



**NEDBANK**  
GROUP  
**NEDBANK GROUP LIMITED**

*(formerly Nedcor Limited)*  
(Incorporated in the Republic of South Africa)  
(Registration number 1966/010630/06)  
(Share code JSE: Ned ISIN: ZAE000004875)  
(‘the Company’)

The definitions and interpretations commencing on page 27 apply to this Prospectus in its entirety, including this page and page 2.



**NEDBANK**

**EYETHU**

OWNERSHIP PLAN

**PROSPECTUS**

The Nedbank Eyethu Ownership Plan is an offer for subscription of 7 102 170 Nedbank Group Limited ordinary shares having a par value of R1,00 each in the issued share capital of the Company. The Nedbank Eyethu Ownership Plan is being offered in the Republic of South Africa only.

The Nedbank Eyethu Ownership Plan:

- at the end of the Lock-In Period, conditionally offers Participants one Bonus Share for every three Subscription Shares subscribed and paid for;
- is open to all existing and new Black (as described in the FSC) Retail Clients of Nedbank, Peoples Bank, Old Mutual Bank and Pick ‘n Pay Pay Go Banking who are 18 years or older and are South African citizens who are residents of the Common Monetary Area;
- conditionally offers Participants Capital Protection on their investment; and
- affords Participants the election of subscribing through the Lump Sum Option, the Buy as You Go Option or the Combination Option.

The Offer Price will be the closing market price of Nedbank Group Limited ordinary shares, as published by I-Net Bridge and quoted on the JSE, on the last Business Day prior to the Participants subscribing and paying for Subscription Shares.

<b>Opening date of the Nedbank Eyethu Ownership Plan (08:00)</b>	<b>Monday, 15 August 2005</b>
<b>Closing date of first allocation (15:00)</b>	<b>Thursday, 15 September 2005</b>
<b>Closing date of second allocation (15:00)</b>	<b>Friday, 14 October 2005</b>
<b>Closing date of the third allocation and the Nedbank Eyethu Ownership Plan (15:00)</b>	<b>Tuesday, 15 November 2005</b>

At the date of Listing, the authorised share capital of the Company comprised 600 000 000 ordinary shares with a par value of R1,00 each. The issued share capital of the Company comprised 436 715 751 Ordinary Shares listed on the JSE.

9 469 560 Scheme Shares (including 2 367 390 Bonus Shares) were listed in the Financials ‘Banks’ sector, under the abbreviated name ‘Nedbank’, with effect from the commencement of business on Monday, 8 August 2005.

Date of issue: 15 August 2005

The 7 102 170 Subscription Shares offered for subscription in terms of this Prospectus will, once issued to Participants in replacement of their Allocated Offer Shares, and the 2 367 390 Bonus Shares, rank pari passu (including voting and dividend rights) with existing Ordinary Shares.

**Subscription Shares and Bonus Shares will only be traded in electronic form on the JSE. All Participants who receive Subscription Shares and Bonus Shares on the delivery date of the Nedbank Eyethu Ownership Plan will receive Dematerialised Shares.**

The directors, whose names are provided in paragraph 7.1 on page 45 of this Prospectus, collectively and individually, accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Prospectus contains all information required by law.

The investment bank, BEE Transaction adviser and sponsor, corporate law advisers, independent reporting accountants and auditors, transfer secretaries, and lead sponsor, whose names are included in this Prospectus, have consented in writing to act in the capacities stated and to their names being included in this Prospectus and have not withdrawn their consents prior to the publication of this Prospectus. The independent reporting accountants and auditors of the Company have consented to the inclusion of their reports in the form and context in which they appear and have not withdrawn such consents prior to the publication of this Prospectus.

On 15 June 2005 a circular setting out the terms and conditions of the BEE Transaction undertaken by the Company was sent to Ordinary Shareholders. Applicants wishing to read more about the BEE Transaction are encouraged to read the abovementioned circular or visit the Nedbank Group's website ([www.nedbankgroup.co.za](http://www.nedbankgroup.co.za)).

This Prospectus details the Nedbank Eyethu Ownership Plan, a component of the BEE Transaction.

The Nedbank Eyethu Ownership Plan is governed by the Rules of the Nedbank Eyethu Ownership Plan and the Eyethu Retail Trust Deed, copies of which are available at any Nedbank, Peoples Bank or Old Mutual Bank branch or on the Nedbank Group website ([www.nedbankgroup.co.za](http://www.nedbankgroup.co.za)).

At a general meeting held on Friday, 22 July 2005, Ordinary Shareholders approved the BEE Transaction of which the Nedbank Eyethu Ownership Plan is a component. The relevant special resolutions were lodged for registration with the Registrar of Companies on Monday, 25 July 2005.

An English copy of this Prospectus, accompanied by the documents referred to under 'Registration of Prospectus and supporting documents' as set out in paragraph 22 on page 67 of this Prospectus, was registered by the Registrar of Companies on Monday, 1 August 2005 in terms of section 155(1) of the Companies Act.

**This Prospectus does not constitute an Offer for Subscription outside of the Republic of South Africa and may not be distributed outside of the Republic of South Africa.**

**An abridged version of this Prospectus will be released on SENS and published in the South African press on Monday, 15 August 2005.**

For further information, please call the central support helpline on 0860 555 130, e-mail [EyethuOwnershipPlan@nedbank.co.za](mailto:EyethuOwnershipPlan@nedbank.co.za), visit the Nedbank Group website ([www.nedbankgroup.co.za](http://www.nedbankgroup.co.za)) or consult your broker, banker, attorney, CSDP, accountant or other professional adviser.

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Investment bank,  
BEE Transaction adviser  
and sponsor to the Company



Corporate law advisers  
to the Company



Independent reporting accountants  
and auditors to the Company



Lead sponsor to the Company



# NEDBANK EYETHU OWNERSHIP PLAN

# APPLICATION FORM

If you are an eligible person and you wish to subscribe for shares in the Nedbank Eyethu Ownership Plan, please read the detailed Prospectus (the document to which this Application Form is attached) paying particular attention to the "Summary of the Rules and the Nedbank Eyethu Ownership Plan" section commencing on page 9 of this Prospectus before completing and returning this Application Form.

An eligible person is:

- a Black Person as defined in the Financial Sector Charter (African, Indian or Coloured); and
- a South African citizen who is 18 years or older (if you are between 18 and 21 assisted by your parent or legal guardian) and resident in the Common Monetary Area (Republic of South Africa, Republic of Namibia, Kingdom of Swaziland or Kingdom of Lesotho).

You may deliver the completed Application Form to any Nedbank, Peoples Bank or Old Mutual Bank branch or alternatively send it to Nedbank Group Limited in an envelope marked 'Nedbank Group Limited: Nedbank Eyethu Ownership Plan' either by post (in the enclosed prepaid Business Reply Service envelope or to PO Box 1144, Johannesburg, 2000) or by hand (135 Rivonia Road, Sandown, 2196).

Please note that if you fail to complete this form correctly, your application may be rejected.

1 Insert your name, ID number, address details, telephone numbers and e-mail address here														
Title (tick (✓) the relevant box)	Mr		Mrs		Miss		Other	(please specify)						
Initial(s)														
First name(s)														
Surname														
ID number														
Postal address line 1*														
Postal address line 2*											Postal code			
Physical address 1* (if different to postal address)														
Physical address 2*											Postal code			
Telephone number*														
Fax number* (if applicable)														
e-mail address (if applicable)														
* Must be within the Common Monetary Area (Republic of South Africa, the Republic of Namibia, the Kingdom of Swaziland or the Kingdom of Lesotho)														

2 Participation Options																
<p>You may elect the:</p> <ul style="list-style-type: none"> <li>– automatic monthly payment option (<b>Buy as You Go Option</b>);</li> <li>– once-off lump sum payment option (<b>Lump Sum Option</b>); or</li> <li>– you may select <b>both</b> options (<b>Combination Option</b>). To select the <b>Combination Option</b> please complete the automatic monthly payment option section below in respect of your monthly payment amount <u>and</u> the once-off lump sum payment option section below in respect of your once-off lump sum amount. If you do select both options, please ensure that you understand the effect of this election.</li> </ul> <p>The total value of the amount invested under all options <b>may not exceed R100 000</b>. Please select the options below:</p> <p>Please tick (✓) the relevant box</p>																
Automatic monthly payment option																
I would like to invest the following monthly amount for 36 months (any amount between R50 and R1 000 per month):											R					
Once-off lump sum payment option																
I would like to invest the following amount as a once-off lump sum payment (any amount between R2 000 and R100 000 (the cumulative amount you subscribe for in terms of the Automatic monthly payment option and Once-off lump sum payment options above may not exceed R100 000)):											R					

3 Insert your bank details here	
<p>To participate in the Nedbank Eyethu Ownership Plan you must have a Qualifying Account (<b>a Qualifying Account is a savings account, current account, transmission account or Mzansi account</b>) with Nedbank, Peoples Bank, Old Mutual Bank or Pick 'n Pay Go Banking.</p>	
<p>If you wish to participate in the Nedbank Eyethu Ownership Plan and you already have a Qualifying Account please insert the account details in the spaces provided below.</p> <p><b>Please ensure that the Qualifying Account is in the same name as you have provided above.</b></p>	
Branch code	Account number
<p>If you wish to participate in the Nedbank Eyethu Ownership Plan but you do not have a Qualifying Account please contact your local Nedbank, Peoples Bank or Old Mutual Bank branch.</p>	
<p>I do not hold a Qualifying Account, but I will apply for one so that I can participate in the Nedbank Eyethu Ownership Plan. Please tick (✓) the box if this applies to you.</p>	
4 Payment and return of this Application Form	
<p>Three allocations of Nedbank Group Subscription Shares will be made by the Eyethu Retail Trust. The closing date of the first allocation will be 15 September 2005, the closing date of the second allocation 15 October 2005 and the closing date of the third allocation 15 November 2005.</p> <p>Since there are a finite number of Subscription Shares available, if there is an over-subscription of the Nedbank Eyethu Ownership Plan, <b>we cannot guarantee that the value of Subscription Shares applied for by the Applicant will be the actual amount granted to the Applicant by the Eyethu Retail Trust</b> under the terms and conditions of the Nedbank Eyethu Ownership Plan. The risk of over-subscription increases as the Nedbank Eyethu Ownership Plan approaches closure and hence we urge you to send in your completed Application Form, in accordance with the instructions set out in the 'Guide to completing the Nedbank Eyethu Ownership Plan Application Form' that follows this Application Form, as soon as possible but <b>by no later than Tuesday, 15 November 2005, being the closing date of the third allocation and of the Nedbank Eyethu Ownership Plan.</b></p> <p>You will be notified of your allocation by no later than 60 days after the relevant closing date. <b>If you have not had a response by then please phone the support call centre on 0860 555 130 or e-mail EyethuOwnershipPlan@nedbank.co.za.</b></p>	
5 Sign below	
<p>I agree that this completed Application Form shall constitute an irrevocable offer to participate in the Nedbank Eyethu Ownership Plan under the option/s I have selected above and to subscribe for the value of Nedbank Group Subscription Shares specified above or such lesser value of Subscription Shares as may be allocated to me by the Eyethu Retail Trust.</p> <p>I acknowledge that a condition to this Offer for Subscription is that I have a Qualifying Account and that I make payment of the first amount of money in terms of the Participation options selected by me on the dates when payment is due.</p> <p>I agree that my Participation in the Nedbank Eyethu Ownership Plan is governed by the terms and conditions of the Rules of the Nedbank Eyethu Ownership Plan and the Eyethu Retail Trust Deed and I agree to be bound by these. (The Rules of the Nedbank Eyethu Ownership Plan and the Eyethu Retail Trust Deed are summarised in the Prospectus and in the 'Summary of the Rules and the Nedbank Eyethu Ownership Plan' section commencing on page 9 of the Prospectus and are published in full on the Nedbank Group Limited internet site (<a href="http://www.nedbankgroup.co.za">www.nedbankgroup.co.za</a>) and copies of these are also available at all Nedbank, Peoples Bank or Old Mutual Bank branches).</p> <p>I agree that the Prospectus, the Summary of the Rules and the Nedbank Eyethu Ownership Plan, the detailed Rules of the Nedbank Eyethu Ownership Plan and Eyethu Retail Trust Deed, which are available to me in the manner described above, contains information to enable me to decide whether or not I wish to subscribe for Nedbank Group Subscription Shares in terms of the Nedbank Eyethu Ownership Plan.</p> <p>I agree that I will be subscribing for Subscription Shares based on my own understanding of all of the information described above and, by signing this Application Form, I acknowledge both this understanding and what it entails as well as the financial implications of subscribing for Nedbank Group Subscription Shares. (Please contact our support centre at 0860 555 130 or by e-mail <a href="mailto:EyethuOwnershipPlan@nedbank.co.za">EyethuOwnershipPlan@nedbank.co.za</a> should you require any advice in this regard.)</p> <p>I authorise the Eyethu Retail Trust to open a Central Securities Depository Participant account with BoE Trust Limited (this is the Nedbank participant under the Security Services Act) for purposes of the Nedbank Eyethu Ownership Plan and agree to provide the Eyethu Retail Trust with all such information as it may require to open such an account and authorise Nedbank Limited to provide the Eyethu Retail Trust with my information for this purpose. In respect of this Central Securities Depository Participant account, I agree to be bound by the terms and conditions applicable to holders of such accounts generally.</p> <p>I agree to receive my Subscription Shares and Bonus Shares (if any) in the form of Dematerialised Shares.</p> <p>I confirm that I am a citizen of the Republic of South Africa and I reside within the Common Monetary Area (Republic of South Africa, the Republic of Namibia, the Kingdom of Swaziland or the Kingdom of Lesotho).</p> <p>I authorise the Eyethu Retail Trust to debit my Qualifying Account with such costs and taxes (if any) as are incurred in the issue of my Bonus Shares from the Eyethu Retail Trust to my account at BoE Trust Limited.</p> <p>I warrant and agree that I am an eligible person as defined and that I am entitled to participate in the Nedbank Eyethu Ownership Plan.</p>	
Signature	Date
<p>The following section must only be completed if the applicant is 18 years or older but under the age of 21. If you are under the age of 21, please ensure that you are assisted by your parent or legal guardian and that they too sign this Application Form.</p>	
Signature of parent/legal guardian	Date

