed on to the client in the form of lower funding costs be reported as reduced tax charges.

Nedcor had recognised revenue in accordance with the economic reality of the structured finance deal, over the life of the deal, taking account of when the economic (not accounting) benefits of the tax cash flows arose. Following a guideline released by the Banking Council, Nedcor identified that it was not in line with the treatment applied in the rest of the industry. Accordingly the group restated its financial results to comply fully with accounting standards as explained under 'Restatement of accounts' and 'Reconciliation of 2002 financial results'. This has led to the reclassification of certain revenue and taxation items, which are detailed above.

Following recent amendments to IFRS it is likely that accounting standard AC112 (foreign exchange) will also change. This will mean that some of the foreign exchange translation losses or gains will be taken directly to reserves in the future.

#### Implementation of AC133

AC133 impacts on the recognition and measurement of financial instruments, including credit impairments against advances. To address the prospective nature of the statement the transitional adjustments to the carrying values of financial instruments at 1 January 2003 are recognised directly in opening retained earnings.

AC133 is based on International Accounting Standard 39 ('IAS 39'), which is subject to a number of amendments and interpretations, the most recent of which does not yet form part of AC133. Furthermore, interpretation and presentation issues with regard to the implementation of AC133 in South Africa continue to be debated by the accounting profession and business locally. The treatment adopted by Nedcor in these results accords with the current interpretation of recommended practice.

#### Credit impairment adjustments

For a discussion of credit impairment adjustments, see 'Credit Impairment' above.

#### Fair-value adjustments

AC133 requires all financial instruments to be classified, which classification determines the accounting treatment. Nedcor has accordingly reclassified the bulk of its financial assets and liabilities as 'originated loans' and 'non-trading liabilities', respectively, which continue to be carried at original or amortised cost. The remainder are dealt with as follows:

#### Held-for-trading portfolios

AC133 requires certain financial instruments to be measured at their fair value. This includes all derivatives and instruments held for trading purposes. In addition, in terms of the statement Nedcor has elected to designate certain financial instruments at fair value to reflect the match between such items and their hedge. The fair-value adjustments at 1 January 2003 required in respect of the above financial instruments are recognised as an adjustment to opening retained income and thereafter in the income statement.

#### Embedded derivatives

An embedded derivative arises when derivatives are a component of a financial instrument in such a way that the cash flows in respect of the instrument vary in a similar way to those in respect of a standalone derivative. In certain circumstances embedded derivatives are accounted for separately at their fair value.

#### Internal transactions

Prior to AC133 common local and international banking practice was to recognise internal hedging derivatives. Risks were pooled and managed centrally at a bankwide level. AC133 prescribes the accounting treatment for hedges and accordingly banks have been required to reconsider the accounting treatment of internal hedges. Nedcor has identified and eliminated all internal transactions, thereby reflecting external derivatives only.

#### Available-for-sale portfolios

Financial assets are classified as available-for-sale where the intention, origination and designation of an instrument do not fall within the ambit of the other asset classifications. Available-for-sale instruments are typically assets that are held for a longer period and in respect of which short-term fluctuations in value do not affect Nedcor's hold or sell decision. In terms of AC133 Nedcor has elected to recognise fair-value gains and losses on these instruments directly in equity until such time as such an instrument is derecognised. However, when available-for-sale equity instruments are determined to be impaired to the extent that the fair value declines below its original cost, as is the case with Nedcor's investment in Dimension Data plc, the resultant losses are recognised in the income statement.

#### Non-qualifying foreign exchange hedges

Items that were hedged with forward exchange contracts have in certain cases in the past been recognised at the forward rate to reflect their hedged nature. In terms of AC133 all derivatives, including hedging derivatives and forward exchange contracts, need to be recognised at their fair value. Some structured transactions originating from NIB did not qualify as hedges under AC133 and the necessary adjustments at 1 January 2003 are recognised in opening retained income and thereafter in the income statement.

#### Reviewed results – auditors' opinion

These results have been reviewed by the company's auditors, KPMG Inc and Deloitte & Touche, and the review opinion is available for inspection at the company's registered office.