## GUIDE TO COMPLETING THE NEDBANK EYETHU OWNERSHIP PLAN APPLICATION FORM

<p>Please read these instructions, the Summary of the Rules and the Nedbank Eyethu Ownership Plan section (commencing on page 9 of the Prospectus) and the detailed Prospectus (collectively the 'Prospectus') carefully before completing the Application Form.</p> <p>If you have any queries regarding the completion of the Application Form, please contact our support centre on 0860 555 130 or by e-mail EyethuOwnershipPlan@nedbank.co.za.</p> <p>The Prospectus has been registered with the Registrar of Companies on Monday, 1 August 2005.</p> <p>The numbers on this guide match the section numbers on the Nedbank Eyethu Ownership Plan – Application Form.</p> <p>Please complete the Application Form in black ink and where applicable please use CAPITAL LETTERS.</p>
<p><b>1 Insert your personal details</b></p>
<p>Write your name, ID number, postal address, physical address (if applicable), contact telephone numbers and e-mail address (if applicable) as the applicant.</p>
<p>Only individuals/natural persons (and not companies, close corporations, trusts, partnerships, etc.) may apply to participate in the Nedbank Eyethu Ownership Plan.</p> <p>Joint applications are not permitted.</p>
<p>Only valid South Africa ID numbers are acceptable.</p>
<p>Only addresses, telephone numbers and fax numbers within the Common Monetary Area (Republic of South Africa, the Republic of Namibia, the Kingdom of Swaziland or the Kingdom of Lesotho) are acceptable.</p>
<p><b>2 Application amount at the price payable in the Nedbank Eyethu Ownership Plan</b></p>
<p>Indicate if you would like to invest on a lump sum basis or on an automatic monthly payment basis (or a combination of the two) by ticking the boxes provided.</p>
<p><b>36-month automatic monthly payments</b></p> <p>If you have indicated that you will be Participating via the automatic monthly payment option (or a combination of this and the lump sum option) please indicate the Rand amount of the monthly payment in the box provided.</p> <p>Each individual allocation will be priced at the closing market price of Nedbank Group Limited Ordinary Shares on the JSE on the Business Day before each monthly payment is received. It is important to understand that because the price of Nedbank Group Limited Ordinary Shares varies, the number of Nedbank Group Limited Ordinary Shares allocated for each payment is subject to change.</p>
<p>The minimum automatic monthly payment amount is R50. The maximum amount is R1 000.</p>
<p><b>Lump sum payments</b></p> <p>If you have indicated that you will be Participating via the once-off lump sum payment option (or a combination of this and the automatic monthly payment option) please indicate the Rand amount that you would like to invest in the box provided.</p> <p>The lump sum allocation will be priced at the closing market price of Nedbank Group Limited Ordinary Share on the JSE on the Business Day before the lump sum payment is received. It is important to understand that the value of Nedbank Group Limited shares allocated to you is unknown at this stage.</p>
<p>The minimum lump sum payment amount is R2 000. The maximum lump sum payment amount is R100 000 (where you have selected a combination of a stop order and a lump sum (<b>Combination Option</b>), the combined value cannot exceed R100 000).</p>
<p><b>3 Insert your bank account details</b></p>
<p>To Participate in the Nedbank Eyethu Ownership Plan you must have a Qualifying Account.</p> <p>If you are currently a Qualifying Account holder please insert the details of your account in the spaces provided.</p> <p>If you do not have a Qualifying Account please contact your local Nedbank, Peoples Bank or Old Mutual Bank branch or the central support helpline on 0860 555 130 so that an account can be opened for you.</p>
<p>The Qualifying Account must be in your own name. Your bank details will be used for the payment of dividends and the payment of your lump-sum and/or automatic monthly payments.</p>
<p>Branch code – insert the 6-digit branch code. This is also the first 6 digits of your account number.</p> <p>Account number – insert your Qualifying Account number.</p>

<b>4</b>	<b>Return of the form</b>
	<p>This form can be submitted at any Nedbank, Peoples Bank or Old Mutual Bank branch or alternatively send it to Nedbank Group Limited in an envelope marked '<b>Nedbank Group Limited: Nedbank Eyethu Ownership Plan</b>' either by post (in the enclosed prepaid Business Reply Service envelope or to PO Box 1144, Johannesburg, 2000) or by hand (135 Rivonia Road, Sandown, 2196).</p> <p>For further information, please call the central support helpline on 0860 555 130, e-mail EyethuOwnershipPlan@nedbank.co.za, visit the Nedbank Group website (<a href="http://www.nedbankgroup.co.za">www.nedbankgroup.co.za</a>) or consult your broker, banker, attorney, CSDP, accountant or other professional adviser.</p>
<b>5</b>	<b>Please sign and date this Application Form</b>
	<p>If you are signing this form in a representative capacity, for example under a power of attorney, please enclose a certified copy of the authorising document.</p> <p>No applicant under the age of 18 may apply.</p> <p>Parents or legal guardians of applicants under the age of 21 need to sign this Application Form.</p> <p>Only eligible persons may participate in the Nedbank Eyethu Ownership Plan.</p>

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## IMPORTANT LEGAL NOTES

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This Prospectus and the Nedbank Eyethu Ownership Plan constitute an offer for subscription in the Republic of South Africa only and is only open to individuals who are citizens of the Republic of South Africa and who are resident within the Common Monetary Area. The Offer for Subscription in terms of this Prospectus is only addressed to persons to whom it may lawfully be made. The distribution of this Prospectus and the Nedbank Eyethu Ownership Plan may be restricted by law in certain jurisdictions. Persons in possession of this Prospectus and the Nedbank Eyethu Ownership Plan must inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus and the Nedbank Eyethu Ownership Plan do not constitute an Offer for Subscription of any Offer Shares in any jurisdiction in which such Offer for Subscription or sale would be unlawful. No one has taken any action that would permit a public offering of Offer Shares to occur outside of the Republic of South Africa.

This Prospectus and the Nedbank Eyethu Ownership Plan will not be provided or distributed to any person outside of the Republic of South Africa.

Without derogating from the generality of the above statement that this Prospectus and the Nedbank Eyethu Ownership Plan constitutes an Offer for Subscription in the Republic of South Africa only, this Prospectus and the Nedbank Eyethu Ownership Plan do not constitute an Offer for Subscription in or from the United States, Canada, Australia, Japan or any other jurisdiction where the dissemination of this Prospectus or the making of the Offer for Subscription may be illegal or fails to conform to the laws of such jurisdiction ('Affected Jurisdiction'). To the extent that this Prospectus may be sent to any Affected Jurisdiction, it is provided for information purposes only. Persons in Affected Jurisdictions may not participate in the Nedbank Eyethu Ownership Plan. No person accepting the Offer for Subscription should use the mail of any such Affected Jurisdiction nor any other means, instrumentality or facility in such Affected Jurisdiction for any purpose, directly or indirectly, relating to the Nedbank Eyethu Ownership Plan. It shall be the responsibility of any persons resident in a jurisdiction outside of the Republic of South Africa to inform themselves about, and observe, any applicable legal requirements in the relevant jurisdiction.

Certain statements contained in this Prospectus, constitute 'forward-looking statements'. Forward-looking statements are preceded by, followed by or include the words 'believes', 'expects', 'aims', 'estimates', 'anticipates', 'may', 'will', 'should', 'could', 'intends', 'plans', 'seeks', 'value-at-risk' or words of similar import. Such forward-looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Nedbank Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include, among others, general economic and business conditions, industry trends, competition, changes in government regulation, interest rate fluctuations, currency fluctuations (including in particular the Rand/US\$ exchange rate), changes in business strategy or development plans and other risks. There can be no assurance that the results and events contemplated by the forward-looking statements contained in this Prospectus will, in fact, occur. These forward-looking statements speak only as of the date of this Prospectus. The Company will not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this Prospectus except as required by law or by any appropriate regulatory authority.

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## CORPORATE INFORMATION RELATING TO THE COMPANY (1,3,4,5)

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### Secretary and registered office

Company Secretary: G S Nienaber  
(BA, LLB, Dip Adv Banking, Qualified Attorney)  
Ground Floor  
Block A  
Nedbank Group Limited  
(formerly Nedcor Limited)  
(Registration number 1966/010630/06)  
135 Rivonia Road  
Sandown, 2196  
(PO Box 1144, Johannesburg, 2000)

### Investment bank, BEE Transaction adviser and sponsor

Nedbank Capital  
(A division of Nedbank Limited)  
(Registration number 1951/000009/06)  
135 Rivonia Road  
Sandown, 2196  
(PO Box 1144, Johannesburg, 2000)

### Corporate law advisers

Edward Nathan (Proprietary) Limited  
(Registration number 2004/005665/07)  
150 West Street  
Sandown, 2196  
(PO Box 783347, Sandton, 2146)

### Independent reporting accountants and auditors

Deloitte & Touche  
The Woodlands  
20 Woodlands Drive  
Woodmead, 2196  
(Private Bag X6, Gallo Manor, 2052)

KPMG Inc  
(Registration number 1999/012876/07)  
KPMG Crescent  
85 Empire Road  
Parktown, 2193  
(Private Bag X9, Parkview, 2122)

### Transfer secretaries

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

### Lead sponsor

Merrill Lynch South Africa (Proprietary) Limited  
(Member of the Merrill Lynch Group)  
(Registration number 1995/001805/07)  
138 West Street  
Sandown, 2196  
(PO Box 651987, Benmore, 2010)

### The Company's holding company

Old Mutual plc  
(Incorporated in England and Wales)  
(Registration number 3591559)  
5th Floor  
Old Mutual Place  
2 Lambeth Hill  
London, EC4V 4GG

### Commercial banker

Nedbank Limited  
(Registration number 1951/000009/06)  
135 Rivonia Road  
Sandown, 2196  
(PO Box 1144, Johannesburg, 2000)



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# SUMMARY OF THE RULES AND THE NEDBANK EYETHU OWNERSHIP PLAN

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This summary attempts to address the more important aspects of the Nedbank Eyethu Ownership Plan and is an overview of the more important issues of the Rules of the Nedbank Eyethu Ownership Plan and the Eyethu Retail Trust Deed. The Nedbank Eyethu Ownership Plan is constituted in terms of the Rules of the Nedbank Eyethu Ownership Plan and the Eyethu Retail Trust Deed. The Rules of the Nedbank Eyethu Ownership Plan and the Eyethu Retail Trust Deed must be read in full and take precedence over this summary.

Should you require a copy of the Rules of the Nedbank Eyethu Ownership Plan and/or the Eyethu Retail Trust Deed, please contact your nearest Nedbank, Peoples Bank or Old Mutual Bank branch, call 0860 555 130, e-mail EyethuOwnershipPlan@nedbank.co.za or visit the Nedbank Group website ([www.nedbankgroup.co.za](http://www.nedbankgroup.co.za)).

The definitions and interpretations commencing on page 27 of this Prospectus apply to this Summary of the Rules and the Nedbank Eyethu Ownership Plan.

## 1. HOW DO I PARTICIPATE IN THE NEDBANK EYETHU OWNERSHIP PLAN?

You may participate in the Nedbank Eyethu Ownership Plan in one of the following manners:

- by subscribing and paying for Subscription Shares through a once-off upfront lump sum payment of your choice between R2 000 and R100 000 (the Lump Sum Option); or
- by subscribing and paying for Subscription Shares on a monthly basis through an automatic monthly payment of your choice between R50 and R1 000 per month over the Lock-In Period (the Buy as You Go Option); or
- by electing a combination of the Lump Sum Option and the Buy as You Go Option (Combination Option).

You may invest up to a maximum (in the aggregate) of R100 000 in the Nedbank Eyethu Ownership Plan.

The Nedbank Eyethu Ownership Plan runs for a period of 36 months ('Lock-In Period') from the time you first subscribe and pay for Subscription Shares. You will need to comply with the Rules of the Nedbank Eyethu Ownership Plan for the Lock-In Period in order to qualify for the benefits described in paragraph 2 below.

You need to make an offer by completing the Application Form attached to this Prospectus and delivering the completed form to any Nedbank, Peoples Bank or Old Mutual Bank branch or alternatively by delivering it in an envelope marked '**Nedbank Group Limited: Nedbank Eyethu Ownership Plan**' either by post (using the supplied prepaid Business Reply Service envelope or to PO Box 1144, Johannesburg, 2000) or by hand (135 Rivonia Road, Sandown, 2196).

## 2. WHAT DOES THE NEDBANK EYETHU OWNERSHIP PLAN OFFER ME?

- An opportunity to participate in the Company's BEE Transaction;
- An opportunity to acquire Nedbank Group Shares through the Lump Sum Option, the Buy as You Go Option or the Combination Option;
- An opportunity to qualify for one Bonus (free) Share for every three Allocated Offer Shares you hold at the end of the required Lock-In Period, provided you have not been disqualified from the Nedbank Eyethu Ownership Plan;
- Capital Protection if, at the end of the Lock-In Period, the combined market price of your Allocated Offer Shares and the Bonus Shares (if any) due to you is less than the total capital you invested, provided you have not been disqualified from the Nedbank Eyethu Ownership Plan; and
- Dividends distributed by the Company on the same number of Scheme Shares as equates to your Allocated Offer Shares in the period from the date you pay for your Subscription Shares up to the end of the Lock-In Period.

## 3. WHO QUALIFIES FOR PARTICIPATION IN THE NEDBANK EYETHU OWNERSHIP PLAN?

Individuals who meet all of the following criteria:

- new and existing clients of Nedbank, Peoples Bank, Old Mutual Bank and Pick 'n Pay Pay Go Banking who hold a Qualifying Account; and
- black people as described in the Financial Sector Charter (individuals of African, Coloured or Indian descent); and
- citizens of the Republic of South Africa who are residents of the Common Monetary Area (the Republic of South Africa, the Republic of Namibia, the Kingdom of Lesotho and the Kingdom of Swaziland); and
- individuals who are 18 years or older.

## 4. WHAT IS A QUALIFYING ACCOUNT?

A savings account, current account, transmission account or Mzansi Account with Nedbank, Peoples Bank, Old Mutual Bank or Pick 'n Pay Pay Go Banking, or any other product that is added to this list of products by the Nedbank Group during the Lock-In Period.

This would usually be the account into which your salary, wages or income is deposited.

## 5. HOW MANY SHARES ARE BEING OFFERED TO THE PUBLIC?

A total of 7 102 170 Subscription Shares are being offered to the public in terms of the Nedbank Eyethu Ownership Plan.

## 6. WHEN WILL MY SUBSCRIPTION SHARES BE DELIVERED TO ME?

You will receive the same number of shares as equates to your Allocated Offer Shares in the form of Subscription Shares, either at the end of the Lock-In Period or when you exit the Nedbank Eyethu Ownership Plan, if you do so during the Lock-In Period.

In terms of the Lump Sum Option and the Buy as You Go Option, the Lock-In Period will be calculated from the date on which you first pay for any Subscription Shares.

In terms of the Combination Option, the Lock-In Period will be calculated from the later of:

- the date that you make the once-off upfront lump sum payment; or
- the date that you make your first automatic monthly payment.

## 7. HOW WILL MY SUBSCRIPTION SHARES BE DELIVERED TO ME?

- At the expiry of the Lock-In Period (or on the appropriate date if you exit the Nedbank Eyethu Ownership Plan earlier) the Eyethu Retail Trust will open a CSDP (share trading) account for you at BoE Trust Limited and the same number of shares as your Allocated Offer Shares (in the form of Subscription Shares) and Bonus Shares (if any) due to you will be transferred into this account. The cost of opening the CSDP (share trading) account will be borne by the Company. You will only be liable for Uncertificated Securities Tax on the transfer of your Bonus Shares from the Eyethu Retail Trust to the CSDP account, as described in paragraph 30 below.
- If you wish to sell your Subscription Shares and Bonus Shares (if any) due to you, or you wish to transfer your Subscription Shares and Bonus Shares (if any) due to you to another CSDP account, you will need to contact BoE Trust Limited directly.
- The Eyethu Retail Trust will ensure that you receive your account details at BoE Trust Limited together with all relevant contact details.

## 8. WHAT DOES THE LUMP SUM OPTION INVOLVE?

- An opportunity to subscribe and pay for Subscription Shares through a once-off upfront lump sum payment of not less than R2 000 and not more than R100 000.
- It is possible that you may not be allocated the full value of Subscription Shares for which you apply. Depending upon the availability of Subscription Shares, you may be allocated a lesser value of Subscription Shares than you applied for. This would typically occur if the Offer for Subscription was over-subscribed. If you are not allocated the full value of Subscription Shares for which you apply, you will only be liable for the value of shares allocated to you and the balance will be returned to you.
- The required Lock-In Period will be calculated from the date you pay for your Subscription Shares.
- Allocated Offer Shares will be allocated to your account when you make your lump sum payment and you will receive dividends on the same number of Scheme Shares as equates to your Allocated Offer Shares on the basis set out in paragraph 17 below.