#### Capitalisation award with cash dividend election

The directors of Nedcor Limited ('the company') have resolved to issue fully paid ordinary shares in the company as a capitalisation award to ordinary shareholders. Such shareholders will be entitled, in respect of all or part of their shareholding, to elect instead to receive a cash dividend of 35 cents per ordinary share ('the election'). New fully paid ordinary shares in the company will be issued only to those ordinary shareholders who do not elect in respect of all or part of their shareholding, on or before Thursday, 8 April 2004, to receive the aforementioned dividend.

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

Last day to trade to participate in the capitalisation award	Thursday, 1 April 2004
Shares trade ex dividend	Friday, 2 April 2004
Listing of new ordinary shares commences	Friday, 2 April 2004
Last day to elect cash dividend by 12:00 (see note)	Thursday, 8 April 2004
Record date	Thursday, 8 April 2004
Payment date (for shareholders who elected cash) and new shares issued	Tuesday, 13 April 2004

Shares may not be dematerialised or rematerialised between Friday, 2 April 2004, and Thursday, 8 April 2004.

The number of capitalisation shares to which shareholders are entitled will be determined in the ratio that 35 cents per ordinary share bears to the offer price in respect of the rights issue to be undertaken by the company and the pricing of which will be announced no later than Thursday, 25 March 2004. Trading in the STRATE environment does not permit fractions and fractional entitlements. Accordingly, where a shareholder's entitlement to new ordinary shares calculated in accordance with the above formula gives rise to a fraction of a new ordinary share, such fraction will be rounded up to the nearest whole number where the fraction is greater than or equal to 0,5 and rounded down to the nearest whole number where the fraction is less than 0,5.

Documentation dealing with the capitalisation award and cash dividend election will be posted to shareholders on or about Wednesday, 17 March 2004.

#### Note:

Dematerialised shareholders are required to notify their duly appointed central securities depository participant ('CSDP') or broker of his/her election in the manner and at the time stipulated in the agreement governing the relationship between the shareholder and his/her CSDP or broker.

#### For and on behalf of the board

**CF Liebenberg** **TA Boardman**  
*Chairman* *Chief Executive*  
 23 February 2004

**Registered office**  
 Nedcor Limited, 135 Rivonia Road, Sandown 2196  
 PO Box 1144, Johannesburg 2000

**Transfer secretaries**  
 Computershare Limited, 70 Marshall Street, Johannesburg 2001  
 PO Box 61051, Marshalltown 2107

**Directors**  
 CF Liebenberg, (*Chairman*); WAM Clewlow (*Deputy Chairman*); TA Boardman (*Chief Executive*); Prof MM Katz (*Vice-chairman*); CJW Ball; Dr IJ Botha; RG Cottrell; BE Davison; N Dennis (*British*); Prof B Figaji; BJS Hore; MJ Levett; JB Magwaza; ME Mkwanazi; SG Morris; DGS Muller; ML Ndlovu; PF Nhleke; TH Nyasulu; JVF Roberts (*British*); CML Savage; JH Sutcliffe (*British*)

**Company Secretary** GS Nienaber  
**Registration number** 1966/010630/06  
**Share code** NED  
**ISIN number** ZAE000004875

Lead sponsor to Nedcor	Sponsor to Nedcor	Transactional sponsor to Nedcor in respect of the rights issue
------------------------	-------------------	--



## Financial highlights

	2003 Reviewed Rm	2002 Restated Rm
<b>Headline earnings reconciliation</b>		
(Loss)/Income attributable to ordinary shareholders	(1 600)	875
Less: non-headline-earning items	(1 655)	(1 601)
Exceptional items	(1 693)	(1 793)
Taxation on exceptional items	38	192
Headline earnings	55	2 476
Headline earnings (excluding foreign currency translation losses)	1 471	3 692
<b>Key ratios</b>		
Headline earnings per share (cents)	20	979
Headline earnings per share (cents) (excluding foreign currency translation losses)	542	1 364
Return on shareholders' funds (%)	0,32	14,05
Return on shareholders' funds (%) (excluding foreign currency translation losses)	8,49	20,95
Return on total assets (%)	0,02	0,84
Return on total assets (%) (excluding foreign currency translation losses)	0,46	1,25
Non-interest revenue to total income (%)	49,0	48,5
Efficiency ratio (%)	77,5	65,4
Efficiency ratio (%) (excluding foreign currency translation losses)	70,1	59,2
Net interest income to interest-earning assets (%)	2,96	2,95
Impairments to total advances (%)	3,3	3,3