## 9. WHAT DOES THE BUY AS YOU GO OPTION INVOLVE?

- An opportunity to subscribe and pay for Subscription Shares through automatic monthly payments over the Lock-In Period, provided there are Offer Shares available.
- Fixed automatic monthly payments of any amount of not less than R50 and not more than R1 000 per month will be accepted.
- It is possible that you may not be allocated the full value of Subscription Shares for which you apply. Depending upon the availability of Subscription Shares, you may be allocated a lesser value of Subscription Shares than you applied for. This would typically occur if the Offer for Subscription was over-subscribed. If you are not allocated the full value of Subscription Shares for which you apply, you will only be liable for the value of shares allocated to you and any excess payments will be returned to you.
- The option to pay all of your outstanding automatic monthly payments in a once-off lump sum payment at any time during the Lock-In Period, depending upon the availability of Subscription Shares.
- You may increase or decrease the amount of your automatic monthly payment subject to the consent of the Company and the availability of Subscription Shares.
- The Lock-In Period will be calculated from the date of your first automatic monthly payment.
- Allocated Offer Shares will be allocated to your account as and when you make each automatic monthly payment and you will receive dividends on the same number of Scheme Shares as equates to your Allocated Offer Shares on the basis set out in paragraph 17 below.

## 10. WHAT DOES THE COMBINATION OPTION INVOLVE?

- An opportunity to subscribe and pay for Subscription Shares through the Lump Sum Option and to subscribe and pay for further Subscription Shares through the Buy as You Go Option.
- The minimum amounts of both options must be adhered to and the maximum amount you may invest in both options is (in the aggregate) R100 000.
- The Lock-In Period will be calculated from the later of:
  - the date you make the once-off upfront lump sum payment; or
  - the date of your first automatic monthly payment.
- Allocated Offer Shares will be allocated to your account as and when you make your lump sum payment and when you make each automatic monthly payment and you will receive dividends on the same number of Scheme Shares as equates to your Allocated Offer Shares on the basis set out in paragraph 17 below.

## 11. WHAT DOES SUBJECT TO AVAILABILITY MEAN?

There are 7 102 170 Subscription Shares available. Should all the Subscription Shares be allocated at any point in time in the Nedbank Eyethu Ownership Plan, you will still qualify for Capital Protection, Bonus Shares and dividends on your Allocated Offer Shares, provided you are not disqualified from the Nedbank Eyethu Ownership Plan, but you will be unable to acquire further Subscription Shares.

## 12. AT WHAT PRICE WILL I ACQUIRE SUBSCRIPTION SHARES?

### 12.1 Lump Sum Option

The price at which you subscribe and pay for Subscription Shares will be determined with reference to the closing market price of Ordinary Shares as published by I-Net Bridge and quoted on the JSE on the last Business Day prior to you paying your lump sum to the Eyethu Retail Trust.

### 12.2 Buy as You Go Option

The price at which you subscribe and pay for Subscription Shares will be determined, in relation to each monthly payment, with reference to the closing market price of Ordinary Shares as published by I-Net Bridge and quoted on the JSE on the last Business Day prior to you making payment to the Eyethu Retail Trust in terms of your automatic monthly payment.

### 12.3 Combination Option

The lump sum portion will be determined as described in paragraph 12.1 above and the buy as you go portion will be determined as described in paragraph 12.2 above.

If it is shown that the closing market price, as described in paragraphs 12.1 to 12.3 above, has been manipulated, the Company, in its sole and absolute discretion, may utilise the 10-day volume weighted average price of Ordinary Shares as published by I-Net and quoted on the JSE on the last Business Day prior to making payment in order to calculate the Offer Price

The Offer Price will exclude Uncertificated Securities Tax or any other tax applicable to the acquisition of listed shares. You will be liable for the full Offer Price in Rand without any deduction or set-off.

## 13. HOW WILL I PAY FOR MY SUBSCRIPTION SHARES?

Your lump sum and automatic monthly payments (as the case may be) will be debited from your Qualifying Account.

## 14. WHEN DO I HAVE TO PAY FOR MY SUBSCRIPTION SHARES?

The Trustees will send you a payment instruction form within 60 days after the closing date of the allocation period into which your application falls, as described in paragraph 15 below.

On such payment instruction form, you will specify the dates the lump sum and/or the automatic monthly payments are to be debited from your Qualifying Account. Your Qualifying Account will then be debited on the date specified by you and you will be notionally allocated your Allocated Offer Shares.

You will need to ensure that your Qualifying Account has the necessary funds available on these dates.

#### **15. WHEN DOES THE OFFER FOR SUBSCRIPTION OPEN AND WHEN DOES IT CLOSE?**

The Offer for Subscription will open on Monday, 15 August 2005 at 08:00.

There are three closing dates attached to the Offer for Subscription. Within 60 days of each closing date the Trustees will allocate Offer Shares to Participants and inform them of their allocation accordingly.

You will be allocated Offer Shares in accordance with the period in which your Application Form is received by the Trustees of the Eyethu Retail Trust. For example, if your Application Form is received prior to the first closing date, you will be allocated Offer Shares in terms of the first allocation.

The first closing date of the Offer for Subscription will be on Thursday, 15 September 2005 at 15:00.

The second closing date of the Offer for Subscription will be Friday, 14 October 2005 at 15:00.

The third closing date of the Offer for Subscription will be on Tuesday, 15 November 2005 at 15:00.

Any changes to the above dates and times will be released on SENS and published in the South African press and lodged with the Registrar of Companies.

#### **16. WHAT ARE THE RIGHTS ATTACHED TO MY ALLOCATED OFFER SHARES?**

Your Allocated Offer Shares will, when issued in the form of Subscription Shares at the end of the Lock-In Period (or the date of exit if you exit the Nedbank Eyethu Ownership Plan earlier), rank equally with (including voting and dividend rights) existing Ordinary Shares. Until the end of the Lock-In Period (or the date of exit if you exit the Nedbank Eyethu Ownership Plan earlier), you will be a beneficiary of the Eyethu Retail Trust with vested dividend and voting rights in respect of such number of Scheme Shares held by the Eyethu Retail Trust as equates to the number of your Allocated Offer Shares.

At the end of the Lock-In Period (or the date of exit if you exit the Nedbank Eyethu Ownership Plan earlier) the Company is entitled to call back such number of Scheme Shares as equates to your Allocated Offer Shares from the Eyethu Retail Trust in terms of the Nedbank Group Call Option. The Company will then issue you with the same number of new Ordinary Shares (being your Subscription Shares) as equates to the number of your Allocated Offer Shares that the Company has called back.

The Trustees will communicate to you the number of Offer Shares allocated to you within 60 days after the closing date of the allocation period into which your application falls, as described in paragraph 15 above. Simultaneously, you will be presented with a list of independent Trustees from which you are encouraged to elect three. The list of independent Trustees will be selected from the Trustees of the remaining External Stakeholder Trusts and Employee Trusts in the BEE Transaction. The Trustees elected by the majority of Participants will administer the Nedbank Eyethu Ownership Plan and the Eyethu Retail Trust on your behalf.

In any corporate action requiring Ordinary Shareholders to vote, you will receive details of the corporate action together with a voting instruction form. This will be your instruction to the Trustees as to how they should vote the same number of Scheme Shares as equates to your Allocated Offer Shares.

Should the Trustees not receive a voting instruction form from you, your Allocated Offer Shares will not be voted.

The Trustees will vote the balance of the Scheme Shares (unallocated Offer Shares, Bonus Shares, Capitalisation Shares and other Ordinary Shares acquired in terms of the Rules) in the Eyethu Retail Trust for the benefit of Participants.

#### **17. DO I QUALIFY FOR DIVIDENDS ON MY SHARES?**

Yes, you will receive cash dividends on your Allocated Offer Shares until the end of the Lock-In Period (or the date of exit if you exit the Nedbank Eyethu Ownership Plan earlier). You will not receive dividends on any Bonus Shares during the Lock-in Period. Subject to the Capital Protection mechanism not being implemented, you will receive dividends on your Subscription Shares and Bonus Shares post the Lock-in Period.

#### **18. HOW CAN I BE DISQUALIFIED FROM THE NEDBANK EYETHU OWNERSHIP PLAN?**

If the Company or the Eyethu Retail Trust issues you with a notice to that effect for any of the following reasons:

- you have not met the Transaction Requirements (as set out in paragraph 19 below); or
- you have failed to make your automatic monthly payments for a consecutive period of three months; or
- you have made any fraudulent or untrue statement in your Application Form; or
- you committed an act or made an omission that disqualifies you from the Nedbank Eyethu Ownership Plan as set out in the Rules of the Nedbank Eyethu Ownership Plan.

**19. WHAT ARE THE TRANSACTION REQUIREMENTS?**

You must ensure that during every rolling three-month period that you participate in the Nedbank Eyethu Ownership Plan at least 15 transactions are conducted through your Qualifying Account. Of these 15 transactions, at least three transactions must be deposits into that Qualifying Account. Transactions made by the bank (Nedbank, Peoples Bank, Old Mutual Bank or Pick 'n Pay Pay Go Banking), such as bank charges, interest or VAT will not count towards meeting the Transaction Requirements.

**20. WHAT ARE THE CONSEQUENCES OF BEING DISQUALIFIED?**

You will cease to qualify for any Bonus Shares and for Capital Protection on your investment. You will however receive the same number of Subscription Shares as your Allocated Offer Shares at the date you are disqualified from the Nedbank Eyethu Ownership Plan.

**21. WHAT HAPPENS IF I FAIL TO MAKE MY AUTOMATIC MONTHLY PAYMENTS IN THE BUY AS YOU GO OPTION?**

- If you fail to make one automatic monthly payment, you will be allowed to make up this one missed automatic monthly payment with the prior consent of the Trustees. You may continue to make further automatic monthly payments.
- If you fail to make three successive automatic monthly payments, your right to subscribe for Subscription Shares will, in the sole discretion of the Company, be forfeited. You will not be entitled to make any further automatic monthly payments.
- If you wish to receive Bonus Shares and Capital Protection, you must continue to comply with the Transaction Requirements for the Lock-In Period and you must comply with any requirement from the Company or the Eyethu Retail Trust that you make up any missed automatic monthly payments.

**22. WHAT IS CAPITAL PROTECTION?**

If, at the end of the Lock-In Period, the combined market value of your Allocated Offer Shares and the Bonus Shares (if any) due to you is less than the capital you invested, the Eyethu Retail Trust will return the capital you invested in the Nedbank Eyethu Ownership Plan in lieu of the shares due to you. You will not earn interest on your capital, but you will have received dividends on the same number of Scheme Shares as equates to your Allocated Offer Shares throughout the period.

However, you may elect to receive the same number of Allocated Offer Shares in the form of Subscription Shares, and Bonus Shares (if any) due to you, in lieu of the capital you invested, by informing the Trustees of the Eyethu Retail Trust in writing of this election, within 10 days of the end of the Lock-In Period. The Trustees will make the Subscription Shares and Bonus Shares available to you.

**23. MAY I EXIT THE NEDBANK EYETHU OWNERSHIP PLAN DURING THE REQUIRED LOCK-IN PERIOD?**

Yes, you may exit the Nedbank Eyethu Ownership Plan before the end of the Lock-In Period, but you will be in breach and accordingly you will be disqualified from the Nedbank Eyethu Ownership Plan. The consequences of being disqualified are set out in paragraph 20 above.

**24. WHAT HAPPENS IF THE EYETHU RETAIL TRUST RUNS OUT OF SUBSCRIPTION SHARES?**

You will no longer be entitled to subscribe for Subscription Shares under the Buy as You Go Option or the Combination Option, but if you continue to meet the Transaction Requirements, you will still be entitled to Capital Protection and Bonus Shares on your Allocated Offer Shares at the end of the Lock-In Period. You will also qualify for dividends on the same number of Scheme Shares as equates to your Allocated Offer Shares from the date you acquire these shares until the end of the Lock-In Period (or the date of exit if you exit the Nedbank Eyethu Ownership Plan earlier).

**25. WHAT HAPPENS IF I AM DISABLED AND CANNOT CARRY ON MAKING PAYMENTS IN THE BUY AS YOU GO OPTION?**

If the Eyethu Retail Trust receives proof of your disability you will be entitled to exit the scheme and you will still be entitled to Capital Protection and Bonus Shares on your Allocated Offer Shares at the date of exit from the Nedbank Eyethu Ownership Plan.

**26. WHAT HAPPENS IF I DIE?**

- Your estate may continue to participate in the Nedbank Eyethu Ownership Plan in which case all the Rules of the Nedbank Eyethu Ownership Plan will apply to your estate.
- Alternatively, your estate may elect to exit the Nedbank Eyethu Ownership Plan and will still be entitled to Capital Protection and Bonus Shares on your Allocated Offer Shares at the date your estate exits the Nedbank Eyethu Ownership Plan.
- If your estate does not inform the Eyethu Retail Trust that it elects to remain in the Nedbank Eyethu Ownership Plan within 60 days of the Nedbank Eyethu Ownership Plan receiving proof of your death, it will be assumed that your estate wishes to exit the scheme.

**27. WHAT ELSE IS IMPORTANT IF I WANT TO PARTICIPATE?**

- Read this Prospectus, the Application Form, the Eyethu Retail Trust Deed, the Rules of the Nedbank Eyethu Ownership Plan and all correspondence sent to you in connection with the Nedbank Eyethu Ownership Plan.
- Comply with all instructions of the Eyethu Retail Trust and the Company.

**28. CAN I TRANSFER MY RIGHTS OR INTERESTS IN THE EYETHU RETAIL TRUST TO A THIRD PARTY DURING THE LOCK-IN PERIOD?**

No, you may not transfer your rights or interests in the Eyethu Retail Trust to a third party during the Lock-In Period.

**29. CAN I USE MY ALLOCATED OFFER SHARES AS SURETY OR SECURITY PURPOSES DURING THE LOCK-IN PERIOD?**

No, you may not use your Allocated Offer Shares for surety or security purposes during the Lock-In Period. Thereafter the shares are yours and you can then use them as you wish.

**30. WILL I PAY UNCERTIFICATED SECURITIES TAX?**

You will only be liable for Uncertificated Securities Tax on your Bonus Shares (if any), when these are delivered to you at the end of the Lock-In Period. This tax will be calculated on the then market price of these Bonus Shares. Uncertificated Securities Tax is currently levied at the rate of 0,25% on the market price of a share on the date of transfer.

The Uncertificated Securities Tax will be charged against your Qualifying Account. Should your Qualifying Account have insufficient funds available to settle the Uncertificated Securities Tax on the transfer of the Bonus Shares, BoE Trust Limited will sell that many of your Subscription Shares as is required to settle the outstanding Uncertificated Securities Tax.

**31. WILL I RECEIVE STATEMENTS?**

Statements will be provided midway through, and at the end of, each tax year at no cost. You will be charged for any further statements you request.

**32. HOW CAN I TRACK MOVEMENTS IN THE COMPANY'S SHARE PRICE?**

The Nedbank Group Share price is displayed on the investor relations section of the Nedbank Group website ([www.nedbankgroup.co.za](http://www.nedbankgroup.co.za)). Share price information is also available in the business section of major newspapers and in financial journals under the share code 'NED'.

**33. WHAT ARE MY VOTING RIGHTS?**

During the Lock-In Period (or until the date you exit the Nedbank Eyethu Ownership Plan, if you do so prior to the end of the Lock-In Period), you will receive a voting instruction form to provide the Trustees with your instructions on how they are to vote your Allocated Offer Shares on your behalf at any Ordinary Shareholder meeting.

**34. HOW DO I APPOINT TRUSTEES FOR THE EYETHU RETAIL TRUST?**

Trustee election forms will be sent to all Participants together with their payment instruction forms, and Participants are encouraged to elect three Trustees from the list of potential office-bearers. The list of independent Trustees will be selected from amongst the Trustees of the remaining External Stakeholder Trusts and Employee Trusts in the BEE Transaction.

**35. ARE THERE ANY HIDDEN COSTS?**

There are no additional costs such as commissions or incentives for which you will be liable.