	2003 Reviewed Rm	2002 Restated Rm
<b>Balance sheet</b>		
Total shareholders' equity (Rm)	15 101	19 536
Deposits, current accounts and other creditors (Rm)	259 757	236 526
Advances (Rm)	214 259	194 862
Total assets (Rm)	321 429	324 767

	2003 Reviewed Rm	2002 Restated Rm
<b>Share statistics</b>		
Number of shares in issue (m)	274,7	270,6
Weighted average number of shares (m)	271,5	253,0
Earnings per share (cents)	(589)	346
Fully diluted weighted average number of shares (m)	271,9	254,9
Diluted headline earnings per share (cents)	20	971
Dividends per share (cents)	240	515
Dividend cover (times)	0,1	1,9
Net asset value per share at book value (cents)	4 240	6 300
Share price (cents)	6 203	11 110
Price earnings ratio (historical)	305	11,4
Market capitalisation (Rbn)	17,0	30,1

## Income statement

	2003 Reviewed Rm	2002 Restated Rm
Interest income	28 141	23 607
Interest expense	21 333	17 652
Net interest income	6 808	5 955
Non-interest revenue	7 953	6 822
Foreign currency translation losses	(1 416)	(1 216)
Total income after foreign currency translation losses	13 345	11 561
Impairment of advances	2 063	
Specific and general provisions		1 467
Exceptional general provision reversed		(400)
Income after impairment of advances	11 282	10 494
Operating expenses	9 950	7 366
Merger and reorganisation expenses	394	193
Profit from operations before exceptional items	938	2 935
Exceptional items	(1 693)	(1 793)
Capital loss on investment in Dimension Data		(1 080)
Amortisation of goodwill	(424)	(426)
Impairment of goodwill	(1 379)	(75)
Profit/(Loss) on sale of subsidiaries, investments and fixed assets	349	(58)
Merger and reorganisation expenses		(35)
Net impairment of investments and fixed assets	(239)	(119)
(Loss)/Profit from operations	(755)	1 142
Attributable earnings of associates	132	162
(Loss)/Profit before taxation	(623)	1 304
Taxation	823	441
Taxation on merger and reorganisation expenses	(74)	(23)
Taxation on exceptional items	(38)	(192)
(Loss)/Profit after taxation	(1 334)	1 078
Minority interest attributable to ordinary shareholders	(133)	(203)
Minority interest attributable to preference shareholders	(133)	
<b>(Loss)/Income attributable to ordinary shareholders</b>	<b>(1 600)</b>	<b>875</b>

## Balance sheet

	2003 Reviewed Rm	2002 Restated Rm
<b>Assets</b>		
Cash and short-term funds	12 227	16 607
Other short-term securities	10 610	14 987
Government and public sector securities	26 244	14 647
Derivative instruments	28 496	50 786
Advances	214 259	194 862
Sundry debtors	6 554	5 684
Deferred taxation asset	3 225	1 788
Current taxation prepaid	256	421
Investments in associate companies	1 627	1 504
Other investments	3 788	5 429
Insurance assets	5 152	7 891
Property and equipment	2 684	2 854
Computer software and capitalised development costs	1 710	1 730
Goodwill	3 762	4 457
Customers' indebtedness for acceptances	835	1 120
<b>Total assets</b>	<b>321 429</b>	<b>324 767</b>
<b>Shareholders' equity and liabilities</b>		
Ordinary share capital	275	271
Ordinary share premium	4 801	4 536
Non-distributable reserves	(96)	216
Distributable reserves	6 667	12 023
Ordinary shareholders' equity	11 647	17 046
Minority shareholders' equity		
Attributable to preference shareholders	2 802	1 987
Attributable to ordinary shareholders	652	503
Total shareholders' equity and minority interest	15 101	19 536
Deposits, current accounts and other creditors	259 757	236 526
Derivative instruments	28 206	50 233
Deferred taxation liabilities	2 148	1 710
Current taxation liabilities	144	183
Insurance funds	5 152	7 891
Long-term debt instruments	10 086	7 568
Liabilities under acceptances	835	1 120
<b>Total shareholders' equity and liabilities</b>	<b>321 429</b>	<b>324 767</b>