**36. IF I NEED TO OPEN A QUALIFYING ACCOUNT WHAT MUST I DO?**

- You will need to comply with the requirements of that particular Qualifying Account.
- You will need to be verified for purposes of the Financial Intelligence Centre Act, No. 38 of 2001.
- Contact your nearest Nedbank, Peoples Bank or Old Mutual Bank branch, call 0860 555 130 or e-mail [EyethuOwnershipPlan@nedbank.co.za](mailto:EyethuOwnershipPlan@nedbank.co.za) for details.

**37. WHO WILL GIVE ME ADVICE ABOUT THE NEDBANK EYETHU OWNERSHIP PLAN, HELP ME COMPLETE THE APPLICATION FORM OR HELP ME IF I NEED HELP DEALING WITH MY ALLOCATED OFFER SHARES?**

Please contact your nearest Nedbank, Peoples Bank or Old Mutual Bank branch, call 0860 555 130 or e-mail [EyethuOwnershipPlan@nedbank.co.za](mailto:EyethuOwnershipPlan@nedbank.co.za) for assistance, or consult your broker, banker, attorney, CSDP, accountant or other professional adviser.



**NEDBANK**  
**GROUP**  
**NEDBANK GROUP LIMITED**

*(formerly Nedcor Limited)*

(Incorporated in the Republic of South Africa)

(Registration number 1966/010630/06)

(Share code JSE: Ned ISIN: ZAE000004875)

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## PROSPECTUS OVERVIEW (6(a))

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This overview contains a summary of the key features of the Nedbank Eyethu Ownership Plan. For a full appreciation of the Nedbank Eyethu Ownership Plan, this Prospectus should be read in its entirety. The definitions and interpretations commencing on page 27 of this Prospectus apply mutatis mutandis to the summary as set out below:

### 1. OVERVIEW OF THE COMPANY

The Company is a bank holding company that, through its principal banking subsidiary, Nedbank, and together with the other members of the Nedbank Group, operates as one of the four largest banking groups in the Republic of South Africa.

The Nedbank Group offers a wide range of wholesale and retail banking services through three principal business clusters: Nedbank Retail, Nedbank Corporate and Nedbank Capital. The principal services offered by the Nedbank Group comprise retail, corporate and business banking, property finance, investment banking, private banking, foreign exchange and securities trading. The Group also generates income from credit card issuing and processing services, custodial services, private equity, unit trust administration, asset management services and bancassurance.

The Nedbank Group's vision is to become Southern Africa's most highly rated and respected bank by its employees, clients, shareholders, regulators and communities. This vision forms the basis of all the Group's divisional strategies, together with a strong focus on becoming client-driven.

The Nedbank Group ascribes to a triple bottom line, in that it strives to be economically viable, socially responsible and environmentally sound. Each of these elements is considered when business decisions are made. In doing so the Group is not only managed soundly, but this also demonstrates the Group's commitment to being a driver of sustainable development on a far broader scale than just in the Group.

The Nedbank Group had over 3,5 million retail and corporate clients at the end of 2004. The Group's headquarters are in Sandton, with large operational centres in Cape Town and Durban, which are complemented by a regional network of 501 retail bank branches, located primarily in the Republic of South Africa's urban and suburban areas, 262 retail outlets and 1 210 automated teller machines. In addition, the Nedbank Group has 96 non-retail banking facilities located primarily in Southern Africa. These facilities are operated through the Company's nine subsidiary and/or affiliated banks, as well as through branches and representative offices in certain key global financial centres that serve to meet the international banking requirements of the Nedbank Group's South African-based multinational clients.

The Ordinary Shares have been listed on the JSE since 1969.

### 2. THE NEDBANK GROUP'S STRATEGY

The Nedbank Group's detailed three-year plans aim at setting in motion a journey towards achieving the stated objectives of the Nedbank Group and its divisions. A clear and simple Group strategy provides the high-level guidelines that direct the entire organisation towards a common goal. The Group's strategy describes the scope of its business, its primary strategic focus as well as the Group's delivery capability, key differentiators and business model. Key themes, identified through this exercise for 2005 onward, are as follows:

#### 2.1 Go beyond transformation

The Nedbank Group will demonstrate its deep commitment to the new South Africa by truly transforming itself into a bank accessible to all South Africans. As a transformed organisation the Group will be better positioned to increase its share of public sector business and to grow its client base in the lower-income segments of the retail market.

The Nedbank Group will not only comply with the targets set out in the FSC, but aims to exceed these targets. Transformation is not seen as a separate imperative – it is integral to everything undertaken by the Group and determines how things are done.

In this regard, on 19 April 2005, the Company announced its BEE Transaction. The BEE Transaction was a key part of the Old Mutual Group BEE Transaction. The BEE Transaction was structured to include true broad-based participation, through the inclusion of employees and management, clients, professional bodies, entrepreneurs, as well as women's and community groupings throughout the Republic of South Africa. The BEE Transaction was designed to complement the Nedbank Group's overall strategic objectives of implementing broad-based empowerment into its business.

## **2.2 Grow retail banking**

The Nedbank Group will pay significant attention to Nedbank Retail, the retail division of the Group, as it is regarded as key to the Group's profit growth over the next three years. The intention is to derive maximum benefit from robust credit demand, expansion into diverse income segments and higher interest margins.

The Nedbank Eyethu Ownership Plan is complementary to this objective as it seeks to increase the number of Black Retail Clients through incentivising existing and new Black Retail Clients with one Bonus Share for every three Allocated Offer Shares they hold at the end of the Lock-In Period, subject to these Black Retail Clients maintaining a Qualifying Account with the Nedbank Group for the Lock-In Period, complying with the Transaction Requirements for the same period and complying with the Rules of the Nedbank Eyethu Ownership Plan.

## **2.3 Be client-driven**

During the next three years, the Nedbank Group intends doing a significant amount of work to deliver on the objective of being client-driven. This started with the bedding down of the recent re-organisation, the Group continually re-engineering its systems and processes, the embedding of the Group's value of being people-centred (putting people ahead of systems and processes) and the undertaking to deeply understand its clients' needs.

## **2.4 Unleash synergies**

The Nedbank Group has identified significant opportunities to realise internal and external synergies, which should lead to increased income and reduced costs.

## **2.5 Stretch our brand and service offering**

The intention is to stretch the Nedbank brand across markets, accompanied by a repositioning of the Nedbank Group to effectively service lower income groups.

## **2.6 Focus on transactional banking**

The Nedbank Group will focus on improving its primary banker status in both retail and corporate banking by focusing on transactional banking improvements and sales.

## **2.7 Create a high-performance culture**

The Nedbank Group is optimising and improving its people practices, its business infrastructure and its transformation programme.

## **2.8 Practice world-class risk management**

The Nedbank Group will not only adhere to industry and legislative requirements such as Basel II, but will fundamentally change the way the Group conducts its business and makes decisions.

A detailed description of the Nedbank Group's strategy is included in section 3 of the detailed Prospectus commencing on page 37 of this Prospectus.



### 3. FUTURE PROSPECTS (6(i))

As the benefits of the increased focus on client service become evident, the Nedbank Group expects to show growth in advances and anticipates maintaining its market share in the second half of 2005.

Net interest margins are expected to continue to improve as a result of:

- the uplift created from the rights issue cash of approximately R5,15 billion received in May 2004;
- reduced funding drag as a result of the banking book being relatively interest-neutral following the hedging strategy;
- income on the proceeds from the sale of non-core investments; and
- the repatriation of certain foreign capital during 2004 and earning higher yields in Rand.

The Nedbank Group will focus on growing transactional revenue. Revenue is anticipated to continue to improve and costs to reduce as the Group's initiatives under the three-year recovery programme are implemented. The Group will also benefit from a significant reduction in once off merger and recovery programme costs.

The directors and management are aware that a considerable amount of effort lies ahead in the recovery programme. The business is, however, well placed to deliver improved earnings growth in 2005. The effect of IFRS make the Company's published 2007 targets more challenging.

The detailed three-year programme anticipates that the Nedbank Group will maintain its asset market share from the second half of 2005. The published target for the 2007 financial year for the cost-to-income ratio is 55% or better and for the Return on Equity ratio, 20% or better. Over the next three years the compound annual revenue growth is targeted to grow at 9% more than the compound annual growth in expenses. The programme focuses on growing transactional revenue through a combination of focused teams, cross-selling, upselling, improving client service, consistent pricing and bancassurance initiatives. Nedbank Retail has been identified as the major growth area. Importantly, the programme focuses on the transformation process within the Group.

### 4. OVERVIEW OF THE NEDBANK EYETHU OWNERSHIP PLAN

At a general meeting of the Company held on Friday, 22 July 2005, Ordinary Shareholders voted in favour of implementing certain proposals relating to the introduction of direct, broad-based Black ownership into the Company in the form of the BEE Transaction. Accordingly, a diverse group of Black stakeholders consisting of employees, clients, community interest groups, Non-executive Directors and strategic Black Business Partners, referred to, collectively, as BEE Partners, have been selected to participate in the BEE Transaction. The BEE Transaction will result in the BEE Partners holding 9,33% of the Enlarged Share Capital and equating to 11,5% of the value of the Company's South African businesses.

One of the Nedbank Group's strategies is to focus and grow its Black Retail Client base. The Group identified the BEE Transaction as an opportunity in its pursuit of this objective. The Company therefore allocated an aggregate of R708 million worth of New Nedbank Group Shares for the exclusive benefit of existing and new Black Retail Clients throughout the Republic of South Africa.

Existing and new Black Retail Clients will be entitled to apply to participate in the BEE Transaction through the Nedbank Eyethu Ownership Plan, which is to be implemented through this Offer for Subscription. The Nedbank Eyethu Ownership Plan affords Participants the opportunity of receiving one Bonus Share at the end of the Lock-In Period for every three Allocated Offer Shares held and Capital Protection on their investment, subject to Participants complying with the Rules of the Nedbank Eyethu Ownership Plan.

Salient conditions for Participation in the Nedbank Eyethu Ownership Plan are:

- participants must be Black;
- participants must be citizens of the Republic of South Africa who are residents of the Common Monetary Area;
- participants must be individuals who are 18 years or older;
- participants must be existing or new retail clients of either Nedbank, Peoples Bank, Old Mutual Bank or Pick 'n Pay Pay Go Banking;
- participants will be required to maintain a Qualifying Account with Nedbank, Peoples Bank, Old Mutual Bank or Pick 'n Pay Pay Go Banking for the duration of the Lock-In Period and to comply with the Transaction Requirements over the same period;
- participants will be required to comply with the Rules of the Nedbank Eyethu Ownership Plan.

Participants may participate in the Nedbank Eyethu Ownership Plan through one of the following options:

- the Lump Sum Option (by subscribing and paying for Subscription Shares through the payment of a once-off upfront lump sum amount); or
- the Buy as You Go Option (by subscribing and paying for Subscription Shares on a monthly basis over the Lock-in Period); or
- the Combination Option (a combination of the Lump Sum Option and the Buy as You Go Option).

Participation in the Nedbank Eyethu Ownership Plan is limited to (in the aggregate of) R100 000 per Participant over the Lock-In Period to ensure that as many Black Retail Clients as possible are able to participate.

The Offer Price for Subscription Shares will be determined as follows:

– **Lump Sum Option**

The price at which Participants will subscribe and pay for Subscription Shares will be determined with reference to the closing market price of Ordinary Shares as published by I-Net Bridge and quoted on the JSE on the last Business Day prior to them paying their lump sum to the Eyethu Retail Trust.

– **Buy as You Go Option**

The price at which Participants will subscribe and pay for Subscription Shares will be determined, in relation to each monthly payment, with reference to the closing market price of Ordinary Shares as published by I-Net Bridge and quoted on the JSE on the last Business Day prior to them making payment to the Eyethu Retail Trust in terms of their automatic monthly payment.

– **Combination Option**

The lump sum portion will be determined as described in the Lump Sum Option paragraph above and the buy as you go portion will be determined as described in Buy as You Go Option paragraph above.

If the Company is of the opinion, in its sole and absolute discretion, that there has been evidence of manipulation of its share price in the calculation of the Offer Price using a closing market price, it may elect to utilise the 10-day volume weighted average price of Ordinary Shares as published by I-Net Bridge and quoted on the JSE instead.

Participants will only be able to access their Allocated Offer Shares and Bonus Shares (if any) at the end of the Lock-In Period. At the end of the Lock-In Period (or the date of exit if a Participant exits the Nedbank Eyethu Ownership Plan earlier), the Company is entitled to call back that many Scheme Shares as equates to Allocated Offer Shares and issue the same number of new Ordinary Shares (their Subscription Shares) to Participants as equates to their Allocated Offer Shares.

At the end of the Lock-In Period (or the date of exit if a Participant exits the Nedbank Eyethu Ownership Plan earlier), the Company will open a CSDP account for each Participant at BoE Trust Limited and the Participant's Subscription Shares (equal in number to the said Participant's Allocated Offer Shares) and Bonus Shares (if any) will be transferred to the CSDP account. The cost of opening the CSDP account will be for the account of the Company. Participants will only pay Uncertificated Securities Tax on their Bonus Shares and not on their Subscription Shares.

Should a Participant exit the Nedbank Eyethu Ownership Plan during the Lock-In Period, or if the Participant is disqualified from the Nedbank Eyethu Ownership Plan during the Lock-In Period, the said Participants Subscription Shares (equal in number to the said Participants Allocated Offer Shares) will, at the time of the exit or disqualification, be transferred to the CSDP account. In such instances Participants will not qualify for Capital Protection or Bonus Shares.

Participants will enjoy Capital Protection on the capital they invest in Allocated Offer Shares, provided that they comply with the Rules of the Nedbank Eyethu Ownership Plan.

The Capital Protection provides that if, at the end of the Lock-In Period, the combined market price of a Participant's Allocated Offer Shares and the Bonus Shares (if any) accruing to the Participant is less than the capital invested by the Participant in subscribing and paying for Subscription Shares, the Participant's capital will be returned in cash in lieu of the Participant's Allocated Offer Shares and Bonus Shares (if any). Participants may elect that they receive Subscription Shares (equal in number to their Allocated Offer Shares) and Bonus Shares (if any) instead, in which case Participants will receive their Subscription Shares and Bonus Shares (if any) and not the capital they invested.

No interest will accrue on the capital amounts invested by Participants in Allocated Offer Shares over the Lock-In Period, but Participants will participate in dividends distributed by the Company during that period on the same number of Scheme Shares as their Allocated Offer Shares. Participants may not cede or transfer their rights to third parties nor may they encumber their Allocated Offer Shares during the Lock-In Period.

Failure to:

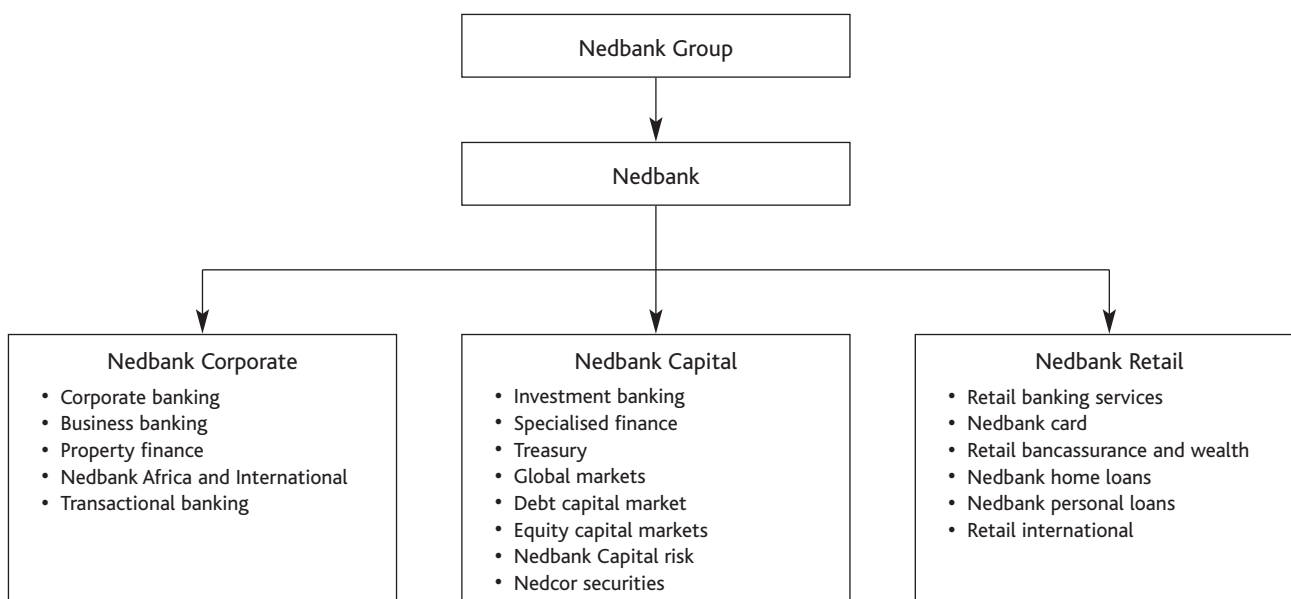
- maintain a Qualifying Account and meet the Transaction Requirements; or
  - comply with the Rules of the Nedbank Eyethu Ownership Plan; or
  - maintain monthly payments (in the case of Participants choosing the Buy as You Go Option or Combination Option),
- will constitute a breach by the Participant.

The consequences of such a breach are that Nedbank Group, in consultation with the Trustees, will be entitled, in its discretion, to require the Participant to abide by the Rules of the Nedbank Eyethu Ownership Plan or to disqualify the Participant henceforth from the Nedbank Eyethu Ownership Plan (in the latter event the Company will only issue Subscription Shares to the Participant) and the Participant will cease to qualify for any Bonus Shares and for the Capital Protection described above.

Further information on the Nedbank Eyethu Ownership Plan is set out in this Prospectus, particularly at pages 35 to 37, and in the Rules of the Nedbank Eyethu Ownership Plan and the Eyethu Retail Trust Deed. Please read this Prospectus carefully should you wish to subscribe for Subscription Shares.

## 5. GROUP OPERATIONAL STRUCTURE (6e) (i)

The Nedbank Group operates through three primary clusters: Nedbank Corporate, Nedbank Capital and Nedbank Retail. The corporate structure of the Group is outlined in the diagram below:



A detailed description of each division of the Group is set out in section 4 of the detailed Prospectus commencing on page 40.

Details of the subsidiaries of the Nedbank Group at 31 December 2004 are included in Annexure 13 to this Prospectus.

## 6. INCORPORATION AND HISTORY OF THE NEDBANK GROUP (1(a), 6(a)(i),(ii),(iv))

The Nedbank Group, through its various banking components, can trace its roots back to as early as 1831 when The Cape of Good Hope Savings Society (the Republic of South Africa's oldest bank) was incorporated.

The original banking operations have gone through a series of corporate transformations. In 1973 Syfrets and UAL Holdings Limited changed its name to Nedbank and Syfrets – UAL Holdings Limited, signifying the merger of Nedbank with that of Syfrets SA Limited and UAL Merchant Bank. The Company changed its name in 1978 to Nedbank Group Limited.

In 1986 Nedbank (the registered bank) acquired control of the entity Finansbank Limited. The CoGHB was a subsidiary of Finansbank Limited at the time and remained as such until 1992. By 1987, the Nedbank Group consisted of Nedbank, Nedfin, UAL Syfrets, Finansbank Limited, Nefic, Nedtravel, World Travel and Nedfactors (which later became Nedbank Commercial Services).

In 1988 Nedbank (the registered bank) acquired the assets of the South African Permanent Building Society and subsequently changed its name to NedPerm Bank Limited.

In 1989 Nedbank Group Limited (the listed holding company) changed its name to Nedcor Limited.

In 1992 NedPerm Bank Limited (the registered bank) through a general rationalisation of the Group, acquired the assets of Finansbank Limited and, at the same time, changed its name to Nedcor Bank Limited. As a consequence of the aforesaid restructure, CoGHB became a wholly-owned subsidiary of Nedcor Limited.

In April 1995 Nedcor Bank Limited (the registered bank) split its operations into three banking divisions namely, Nedbank, Permanent Bank and Peoples Bank, and the newly formed divisions began operating in June of that year. Nedbank Investment Bank was also established as a division of Nedcor Bank Limited around the same time.

In 1997 Nedcor Investment Bank Limited was established through the merger of the Nedbank Investment Bank division and the two merchant-banking businesses being conducted by the Group at the time, namely Syfrets and UAL. Nedcor Investment Bank Limited became a wholly-owned subsidiary of Nedcor Investment Bank Holdings Limited, the latter being a public company that was listed on the JSE and NSX with Nedcor Limited maintaining a majority shareholding therein.

In 1999 the South African Mutual Life Assurance Society, the majority shareholder of Nedcor Limited at that time, was demutualised, and Old Mutual plc was formed. Its registered office was located in the United Kingdom and it was listed on the London Stock Exchange plc and the JSE as Old Mutual plc. In the same year, NIB acquired Edward Nathan & Friedland (Proprietary) Limited, which was subsequently disposed of at the end of 2004.

In 2000 Nedcor Bank Limited (the registered bank) acquired control of FBC Fidelity Bank Limited and integrated its Peoples Bank division and NedEnterprise division into that entity. By 2002 a BEE consortium had acquired a 30% minority interest in Peoples Bank Limited.

In 2002 Permanent Bank was rebranded as Old Mutual Bank, in a joint venture with Old Mutual (SA) in order to establish a new banking operation, which focused on the retail middle market, wealth management, bancassurance (the provision of integrated financial solutions including, amongst others, banking and insurance products), financial planning and mortgages. In July 2002, Nedcor Limited (the listed holding company) acquired BoE Limited, thereby creating South Africa's largest banking group at the time, with assets of more than R270 billion. In October of the same year, Nedcor Limited acquired the minority shareholders' interests in NIB and delisted it from the JSE and the NSX.

Nedcor Bank Limited (the registered bank) changed its name to Nedbank Limited in November 2002.

On 1 January 2003 following approval from SARB, Nedbank Limited acquired the banking operations of BoE Bank Limited, Nedcor Investment Bank Limited and CoGHB. BoE Bank Limited, Nedcor Investment Bank Limited and CoGHB thereafter deregistered as banks and relinquished their banking licenses.

In 2004 Nedcor Limited (the listed holding company) entered into agreements with the BEE consortia in Peoples Bank to acquire the special-purpose vehicles through which their 30% minority interest in Peoples Bank was held.

On 1 February 2005 the banking operations of Peoples Bank Limited were acquired by Nedbank Limited and Peoples Bank Limited has deregistered as a bank.

Nedcor Limited (the listed holding company) changed its name to the Nedbank Group Limited with effect from the close of business on 13 May 2005.

The following table is a segmental analysis of the Nedbank Group's operations, extracted from the annual report, for the financial year ended 31 December 2004 as prepared under SA GAAP at that time:

Business/Operational unit	Average total assets	Operating income	Headline earnings
	2004 (Rbn)	2004 (Rm)	2004 (Rm)
Nedbank Retail	76	7 662	641
Nedbank Corporate	118	6 229	2 112
Imperial Bank	15	836	83
Nedbank Capital	61	2 440	878
Shared Services	10	196	(751)
Capital Management and Central Funding	39	(1 583)	(1 516)
Eliminations	(20)	(388)	–
<b>Total</b>	<b>299</b>	<b>15 392</b>	<b>1 447</b>

On 3 May 2005 the Company released its restated reviewed annual financial statements for the year ended 31 December 2004 on an IFRS basis. The IFRS announcement is set out in Annexure 2 to this Prospectus.

On 5 May 2005 the Company released its unaudited trading statement for the period to 31 March 2005. This trading statement was in line with management's expectations and is set out in Annexure 4 to this Prospectus. The Company released a further unaudited trading statement on 21 July 2005 as set out in Annexure 5 to this Prospectus.

## 7. PURPOSE OF THIS PROSPECTUS (11.1(a))

The purpose of this Prospectus is, in compliance with the Companies Act, to:

- provide the South African investment community with information relating to the Nedbank Group, and specifically the Company, its operations, its directors and its management;
- enable the Company to undertake the Nedbank Eyethu Ownership Plan;
- set out the salient times, dates, terms and conditions of the Nedbank Eyethu Ownership Plan.

## 8. FURTHER COPIES OF THIS PROSPECTUS (11.1(c))

Copies of this Prospectus (in English only) can be obtained during normal business hours from Monday, 15 August 2005 to the close of business on Tuesday, 1 November 2005, from:

- the Company's offices in the Republic of South Africa, the details of which are set out in the 'Corporate information relating to the Company' section on page 8 of this Prospectus; or
- any Nedbank, Peoples Bank or Old Mutual Bank branch.

## SUMMARY OF FINANCIAL INFORMATION (6(f)(i))

The abridged consolidated audited annual financial statements of the Company for the years ended 31 December 2004, 2003, 2002, 2001 and 2000 are set out below. The 2004 figures are presented on both an SA GAAP and IFRS bases. The IFRS results have not been audited, but have been reviewed.

Income statement for the year ended 31 December	Restated* 2004 Rm	Audited 2004 Rm	Audited 2003 Rm	Audited 2002 Rm	Audited 2001 Rm	Audited 2000 Rm
Interest and similar income	23 904	23 825	28 141	23 607	17 186	15 236
Interest expense and similar charges	16 322	16 258	21 333	17 652	11 918	10 504
Net interest income	7 582	7 567	6 808	5 955	5 268	4 732
Non interest revenue	7 936	8 197	7 953	6 822	5 054	4 292
Foreign exchange translation losses	(280)	(372)	(1 416)	(1 216)	1 096	–
Total income after foreign currency translation losses	15 238	15 392	13 345	11 561	11 418	9 024
Impairment losses on loans and advances	1 217	1 416	2 063	1 067	1 458	910
Income after impairment losses on loans and advances	14 021	13 976	11 282	10 494	9 960	8 114
Total expense	11 404	11 736	10 703	7 559	5 416	4 538
Operating expenses	10 709	11 041	10 305	7 366	5 416	4 538
Fees due to alliance partners	70	70	4	–	–	–
Recovery programme expenses	379	379	–	–	–	–
Merger expenses	246	246	394	193	–	–
Profit from operations before non-trading and capital items	2 617	2 240	579	2 935	4 544	3 576
Non-trading and capital items	(254)	(510)	(1 693)	(1 793)	(3 605)	3 277
Impairment of goodwill (Loss)/Profit on sale of subsidiaries, investments and property and equipment	(87)	(374)	(1 803)	(501)	(273)	(280)
Merger and re-organisation expense	–	–	–	(35)	–	–
Net impairment of investments, property and equipment and capitalised development costs	(93)	(113)	(239)	(119)	(34)	(106)
Profit/(Loss) from operations	2 363	1 730	(1 114)	1 142	939	6 853
Share of profits of associates and joint ventures	147	147	132	162	181	249
Profit/(Loss) before taxation	2 510	1 877	(982)	1 304	1 120	7 102
Taxation	668	576	390	418	772	715
Taxation on non-trading and capital items	(39)	(37)	(38)	(192)	171	(77)
Profit/(Loss) after taxation	1 881	1 338	(1 334)	1 078	177	6 464
Minority interest income attributable to:						
Ordinary shareholders	(125)	(135)	(133)	(203)	(164)	(109)
Preference shareholders	(229)	(229)	(133)	–	–	–
<b>Profit/(Loss) attributable to shareholders for the year</b>	<b>1 527</b>	<b>974</b>	<b>(1 600)</b>	<b>875</b>	<b>13</b>	<b>6 355</b>

\* Restated on an IFRS basis.

Income statement for the year ended 31 December	Restated* 2004 Rm	Audited 2004 Rm	Audited 2003 Rm	Audited 2002 Rm	Audited 2001 Rm	Audited 2000 Rm
Headline earnings reconciliation						
<b>Profit/(Loss) attributable to shareholders for the year</b>	<b>1 527</b>	<b>974</b>	<b>(1 600)</b>	<b>875</b>	<b>13</b>	<b>6 355</b>
<i>Adjusted for:</i>						
Less: Non-trading and capital items	(215)	(510)	(1 693)	(1 793)	(3 605)	(3 277)
Taxation on non-trading and capital items	39	37	38	192	171	77
Share of exceptional capital items attributable to minorities	–	–	–	–	–	(11)
<b>Headline earnings</b>	<b>1 742</b>	<b>1 447</b>	<b>55</b>	<b>2 476</b>	<b>3 781</b>	<b>3 012</b>
Headline earnings excluding foreign currency translation losses	2 022	1 819	1 471	–	–	–
Attributable earnings per share (cents)	423	270	(546)	346	5	2 659
Fully diluted attributable earnings per share (cents)	422	269	(545)	343	5	2 602
Headline earnings per share (cents)	483	401	19	979	1 574	1 260
Fully diluted headline earnings per share (cents)	481	400	19	979	1 560	1 233
Dividend declared per share (cents)	120	120	240	515	500	400
Dividend cover	4,0	3,3	0,1	1,9	2,9	3,15

\* Restated on an IFRS basis.

Balance sheet at 31 December	Restated* 2004 Rm	Audited 2004 Rm	Audited 2003 Rm	Audited 2002 Rm
<b>ASSETS</b>				
Cash and balances with central banks	10 050	10 050	12 227	16 607
Other short-term securities	16 310	16 310	10 610	14 987
Government and other securities	26 224	26 224	21 333	14 647
Derivative financial instruments	27 560	27 560	28 496	50 786
Loans and advances to customers	221 275	221 128	210 096	194 862
Other assets	6 816	7 881	7 463	5 684
Current taxation receivable	196	196	256	421
Investments in associate companies and joint ventures	1 089	1 043	1 627	1 504
Investment securities	6 565	3 456	3 788	5 429
Post-employment assets	992	3 109	5 152	7 891
Deferred taxation asset	1 169	1 172	3 074	1 788
Investment property	174	–	–	–
Property and equipment	2 828	2 740	2 684	2 854
Non-current assets held for sale	48	–	–	–
Computer software and capitalised development costs	1 419	1 419	1 710	1 730
Goodwill	3 676	3 441	3 762	4 457
Customers' indebtedness for acceptances	1 509	1 509	835	1 120
<b>Total assets</b>	<b>327 900</b>	<b>327 238</b>	<b>313 113</b>	<b>324 767</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
Share capital	394	394	275	271
Ordinary share premium	9 892	9 892	4 801	4 536
Reserves	8 211	7 809	6 571	12 239
Ordinary shareholders' equity	18 497	18 095	11 647	17 046
Minority shareholders' equity attributable to:				
Preference shareholders	2 770	2 770	2 802	1 987
Ordinary shareholders	681	721	652	503
Shareholders' equity and minority interests	21 948	21 586	15 101	19 536
Derivative financial instruments	28 055	28 055	28 206	50 233
Amounts owed to depositors	254 299	254 299	238 404	228 209
Other liabilities	9 117	10 054	12 454	8 317
Deferred revenue	257	–	–	–
Current taxation liabilities	193	193	144	183
Deferred taxation liabilities	1 125	1 125	2 731	1 710
Post-employment liabilities	979	3 109	5 152	7 891
Investment contract liabilities	3 109	–	–	–
Long-term debt instruments	7 309	7 308	10 086	7 568
Liabilities under acceptances	1 509	1 509	835	1 120
<b>Total liabilities</b>	<b>305 952</b>	<b>305 652</b>	<b>298 012</b>	<b>305 231</b>
<b>Total shareholders' equity and liabilities</b>	<b>327 900</b>	<b>327 238</b>	<b>313 113</b>	<b>324 767</b>
Guarantees on behalf of customers excluded from assets	10 770	10 770	12 403	11 966

\* Restated on an IFRS basis.