## AC133: Balance sheet classification of financial instruments

	Assets Rm	Liabilities Rm
Fair value	70 045	40 797
Held for trading	68 078	40 797
Available for sale	1 967	
Amortised cost	251 384	265 531
Originated loans and receivables	236 797	
Held to maturity	1 323	
Non-trading liabilities		263 239
Other assets and liabilities	13 264	2 292
Shareholders' funds		15 101
	321 429	321 429

## Abridged cash flow statement

	2003 Reviewed Rm	2002 Restated Rm
for the year ended 31 December		
<b>Cash flows from operating activities</b>	<b>3 753</b>	<b>3 057</b>
Cash received from clients	35 797	29 111
Cash paid to clients, employees and suppliers	(30 668)	(24 945)
Dividends received	152	173
Ordinary dividends paid	(1 395)	(1 282)
Preference dividends paid	(133)	
<b>Net (increase)/decrease in operating funds</b>	<b>(13 762)</b>	<b>2 131</b>
Taxation paid	(616)	(765)
<b>Net cash generated from/(utilised in) investing activities</b>	<b>2 654</b>	<b>(7 096)</b>
<b>Net cash provided by financing activities</b>	<b>3 591</b>	<b>8 302</b>
Net proceeds of ordinary shares issued	269	3 240
Net proceeds of preference shares issued	815	1 987
Increase in subordinated debt	2 507	3 075
Net (decrease)/increase in cash and short-term funds	(4 380)	5 629
Cash and short-term funds at beginning of year	16 607	10 978
<b>Cash and short-term funds at end of year</b>	<b>12 227</b>	<b>16 607</b>

## AC133: reserve adjustments

	Rm
at 31 December 2003	
<b>Distributable reserves</b>	
Impairment of advances	(1 700)
Fair-value adjustments	(1 205)
Taxation	795
Minority interest	1
<b>Total adjustment to distributable reserves opening balance</b>	<b>(2 109)</b>
<b>NDR – available for sale reserve</b>	
Fair-value adjustments	28
Taxation	(8)
Minority interest	(5)
<b>Total adjustment to non-distributable reserves opening balance</b>	<b>15</b>

## Segmental analysis

	2003 Total average assets* Rbn	2002 Total average assets* Rbn	2003 Gross operating income Rm	2002 Restated gross operating income Rm	2003 Headline earnings Rm	2002 Restated headline earnings Rm
for the year ended 31 December						
Nedbank Corporate	133	121	6 063	4 402	1 931	1 532
Nedbank Capital	142	87	1 511	1 347	359	542
Imperial Bank	11	7	785	507	116	82
Retail and Wealth Management	80	71	5 933	5 497	564	719
Peoples Bank	15	10	1 664	1 076	20	302
Shared Services	14	11	5 642	4 435	(972)	(581)
Capital Management and Central Funding	35	25	(6 837)	(4 487)	(241)	866
Foreign currency, currency translation loans, merger and reorganisation, general provision release	(167)	(103)	(1 416)	(1 216)	(1 722)	(986)
Total	263	229	13 345	11 561	55	2 476

\* Excluding derivative instruments

### Basis of preparation

Segment results are based on management results and include revenue, provisioning, expenses and taxes directly attributable to a segment and the relevant portion of revenue and expenses that can be allocated in a reasonable ratio to a segment, whether from external transactions or transactions with other segments. Segment assets or liabilities are based on average balances and comprise those operating assets and liabilities that are directly attributable to a segment or can be allocated to a segment on a reasonable basis.