Cash flow statement for the year ended	Restated* 2004 Rm	Audited 2004 Rm	Audited 2003 Rm	Audited 2002 Rm
<b>Cash flows from operating activities</b>		<b>5 582</b>	<b>5 281</b>	<b>5 028</b>
Cash received from clients		31 782	35 699	29 939
Cash paid to clients, staff and suppliers		(26 570)	(30 668)	(24 633)
Dividends received on investments		143	152	173
Recoveries on loans previously written off		227	98	76
<b>Changes in working funds</b>		<b>(11 804)</b>	<b>(14 124)</b>	<b>1 504</b>
Increase in operating assets		(21 565)	(13 634)	(10 311)
Increase/(Decrease) in operating liabilities		9 761	(490)	11 815
<b>Cash utilised by operating activities before taxation</b>	<b>(6 081)</b>	<b>(6 222)</b>	<b>(8 843)</b>	<b>7 059</b>
<b>Taxation paid</b>	<b>(835)</b>	<b>(835)</b>	<b>(616)</b>	<b>(765)</b>
<b>Net cash utilised by operating activities</b>	<b>(6 916)</b>	<b>(7 057)</b>	<b>(9 459)</b>	<b>6 294</b>
<b>Cash flows from investment activities</b>	<b>2 836</b>	<b>2 836</b>	<b>2 654</b>	<b>(7 096)</b>
Acquisition of property and equipment	(948)	(948)	(1 007)	(1 944)
Proceeds on disposal of property and equipment	277	277	145	902
Net income on investment banking assets	97	97	243	317
Net proceeds from disposal of investments in associate companies and other investments	1 642	1 642	552	1 108
Net proceeds from disposal of insurance assets	1 516	1 516	2 739	–
Disposal of investments in subsidiary companies, net of cash	343	343	236	78
Acquisition of investments in subsidiary companies, net of cash	(91)	(91)	(254)	(7 557)
<b>Cash flows from financing activities</b>	<b>1 903</b>	<b>1 903</b>	<b>2 063</b>	<b>7 020</b>
Proceeds from issue of ordinary shares	5 211	5 211	380	2 943
Proceeds from issue of preference shares by Nedbank Limited	–	–	815	1 987
Shares repurchased by subsidiary company	–	–	(111)	297
Net (decrease)/increase in long-term debt instruments	(2 778)	(2 778)	(2 507)	3 075
Dividends paid to ordinary shareholders	(269)	(269)	(1 395)	(1 282)
Preference dividends paid	(261)	(261)	(133)	–
<b>Effects of exchange rate changes on cash and short-term funds (excluding foreign borrowings)</b>		<b>141</b>	<b>362</b>	<b>(589)</b>
<b>Net increase/(decrease) in cash and short-term funds</b>	<b>(2 177)</b>	<b>(2 177)</b>	<b>(4 380)</b>	<b>5 629</b>
Cash and short-term funds at beginning of year	12 227	12 227	16 607	10 978
<b>Cash and short-term funds at end of year</b>	<b>10 050</b>	<b>10 050</b>	<b>12 227</b>	<b>16 607</b>

\* Restated on an IFRS basis.

The detailed audited annual financial statements of the Company for the years ended 31 December 2004, 2003 and 2002, prepared on a SA GAAP basis, are set out in Annexure 1 to this Prospectus.

The reviewed restated annual financial statements of the Company prepared on an IFRS basis, including a reconciliation of IFRS to SA GAAP, for the year ended 31 December 2004, as published on 3 May 2005, is set out in Annexure 2 to this Prospectus.

The independent reporting accountants' report on the historical financial information of the Company for the years ended 31 December 2004, 2003, 2002, and 2001 is set out in Annexure 3 to this Prospectus.

The unaudited trading statement of the Company to 31 March 2005, released on 5 May 2005, is set out in Annexure 4 to this Prospectus and the unaudited trading statement of the Company released on 21 July 2005 is set out in Annexure 5 to this Prospectus.

The pro forma financial information of the Company for the year ended 31 December 2004 is set out in Annexure 6 to this Prospectus.

The independent reporting accountants' report on the pro forma financial information of the Company for the year ended 31 December 2004 is set out in Annexure 7 to this Prospectus.



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## DEFINITIONS AND INTERPRETATIONS

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In this Prospectus, unless otherwise stated or the context otherwise indicates, the words in the first column shall have the meanings stated opposite them in the second column and words in the singular shall include the plural and vice versa. Words importing natural persons shall include corporations and associations of persons and an expression denoting any gender shall include the other genders:

'ADR(s)'	the Company's restricted or unrestricted American Depositary Receipts evidencing Ordinary Shares;
'Aka Capital'	Aka Capital (Proprietary) Limited, a private company registered and incorporated in the Republic of South Africa (Registration number 2000/025483/07);
'Allocated Offer Share(s)'	those Offer Shares in respect of which Participants acquire vested voting and dividend rights, which shares are held by the Eyethu Retail Trust for the benefit of the Participant in accordance with the Rules. At the end of each relevant Lock-In Period, the Company will be entitled, in terms of the Nedbank Group Call Option, to call back that number of Scheme Shares as equates to the Participants' Allocated Offer Shares. The Company will then issue the same number of new Ordinary Shares (in the form of Subscription Shares) to Participants as equates to their Allocated Offer Shares;
'Applicant(s)'	Black Retail Client(s) who have completed the Application Form and: <ul style="list-style-type: none"><li>– returned it to a Nedbank, Peoples Bank or Old Mutual Bank branch; or</li><li>– delivered it to the Company in an envelope marked '<b>Nedbank Group Limited: Nedbank Eyethu Ownership Plan</b>' either by post (in the prepaid enclosed Business Reply Service envelope or to PO Box 1144, Johannesburg, 2000) or by hand (135 Rivonia Road, Sandown, 2196),</li></ul> by the third allocation date as set out in paragraph 10.4 of this Prospectus;
'Application Form'	the application form attached to this Prospectus;
'Basel II'	the new Basel Capital Accord (Basel II) of the Bank for International Settlements is an improved capital adequacy framework accomplished by closely aligning banks' capital requirements with improved modern risk management practices and sophisticated risk assessment capabilities. It further ensures the risk sensitivity of the minimum capital requirements by including supervisory reviews and market discipline through enhanced disclosure;
'Black Business Partner'	a participant in the Black Business Partner Scheme;
'Black Business Partner Scheme'	the scheme in terms of which the Company issued New Nedbank Group Shares to the Black Business Partner Trusts (the BRIMSTONE-Mtha Financial Services Trust and the WIPHOLD Financial Services Number Two Trust) for the benefit of the Black Business Partners;
'BEE'	Black Economic Empowerment as envisaged in the FSC;
'BEE Partners' or 'Scheme Participants'	the diverse group of Black stakeholders consisting of employees, clients, community interest groups, non-executive directors and strategic Black Business Partners, selected to participate in the BEE Transaction;
'BEE Transaction'	the Company's BEE Transaction which focused primarily on the issuing of 41 268 130 New Nedbank Group Shares to BEE Partners for the purposes of BEE, equating to approximately 9,33% in aggregate of the Enlarged Share Capital and equating to Black ownership of 11,5% of the value of the Company's South African Businesses;
'Black' or 'Black People'	shall have the meaning ascribed to that term as envisaged in the FSC;
'Black Executive Scheme'	the scheme in terms of which the Company issued New Nedbank Group Shares to the Nedbank Eyethu Black Executive Trust for the benefit of Black People who are Black executive level permanent employees of the Nedbank Group as identified from time to time by the Remuneration Committee on the recommendation of EXCO;
'Black Management Scheme'	the scheme in terms of which the Company issued New Nedbank Group Shares to the Nedbank Eyethu Black Management Trust for the benefit of Black middle and senior management who are permanent employees of the Nedbank Group, as identified by the Remuneration Committee on the recommendation of EXCO;
'BoE'	the legacy businesses of BoE Limited, as they were before the merger with the Company and which are currently operating within the Nedbank Group;

'BoE Limited'	BoE Limited (Registration number 1987/003281/06), a public company registered and incorporated in the Republic of South Africa, but no longer listed on the JSE;
'Bonus Share(s)'	<p>the one Scheme Share that will be distributed by the Eyethu Retail Trust, free of any subscription price whatsoever, to Participants in the Nedbank Eyethu Ownership Plan for every three Allocated Offer Shares held by such Participants at the end of the Lock-In Period, provided that:</p> <ul style="list-style-type: none"> <li>– Participants have abided by the Rules of the Nedbank Eyethu Ownership Plan (and the Transaction Requirements in particular) over the Lock-In Period; and</li> <li>– the market price of Participants' Allocated Offer Shares and Bonus Shares (if any) at the end of the Lock-In Period is not less than the capital invested by Participants in Allocated Offer Shares. Provided further that Participants may elect not to have the Capital Protection mechanism applied to their Allocated Offer Shares, in which case they will receive their Subscription Shares and the Bonus Shares (if any) due to them by informing the Trustees of such election within 10 days of the end of the Lock-In Period.</li> </ul> <p>In total, the Eyethu Retail Trust has 2 367 390 Bonus Shares which may be distributed to Participants;</p>
'BRIMSTONE'	BRIMSTONE Investment Corporation Limited (Registration number 1995/010442/06), a public company registered and incorporated in the Republic of South Africa, all the issued shares of which are listed on the JSE;
'Broad-based Employee Scheme'	the scheme in terms of which the Company issued New Nedbank Group Shares to the Nedbank Eyethu Broad-based Employee Trust for the benefit of all permanently employed employees of the Nedbank Group who were not participating in any other employee equity scheme operated by the Company;
'Business Day'	a day which is not a Saturday, Sunday or a public holiday in the Republic of South Africa;
'Buy as You Go Option'	<p>the option of Participating in the Nedbank Eyethu Ownership Plan by subscribing and paying for Subscription Shares on a monthly basis over the Lock-In Period, subject to:</p> <ul style="list-style-type: none"> <li>– Participants subscribing and paying for a minimum of R50 and a maximum of R1 000 worth of Subscription Shares per month for the duration of the Lock-In Period; and</li> <li>– Participants agreeing to the payment of their monthly amounts via automatic monthly payments;</li> </ul>
'Capital Protection'	<p>the mechanism by which a Participant will receive the capital invested by such Participant in Allocated Offer Shares, but without interest, in lieu of Subscription Shares and Bonus Shares (if any) accruing to the Participant at the end of the Lock-In Period, should the aggregate market price of Allocated Offer Shares and Bonus Shares (if any) accruing to the Participant be less than the capital invested by the Participant in Allocated Offer Shares over the Lock-In Period.</p> <p>In instances where the Capital Protection mechanism is available, Participants may instead elect to receive Subscription Shares and Bonus Shares (if any) accruing to them in lieu of the capital invested in Allocated Offer Shares by informing the Trustees in writing of such election within 10 days of the end of the Lock-In Period;</p>
'Capitalisation Share(s)'	Ordinary Shares issued from time to time to the External Stakeholder Trusts as fully paid-up out of the Company's share premium account and/or reserves in lieu of cash dividends payable on unallocated Scheme Shares;
'Certificated Share(s)'	Ordinary Shares which have not been dematerialised, title to which is represented by paper share certificates or other Documents of Title;
'Certificated Ordinary Shareholder(s)'	Ordinary Shareholders who have not dematerialised their shares and thus hold Certificated Shares;
'CoGHB'	Cape of Good Hope Financial Services Limited (formerly Cape of Good Hope Bank Limited) (Registration number 1958/000018/06), a public company registered and incorporated in the Republic of South Africa;
'Combination Option'	the option of Participating in the Nedbank Eyethu Ownership Plan by subscribing and paying for part of the Subscription Shares by way of the Lump Sum Option and for further Subscription Shares by way of the Buy as You Go Option, subject to an overall subscription limit (in the aggregate) of R100 000;
'Common Monetary Area'	the Republic of South Africa, the Republic of Namibia, the Kingdom of Lesotho and the Kingdom of Swaziland;

'Community Scheme'	the scheme in terms of which the Company issued New Nedbank Group Shares to the Nedbank Eyethu Community Trust that was established for the purpose of supplementing existing community social initiatives of the Company;
'Companies Act'	the Companies Act, No. 61 of 1973, as amended;
'the Company'	Nedbank Group Limited (formerly Nedcor Limited) (Registration number 1966/010630/06), a public company registered and incorporated in the Republic of South Africa, all the Ordinary Shares of which are listed on the JSE;
'Corporate Client(s)'	those clients of Nedbank Corporate and Nedbank Capital that will participate in the Corporate Scheme;
'Corporate Scheme'	the scheme in terms of which the Company issued New Nedbank Group Shares to the Nedbank Eyethu Corporate Trust for the benefit of Corporate Clients (including Aka Capital, participating therein through the Aka-Nedbank Eyethu Trust) and past partners of the Company;
'CSDP'	a central securities depository participant appointed by individual shareholders for purposes of and in regard to dematerialisation, in terms of the Securities Services Act, No. 36 of 2004;
'dematerialised' or 'dematerialisation'	the process by which paper share certificates or other Documents of Title are replaced with electronic records of ownership under STRATE with a duly appointed CSDP or broker, as the case may be;
'Dematerialised Ordinary Shareholder(s)'	Ordinary Shareholders who hold Dematerialised Shares;
'Dematerialised Share(s)'	those Ordinary Shares that have been incorporated into the STRATE system and which are held on the Company's sub-ledger in electronic form in terms of the Securities Services Act, No. 36 of 2004;
'Deutsche Bank'	Morgan Grenfell & Co Limited (a wholly-owned subsidiary of Deutsche Bank AG London), whose registered office is at 23 Great Winchester Street, London, EC2P 2AX;
'Document(s) of Title'	share certificate(s), certified transfer deed(s) or form(s), balance receipt(s) or any other document(s) of title acceptable to the Company in respect of Certificated Ordinary Shareholders;
'Employee Trusts'	collectively, the Black Executive Trust, the Black Management Trust, the broad-based Employee Trust, and the Evergreen Trust;
'Employee Schemes'	collectively, the Black Executive Scheme, the Black Management Scheme, the Broad-based Employee Scheme and the Evergreen Scheme;
'Enlarged Share Capital'	the Company's issued share capital, post the BEE Transaction;
'EPS'	earnings per share;
'Evergreen Scheme'	the scheme in terms of which the Company issued New Nedbank Group Shares to the Nedbank Eyethu Evergreen Trust for the purpose of applying the dividends paid on such New Nedbank Group Shares to assist and uplift qualifying permanent Black Nedbank Group employees who meet the financial assistance requirements of the scheme;
'Exchange Control Department'	the exchange control department of SARB;
'EXCO'	the Company's executive committee, from time to time;
'External Stakeholder Trusts'	collectively, the Aka-Nedbank Eyethu Trust, Black Business Partner Trust, Community Trust, Corporate Trust, Eyethu Retail Trust and Non-executive Directors Trust;
'Eyethu Retail Trust'	Nedbank Eyethu Retail Trust (Master's Reference Number IT 5085/05), which was established to operate and manage the Nedbank Eyethu Ownership Plan;
'Eyethu Retail Trust Deed'	the trust deed of the Eyethu Retail Trust, which governs the functioning and powers of the Eyethu Retail Trust;
'FSC' or 'Financial Sector Charter'	the Financial Sector Charter adopted by the Association of Black Securities and Investment Professionals, the Banking Council of South Africa, the Foreign Bankers Association of SA and other persons on 17 October 2003, as amended from time to time;
'HEPS'	headline earnings per share;
'IFRS'	International Financial Reporting Standards;

'I-Net Bridge'	I-Net Bridge (Proprietary) Limited, a private company registered and incorporated in the Republic of South Africa (Registration number 1998/005987/07), specialising in the provision of online financial information, and a subsidiary of Johnnic Communications Limited (Registration number 1889/000352/06), a public company registered and incorporated in the Republic of South Africa, all the issued shares of which are listed on the JSE;
'JSE'	JSE Securities Exchange South Africa;
'JSE Limited'	JSE Limited (Registration number 2005/022939/06), a public company registered and incorporated in the Republic of South Africa;
'JSE Limited Listings Requirements'	the Listings Requirements of the JSE, as issued by JSE Limited from time to time, with the objective of ensuring an orderly market place for the trading of securities in South Africa, and the regulation of such market accordingly;
'King Code'	King Report on Corporate Governance for South Africa 2002 (Code of Corporate Practices and Conduct);
'Last Practicable Date'	the last practicable date prior to the finalisation of this Prospectus, being Tuesday, 26 July 2005;
'Listing' or 'Listing on the JSE'	the listing of the Scheme Shares on the JSE in the Financials 'Banks' sector under the abbreviated name 'Nedbank', with effect from the commencement of business on Monday, 8 August 2005;
'Lock-In Period'	a period of 36 months from: <ul style="list-style-type: none"> <li>– the date of the first payment for Subscription Shares by a Participant in the Buy as You Go Option or the Lump Sum Option; or</li> <li>– the later of the dates of the lump sum payment and the first automatic monthly payment for Subscription Shares by Participants in the Combination Option;</li> </ul>
'Lump Sum Option'	the option of Participating in the Nedbank Eyethu Ownership Plan by subscribing and paying for Subscription Shares through the payment of a once-off lump sum amount upfront, subject to Participants' subscribing and paying for a minimum of R2 000 and a maximum of R100 000 worth of Subscription Shares;
'Market Value' or 'Offer Price'	the closing market price of an Ordinary Share as published by I-Net Bridge (or if I-Net Bridge no longer publishes the closing market price of an Ordinary Share or the closing market price is otherwise not available, then as published by such other organisation as is nominated by the Company) and quoted on the JSE on the last Business Day prior to Participants' subscribing and paying for Subscription Shares;
'Merrill Lynch'	Merrill Lynch International (Registration number 02312079) whose registered office is at Merrill Lynch Financial Centre, 2 King Edward Street, London, EC1A 1HQ;
'Mtha'	Mtha-we-Mpumelelo Investments (Proprietary) Limited, a private company registered and incorporated in the Republic of South Africa (Registration number 2004/024951/07), the ordinary shares of which are held by Izingwe Financial Investments (Proprietary) Limited, Chestnut Hill 211 (Proprietary) Limited, Black Lawyers Association, National Association of Democratic Lawyers and South African Medical and Dental Practitioners;
'Mutual & Federal'	Mutual & Federal Insurance Company Limited (Registration number 1970/006619/06), a public company registered and incorporated in the Republic of South Africa, all the issued shares of which are listed on the JSE and the NSX;
'Mzansi Account'	Mzansi Account is a national account offered by Nedbank, Peoples Bank, Old Mutual Bank and Pick 'n Pay Pay Go Banking aimed at providing low-cost banking services to residents and citizens of the Republic of South Africa;
'NACA'	nominal rate compounded annually in arrears;
'NACS'	nominal rate compounded semi-annually in arrears;
'NAV'	net asset value (per share);

'Nedbank'	Nedbank Limited (Registration number 1951/000009/06), a public company registered and incorporated in the Republic of South Africa and a subsidiary of the Company, all the issued Preference Shares of which are listed on the JSE;
'Nedbank Capital'	Nedbank Capital, a division of Nedbank;
'Nedbank Corporate'	Nedbank Corporate, a division of Nedbank;
'Nedbank Eyethu Ownership Plan' or 'Offer for Subscription'	the offer for subscription of up to 7 102 170 Subscription Shares at the Offer Price to existing and new Black Retail Clients of Nedbank, Peoples Bank, Old Mutual Bank or Pick 'n Pay Pay Go Banking and the opportunity to conditionally receive one Bonus Share for every three Allocated Offer Shares held at the end of the Lock-In Period, subject to complying with the conditions set out in the Rules of the Nedbank Eyethu Ownership Plan and in this Prospectus;
'Nedbank Group' or 'the Group'	the Company together with all its subsidiaries, joint ventures and associated companies;
'Nedbank Group Board' or 'Board'	the board of directors of the Company, the members of which are listed in paragraph 7.1 of this Prospectus;
'Nedbank Group Call Options'	a call option granted by the Eyethu Retail Trust to the Company, in terms of which the Company is entitled to: <ul style="list-style-type: none"> <li>– purchase at R1,00 in aggregate and cancel that number of Allocated Offer Shares held by the Eyethu Retail Trust that are required to be issued to Participants (in the form of Subscription Shares) who have exited from the Nedbank Eyethu Ownership Plan during the Lock-In Period or at the end of the Lock-In Period; and</li> <li>– purchase at R1,00 in aggregate and cancel that number of Scheme Shares held by the Eyethu Retail Trust at the termination of the Nedbank Eyethu Ownership Plan that at their then market price equates to the Notional Terminal Amount;</li> </ul>
'Nedbank Retail'	Nedbank Retail, a division of Nedbank;
'New Nedbank Group Share(s)'	41 268 130 Ordinary Shares that were issued to BEE Partners pursuant to the BEE Transaction which includes the 9 469 560 New Nedbank Group Shares that were issued to the Eyethu Retail Trust;
'NIB'	Nedcor Investment Holdings 101 Limited (formerly Nedcor Investment Bank Holdings Limited) (Registration number 1963/003972/06), a public company registered and incorporated in the Republic of South Africa but no longer listed on the JSE;
'Non-executive Director(s)'	non-executive directors of the Company;
'Non-executive Directors Scheme'	the scheme in terms of which the Company issued New Nedbank Group Shares to the Nedbank Eyethu Non-executive Directors Trust for the benefit of existing and future Black Non-executive directors of the Company;
'Notional Commencement Amount'	R523,8 million, being 75% of the value of the Scheme Shares issued to the Eyethu Retail Trust in terms of the Nedbank Eyethu Ownership Plan at the Reference Price less the Par Value of the Scheme Shares;
'Notional Dividend Rate'	the notional fixed dividend rate of 11,5% NACS per annum for purposes of determining the Notional Terminal Amount as per the Retail Subscription Agreement;
'Notional Terminal Amount'	a notional amount arithmetically derived according to the retail subscription agreement for the Nedbank Eyethu Ownership Plan, which will essentially reflect: <ul style="list-style-type: none"> <li>– the Notional Commencement Amount decreased by the subscription amounts paid by Participants throughout the term of the Nedbank Eyethu Ownership Plan; plus</li> <li>– the aggregate consideration paid by the Company pursuant to the exercise by the Company of the Nedbank Group Call Option(s); plus</li> <li>– an amount determined for each year (and compounded annually in arrears) by multiplying the Notional Commencement Amount, decreased by the subscription amounts paid by Participants throughout the term of the Nedbank Eyethu Ownership Plan by the Notional Dividend Rate;</li> </ul>
'NSX'	the Namibian Stock Exchange;
'Offer Price'	see 'Market Value';
'Offer Shares'	7 102 170 Scheme Shares;
'Offer for Subscription'	see 'Nedbank Eyethu Ownership Plan';

'Old Mutual Bank'	Old Mutual Bank, a division of Nedbank;
'Old Mutual Group'	Old Mutual plc and its subsidiaries from time to time, including Mutual & Federal and the Company and their respective subsidiaries, joint ventures and associated companies;
'Old Mutual Group BEE Transaction'	the interrelated BEE transactions relating to Old Mutual plc, the Company and Mutual & Federal as detailed in this Prospectus and in the circulars sent to the Company and Mutual & Federal ordinary shareholders on 15 June 2005 and the circular sent to Old Mutual plc ordinary shareholders on 27 May 2005;
'Old Mutual plc'	Old Mutual plc (Registration number 03591559), a public company registered and incorporated in England and Wales, all the issued shares of which are listed on the London Stock Exchange plc and registered as an external company in each of the Republic of South Africa (Registration number 1999/004855/10), Malawi (Registration number 5282), the Republic of Namibia (Registration number F/3591559) and Zimbabwe (Registration number EI/99);
'Old Mutual (SA)'	Old Mutual (South Africa) Limited (Registration number 1998/012276/06), a company registered and incorporated in the Republic of South Africa and a wholly-owned subsidiary of Old Mutual plc;
'Ordinary Share(s)' or 'Nedbank Group Share(s)'	ordinary shares of R1,00 each in the issued share capital of the Company;
'Ordinary Shareholder(s)'	holders of Ordinary Shares;
'Par Value'	R1,00 per Ordinary Share;
'Participant(s)'	Applicants who have applied and have been accepted by the Eyethu Retail Trust to participate in the Nedbank Eyethu Ownership Plan and who have subscribed and paid for Subscription Shares and are therefore beneficiaries of the Eyethu Retail Trust;
'Participation'	a Participant's participation in the Nedbank Eyethu Ownership Plan by subscribing and paying for Subscription Shares, either through the Buy as You Go Option, the Lump Sum Option or the Combination Option;
'Peoples Bank'	Peoples Mortgages Limited (formerly Peoples Bank Limited) (Registration number 1994/000929/06), deregistered as a bank with effect from 1 February 2005 after transferring all its assets (excluding its mortgage homeloan book) to Nedbank;
'Pick 'n Pay Pay Go Banking'	Pick 'n Pay Pay Go Banking, a division of Nedbank;
'Preference Share(s)'	non-redeemable, non-cumulative preference shares of R0,001 each in the issued share capital of Nedbank;
'Qualifying Account'	a savings account, current account, transmission account or Mzansi Account with Nedbank, Peoples Bank, Old Mutual Bank or Pick 'n Pay Pay Go Banking, or any other product that is added to this list of products by the Company during the Lock-In Period;
'Prime Rate'	means the publicly quoted prime rate of interest which Nedbank charges on overdraft facilities from time to time, nominal annual compounded monthly in arrears;
'this Prospectus'	this Prospectus, its annexures and attachments, dated 15 August 2005, prepared in compliance with the Companies Act;
'Rand' or 'R'	South African Rand, the official currency of the Republic of South Africa;
'Reference Price'	a value of R74,75 per New Nedbank Group Share measured with reference to the volume weighted average price per Ordinary Share as published by I-Net Bridge and quoted on the JSE for the 10 Business Day period leading up to and including 15 April 2005;
'Register'	the register of Ordinary Shareholders;
'Remuneration Committee'	the Company's Remuneration Committee from time to time;
'Retail Client(s)'	existing and new retail clients of Nedbank, Peoples Bank, Old Mutual Bank and Pick 'n Pay Pay Go Banking who meet the qualifying conditions of the Nedbank Eyethu Ownership Plan as set out in the Rules of the Nedbank Eyethu Ownership Plan and in this Prospectus;
'Retail Subscription Agreement'	the subscription agreement entered into between the Company and the Eyethu Retail Trust and which governs the participation of the Eyethu Retail Trust in the BEE Transaction in the form of the Nedbank Eyethu Ownership Plan;
'Rules of the Nedbank Eyethu Ownership Plan' or 'Rules'	the rules of the Nedbank Eyethu Ownership Plan as set out in Annexure A to the Eyethu Retail Trust Deed and summarised in the section entitled 'Summary of the Rules and the Nedbank Eyethu Ownership Plan' commencing on page 9 of this Prospectus;



'SA GAAP'	South African Generally Accepted Accounting Practice;
'SARB'	South African Reserve Bank;
'SARS'	South African Revenue Services;
'Scheme Share(s)'	<ul style="list-style-type: none"> <li>– 2 367 390 Bonus Shares and 7 102 170 Offer Shares (in aggregate 9 469 560 New Nedbank Group Shares);</li> <li>– all Capitalisation Shares awarded to the Eyethu Retail Trust in terms of the Rules;</li> <li>– all Ordinary Shares awarded to the Eyethu Retail Trust pursuant to a capitalisation issue (other than a capitalisation issue for Capitalisation Shares); and</li> <li>– all other Ordinary Shares as the Eyethu Retail Trust may acquire in whatever manner through the operation of the Rules;</li> </ul>
'SENS'	the Securities Exchange News Service of JSE Limited;
'South African Businesses'	the Nedbank Group's domestic businesses (including those of its subsidiary companies), excluding its non-South African businesses;
'STRATE'	STRATE Limited (Registration number 1998/022242/06), a public company registered and incorporated in the Republic of South Africa and a clearing and settlement system used by the JSE to settle trades;
'Subscription Shares'	the new Ordinary Shares that are to be issued to Participants by the Company at the end of each Lock-In Period as contemplated in the Retail Subscription Agreement. The number of Subscription Shares issued to Participants will always be equal to a Participant's Allocated Offer Shares. Accordingly, given that there are 7 102 170 Offer Shares available, there are also 7 102 170 Subscription Shares available;
'TNAV'	tangible net asset value (per share);
'Transaction Requirements'	during every rolling three-month period of Participation in the Nedbank Eyethu Ownership Plan, a minimum of 15 transactions are to be processed through a Participant's Qualifying Account. Of the 15 transactions, a minimum of three transactions are to be deposits into the said Qualifying Account. Bank-generated (Nedbank, Peoples Bank, Old Mutual Bank or Pick 'n Pay Pay Go Banking) transactions (e.g. bank charges, interest or VAT) are excluded;
'Trustee(s)'	the trustees of the Eyethu Retail Trust from time to time, who will be selected from the trustees of the remaining External Stakeholder Trusts and Employee Trusts in the BEE Transaction;
'Uncertificated Securities Tax'	a tax levied on the issue of, and change in beneficial ownership in, any securities which are transferable without a written instrument and are not evidenced by a document of title;
'VAT'	value-added tax payable in terms of the Value-Added Tax Act, No. 89 of 1991, as amended;
'WIPHOLD Consortium'	WIPHOLD Financial Services Number Two (Proprietary) Limited, a private company registered and incorporated in the Republic of South Africa (Registration number 2005/006441/07), the ordinary shares of which are held by WIPHOLD, Sphere Investments (Proprietary) Limited, WIPHOLD NGO Trust and W Luhabe;
'WIPHOLD Financial Services' or 'WIPHOLD'	WIPHOLD Financial Services Holdings (Proprietary) Limited, a private company registered and incorporated in the Republic of South Africa (Registration number 2004/030563/07); and
'WIPHOLD Trust'	WIPHOLD Financial Services Number Two Trust (Masters Reference Number IT 5098/05), which was established to hold the interests of WIPHOLD Consortium in terms of the Black Business Partner Scheme and were issued with New Nedbank Group Shares for purposes of the Black Business Partner Scheme.



**NEDBANK**  
GROUP  
**NEDBANK GROUP LIMITED**

*(formerly Nedcor Limited)*

(Incorporated in the Republic of South Africa)

(Registration number 1966/010630/06)

(Share code JSE: Ned ISIN: ZAE000004875)

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**Directors of the Company**

W A M Clewlow\* (*Chairman*)

M M Katz\* (*Vice-Chairman*)

M L Ndlovu\* (*Vice-Chairman*)

T A Boardman• (*Chief Executive*)

C J W Ball†

M W T Brown• (*Chief Financial Officer*)

R G Cottrell†

B E Davison†

N Dennist (British)

B de L Figaji†

R M Head\* (British)

J B Magwaza†

M E Mkwanziti

J V F Roberts\* (British)

C M L Savaget†

J H Sutcliffe\* (British)

• Executive

\* Non-executive

† Independent non-executive

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**PROSPECTUS**

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This Prospectus is issued in compliance with the provisions of sections 145(1) and 148(1)(a) of the Companies Act. The definitions and interpretations commencing on page 27 apply mutatis mutandis to this Prospectus as set out below. The relevant reference to each of the paragraphs of Schedule 3 to the Companies Act is given in brackets in the appropriate heading.