## Geographic – contribution to headline earnings

	2003 Reviewed Rm	2002 Restated Rm
as at 31 December		
South Africa	(422)	1 940
– South Africa – operations	1 433	2 926
– Foreign currency translation losses, merger and reorganisation costs, general provision release	(1 722)	(986)
– Preference share dividend paid	(133)	
<b>Rest of Africa</b>	<b>198</b>	<b>272</b>
<b>Rest of world</b>	<b>279</b>	<b>264</b>
<b>Headline earnings</b>	<b>55</b>	<b>2 476</b>

## Income statement (Restated)

	As previously reported	Peoples Bank put option	Change in basis accounting relating to AC105/AC102	Historical currency translation gains	Prior- year debit items	Prior-year losses on Business Banking book	Restated
Rm							
Interest income	23 822						23 607
Interest expense	17 522	130	(142)	(256)	183		17 652
Net interest income	6 300	(130)	(142)	(256)	183	–	5 955
Non-interest revenue	6 929			(115)	8		6 822
Foreign currency translation losses	(1 011)			(205)			(1 216)
Total income	12 218	(130)	(142)	(576)	191	–	11 561
Specific and general provisions	1 778				(35)	(276)	1 467
Exceptional general provision reversed	(400)						(400)
Income after specific and general provisions	10 840	(130)	(142)	(576)	226	276	10 494
Operating expenses	7 334			82	(50)		7 366
Merger and reorganisation expenses	193						193
Profit from operations before exceptional items	3 313	(130)	(142)	(658)	276	276	2 935
Exceptional items	(1 793)						(1 793)
Profit from operations	1 520	(130)	(142)	(658)	276	276	1 142
Attributable earnings of associates	162						162
Profit before taxation	1 682	(130)	(142)	(658)	276	276	1 304
Taxation	580			(48)	(32)	83	441
Taxation on merger and reorganisation expenses	(23)						(23)
Taxation on exceptional items	(192)						(192)
Profit after taxation	1 317	(130)	–	(610)	308	193	1 078
Minority interest attributable to ordinary shareholders	(333)	130					(203)
<b>Income attributable to shareholders</b>	<b>984</b>	<b>–</b>	<b>–</b>	<b>(610)</b>	<b>308</b>	<b>193</b>	<b>875</b>
Adjusted for:							
Exceptional items	1 793						1 793
Taxation on exceptional items	(192)						(192)
<b>Headline earnings</b>	<b>2 585</b>	<b>–</b>	<b>–</b>	<b>(610)</b>	<b>308</b>	<b>193</b>	<b>2 476</b>

## Statement of changes in shareholders' equity

	Ordinary share capital Rm	Ordinary share premium Rm	Non- distributable reserves Rm	Distributable reserves Rm	Total ordinary share- holders' equity Rm	Minority interest Preference share- holders Rm	Ordinary share- holders Rm	Total Rm
Balance at 31 December 2001, as previously reported	242	1 326	703	12 559	14 830		881	15 711
Opening adjustment				109	109			109
Balance at 31 December 2001, as restated	242	1 326	703	12 668	14 939		881	15 820
Shares issued for options exercised under the Nedcor Group (1994)								
Employee Incentive Scheme	3	2 924			2 927			2 927
Shares issued for clawback transaction with minorities	3					3		3
Shares issued to NIB minorities	10				10			10
Shares issued to shareholders of BoE	11				11			11
Shares sold by subsidiaries	3	453			456			456
Shares purchased by subsidiaries	(1)	(158)			(159)			(159)
Preference shares issued						2 000		2 000
Share issue expenses		(9)			(9)	(13)		(22)
Income for the year attributable to shareholders				875	875		203	1 078
Transfer to/(from) reserves			246	(246)				
Release of reserve previously not available*			(332)		(332)			(332)
Foreign currency translation			(411)		(411)			(411)
Dividends to shareholders				(1 282)	(1 282)			(1 282)
Acquisition of subsidiaries							(587)	(587)
Other			10	8	18		6	24
Balance at 31 December 2002, as restated	271	4 536	216	12 023	17 046	1 987	503	19 536
AC133 transitional adjustments			15	(2 109)	(2 094)			(2 094)
Adjusted balance at 31 December 2002	271	4 536	231	9 914	14 952	1 987	503	17 442
Shares issued for options exercised under the Nedcor Group (1994)								
Employee Incentive Scheme	4	377						