**1. THE PURPOSE OF THE OFFER FOR SUBSCRIPTION (7)**

The purpose of this Prospectus is, in compliance with the Companies Act, to:

- provide the South African investment community with information relating to the Nedbank Group and specifically the Company, its operations, its directors and its management;
- enable the Company to undertake the Nedbank Eyethu Ownership Plan;
- set out the salient times, dates, terms and conditions of the Nedbank Eyethu Ownership Plan.

## 2. THE NEDBANK EYETHU OWNERSHIP PLAN

### 2.1 Principles of the Nedbank Eyethu Ownership Plan

#### 2.1.1 Transformation

The BEE Transaction has been designed to accelerate operational transformation in the Nedbank Group's South African businesses. This extends to client acquisition, strategies for underserved markets and profiling the Company. The Nedbank Eyethu Ownership Plan is to be implemented as a part of the Group's comprehensive approach to rapid transformation.

#### 2.1.2 Broad-based approach

The Nedbank Eyethu Ownership Plan has been designed to directly or indirectly benefit Black South Africans across the country. The Nedbank Group has sought to achieve as large a number of Participants as possible by limiting the total value of Offer Shares for which a Participant can subscribe to R100 000. The Offer for Subscription is only open to individuals who are citizens of the Republic of South Africa who are residents of the Common Monetary Area.

#### 2.1.3 Alignment of benefits received by Participants to increased number of Retail Clients and increased transactional banking

The Nedbank Eyethu Ownership Plan has been designed to conditionally reward Participants with one Bonus Share for every three Allocated Offer Shares held by them at the end of the Lock-In Period. It furthermore conditionally affords Participants Capital Protection on their investment. In return, the Nedbank Group obtains the benefits of an enlarged Retail Client base and increased transactional banking.

#### 2.1.4 Full economic benefits and voting rights

The Nedbank Eyethu Ownership Plan has been structured to ensure that Participants have such full economic benefits as are attached to equity ownership of Ordinary Shares. Participants will receive dividends on the same number of Scheme Shares as equates to their Allocated Offer Shares.

In terms of voting rights, Scheme Shares equating to the same number of Allocated Offer Shares shall be voted by the Trustees in accordance with the instructions of the Participant to whom such Allocated Offer Shares have been allocated. The Eyethu Retail Trust has been structured so as to comply with the economic benefits, ownership and control requirements of the FSC, in that the majority of Trustees will be independent Black People (chosen from the External Stakeholder Trusts and Employee Trusts participating in the BEE Transaction) and the majority of the Participants will be Black People.

### 2.2 Mechanics of the Nedbank Eyethu Ownership Plan

In terms of the BEE Transaction, the Eyethu Retail Trust will subscribe for 9 469 560 Scheme Shares at an issue price of R1,00 per Scheme Share. The Eyethu Retail Trust will fund the acquisition of the Scheme Shares via a loan of approximately R9,5 million from an independent financial institution. The independent financial institution funding will be repaid from dividends on unallocated Offer Shares, Bonus Shares, Capitalisation Shares, Ordinary Shares received through the capitalisation issues of the Company and any other Ordinary Shares acquired by the Eyethu Retail Trust in accordance with the Rules and the Eyethu Retail Trust Deed. It is envisaged that the independent financial institution funding will be repaid in the first year of the Eyethu Retail Trust's existence. The value of the Scheme Shares is approximately R708 million based on the Reference Price. The independent financial institution will have security over all the Scheme Shares until the independent financial institution's funding has been repaid.

The Eyethu Retail Trust will offer 7 102 170 Offer Shares to existing and new Black Retail Clients in terms of the Nedbank Eyethu Ownership Plan. The Eyethu Retail Trust will reserve 2 367 390 Scheme Shares as Bonus Shares.

For every three Allocated Offer Shares held by Participants at the end of the Lock-In Period, Participants will be conditionally entitled to receive one Bonus Share and also conditionally qualify for Capital Protection.

The allocation mechanics of the Nedbank Eyethu Ownership Plan are as follows:

Existing and new Black Retail Clients wanting to participate in the Nedbank Eyethu Ownership Plan must complete the Application Form and deliver the form to any Nedbank, Peoples Bank or Old Mutual Bank branch or alternatively deliver it to the Company in an envelope marked '**Nedbank Group Limited: Nedbank Eyethu Ownership Plan**' either by post (in the enclosed prepaid Business Reply Service envelope or to PO Box 1144, Johannesburg, 2000) or by hand (135 Rivonia Road, Sandown, 2196). Completed Application Forms will include the manner in which Applicants wish to subscribe for Subscription Shares (through the Lump Sum Option, the Buy as You Go Option or the Combination Option) and the value of Subscription Shares for which they wish to subscribe. The maximum application for Subscription Shares per Applicant is limited to R100 000 regardless of which option the Applicant elects.

Based on the total value of applications received, the Company will allocate Offer Shares to Applicants and inform Applicants within 60 days of the relevant allocation period into which Applicants applications fall. Should the Offer for Subscription be over-subscribed, the Company will allocate the Offer Shares on an equitable basis in its sole and absolute discretion.

There will be three allocations of Offer Shares during the term of the Offer for Subscription. The closing dates of the three allocations are set out in paragraph 10.4 below.

Within 60 days of the relevant allocation period into which an Applicant's application falls, the Eyethu Retail Trust will inform Participants as to the number of Offer Shares they have been allocated. Simultaneously, Participants will receive payment instruction forms which Participants are to complete and return to the Eyethu Retail Trust. The payment instruction form will request Participants to indicate the dates on which they wish to make payment for their Subscription Shares. On the dates specified by Participants, their Qualifying Accounts will be debited with the Offer Price for the Subscription Shares to be acquired on that date.

The Offer Price will be calculated as follows:

- In terms of the Lump Sum Option, the price at which Participants will subscribe and pay for Subscription Shares will be determined with reference to the closing market price of Ordinary Shares as published by I-Net Bridge and quoted on the JSE on the last Business Day prior to them paying their lump sum to the Eyethu Retail Trust.
- In terms of the Buy as You Go Option, the price at which Participants will subscribe and pay for Subscription Shares will be determined, in relation to each monthly payment, with reference to the closing market price of Ordinary Shares as published by I-Net Bridge and quoted on the JSE on the last Business Day prior to them making payment to the Eyethu Retail Trust in terms of their automatic monthly payment.
- In terms of the Combination Option, the lump sum portion will be determined as described in the Lump Sum Option paragraph above and the buy as you go portion will be determined as described in the Buy as You Go Option paragraph above.

On payment for their Subscription Shares (at the Offer Price), by lump sum or automatic monthly payment:

- Applicants will become beneficiaries in the Eyethu Retail Trust in respect of the same number of Scheme Shares as equates to the Subscription Shares subscribed and paid for by them. These Offer Shares will be known as Allocated Offer Shares and Participants will forthwith acquire a vested right to voting and to receive dividends in respect of their Allocated Offer Shares;
- the Eyethu Retail Trust will pay over Participants' cash subscription moneys to the Company (which will on-deposit these cash subscription moneys with Nedbank to be held in Trust for the Eyethu Retail Trust), and the Company will hold these moneys interest free to cater for the Capital Protection mechanism conditionally provided to Participants;
- in terms of the Lump Sum Option, should the lump sum amount subscribed and paid for by a Participant result in a fraction of a Subscription Share, the fraction amount will be refunded into the Participant's Qualifying Account in cash;
- in terms of the Buy as You Go Option, should the automatic monthly amount subscribed and paid for by a Participant result in a fraction of a Subscription Share, the fractions will be accumulated until sufficient to subscribe for one whole Subscription Share. The Offer Price to subscribe and pay for this new whole Subscription Share will be at a price equal to the aggregate of all the aforesaid fractions of the automatic monthly payments paid for the fractions of the Subscription Shares making up such whole Subscription Share;
- The Company will be required to issue the same number of Allocated Offer Shares to Participants in the form of Subscription Shares and the Eyethu Retail Trust will be required to deliver the Bonus Shares accruing to Participants at the end of the Lock-In Period. Subject to the Capital Protection mechanism referred to below, the Company can only settle this obligation by a fresh issue of Ordinary Shares at the end of the Lock-In Period at the Offer Price(s) paid by the Participants, utilising the cash subscription monies held by it. Participants will, however, at the end of the Lock-In Period, in terms of the Capital Protection mechanism, be returned their cash subscription monies (representing the aggregate Offer Price(s) paid for their Allocated Offer Shares) if the value of their shareholding in terms of the Nedbank Eyethu Ownership Plan (inclusive of Bonus Shares) is less at that time than the aggregate Offer Price paid by them, i.e. there will be no fresh issue of Ordinary Shares. Participants may elect to receive the Subscription Shares and Bonus Shares in which case Participants will not receive the capital they invested in the Nedbank Eyethu Ownership Plan;
- the Company will be entitled, from time to time, to exercise the Nedbank Group Call Option against the Eyethu Retail Trust in respect of the same number of Scheme Shares held by the Eyethu Retail Trust as is issued as Subscription Shares pursuant to the paragraph above. For illustrative purposes, assuming 100 Subscription Shares (equal in number to the total number of Allocated Offer Shares) are required to be issued in satisfaction of a Participant's subscription, the Company will be entitled to repurchase 100 Scheme Shares from the Eyethu Retail Trust. This ensures that the Nedbank Eyethu Ownership Plan does not result in any 'double dilution' of existing Ordinary Shareholder interests. In addition, at the end of the Lock-In Period, the Company will be entitled to exercise the Nedbank Group Call Option over so many of the Scheme Shares originally issued at Par Value to the Eyethu Retail Trust and over any Capitalisation Shares and further Ordinary Shares then held by the Eyethu Retail Trust as, based on the then market price, equates to the Notional Terminal Amount. The strike price of the Nedbank Group Call Option will be R1,00 in the aggregate for all Capitalisation Shares, Scheme Shares and further Ordinary Shares. The Notional Terminal Amount will be derived according to the Retail Subscription Agreement.

If, upon termination of the Nedbank Eyethu Ownership Plan, there remains a surplus of Scheme Shares within the Eyethu Retail Trust (after exercise of the Nedbank Group Call Option), such surplus will be distributed to an appropriate FSC compliant Black entity.

Participants electing the Buy as You Go Option will be contractually bound to continue their automatic monthly payments for the Lock-In Period, unless they elect to exit the Nedbank Eyethu Ownership Plan (and forfeit their Bonus Shares and Capital Protection). Participants electing this option may increase or decrease their automatic monthly payments subject to the consent of the Company and the availability of Subscription Shares. Furthermore, Participants in the Buy as You Go Option may pay up all of the outstanding automatic monthly payments in a once-off lump sum payment during the required Lock-In Period, depending upon the availability of Subscription Shares.

Furthermore, all Participants will be required to maintain a Qualifying Account and comply with the Transaction Requirements. Failure to meet these obligations will constitute a breach by the Participant. The consequences of such a breach are:

- the Participant will cease to qualify for any Bonus Shares accruing to them and for the Capital Protection described above; and
- the Company, in consultation with the trustees of the Eyethu Retail Trust, will be entitled in its discretion to require the Participant to abide by the Rules of the Nedbank Eyethu Ownership Plan.

#### ***Dividends***

Save as is required to settle the independent financial institution funding on the Scheme Shares held by the Eyethu Retail Trust as described above, the Eyethu Retail Trust will be required to elect to receive Capitalisation Shares on the unallocated Scheme Shares and Bonus Shares and to forego any cash dividend alternative. From the outset of the Nedbank Eyethu Ownership Plan the Trustees will be required to make an election for the Participants to receive a cash dividend on the same number of Allocated Offer Shares as Scheme Shares. Participants will receive cash dividends on the same number of Scheme Shares as equates to their Allocated Offer Shares on the date the Company pays dividends on Ordinary Shares.

#### ***Voting rights***

The Eyethu Retail Trust has been set up so as to constitute a Black Person for FSC purposes and is governed by independent Trustees. On initial Participation in the Nedbank Eyethu Ownership Plan, Participants will elect three independent Trustees from a list of incumbents. The list of independent Trustees will be selected from the Trustees of the remaining External Stakeholder Trusts and Employee Trusts in the BEE Transaction. The Trustees will hold and will vote the same number of Scheme Shares as are vested in Participants in the form of Allocated Offer Shares in accordance with their instructions, who will furnish their instructions to the Trustees prior to Ordinary Shareholders voting on any corporate action. Should the Trustees not receive a voting instruction from a Participant, the said Participant's Allocated Offer Shares will not be voted in the corporate action.

The Trustees will vote unallocated Scheme Shares, Bonus Shares, Capitalisation Shares and further Ordinary Shares held in the Eyethu Retail Trust for the benefit of the Participants.

In the event of a Participant becoming disabled, and the Participant provides proof thereof, the Participant will have the option of exiting the Nedbank Eyethu Ownership Plan at the date of disability. Such disabled Participants will still qualify for Bonus Shares and Capital Protection.

In the event of proof of death of a Participant, the Participant's estate may elect to continue Participating in the Nedbank Eyethu Ownership Plan or it may elect to exit. Should the estate elect to exit, it will still qualify for Bonus Shares and Capital Protection.

### **3. GROUP STRATEGY**

The Nedbank Group's detailed three-year plans aim at setting in motion a journey towards achieving the stated targets of the Group and its divisions. A clear and simple Group strategy provides the high-level guidelines that direct the entire organisation towards a common goal. The Group's strategy describes the scope of our business, our primary strategic focus as well as the Group's delivery capability, key differentiators and business model. Key themes, identified through this exercise for 2005 onward are as follows:

#### **3.1 Go beyond transformation**

The Nedbank Group will demonstrate its deep commitment to the Republic of South Africa by truly transforming itself into a bank accessible to all South Africans. As a transformed organisation the Group will be better positioned to increase its share of public sector business and to grow its client base in the lower-income segments of the retail market.

The Nedbank Group will not only comply with the targets set out in the FSC, but aims to exceed these targets. Transformation is not seen as a separate imperative – it is integral to everything undertaken by the Group and determines how things are done.

In this regard, on 19 April 2005, the Nedbank Group announced its BEE Transaction. The BEE Transaction was a key part of the Old Mutual Group BEE Transaction. The BEE Transaction was structured to include true broad-based participation, through the inclusion of employees and management, clients, professional bodies, entrepreneurs, as well as women's and community groupings throughout the Republic of South Africa. The BEE Transaction was designed to complement the Group's overall strategic objectives of implementing broad-based empowerment in its business.

The BEE Transaction involved an upfront economic cost comparable with other financial services BEE deals. The Board believes that the long-term commercial benefits to be gained should exceed the initial and ongoing costs of implementing the BEE Transaction, and that the BEE Transaction will enhance the Nedbank Group's profile in one of its most important markets and be likely to increase the motivation and retention of its employees in the Republic of South Africa. Moreover, the Board believes

that the BEE Transaction is likely, in the longer term, to strengthen the Group's growth prospects within the Republic of South Africa, to attract additional business and bring about benefits for the Group that it would otherwise be denied.

The BEE Transaction was seen as complementary to the Nedbank Group's strategic objective of:

- positioning the Group as a 'bank for all';
- repositioning the Nedbank brand in the retail segment with the potential of increasing the number of Retail Clients;
- repositioning the bank internally and culturally to better serve the requirements of a changing external market, particularly in the retail banking market;
- improving market share in the public sector;
- assisting with targeted expansion and growth into Africa and specifically sub-Saharan Africa;
- protecting existing business and market share by meeting and exceeding the ownership and control requirements of the FSC;
- building on a leading position in the BEE financing market;
- rewarding client and employee loyalty;
- improving the Nedbank Group's overall programme of promoting women's interests.

Although the BEE Transaction is aimed at assisting the Group in complying with its obligations under the FSC, the Group embraces the need for broad-based BEE and seeks to go beyond targets and mere compliance in a manner that will create meaningful broad-based change and stability in the South African economy.

### **3.2 Grow retail banking**

Nedbank Retail will receive significant attention and is regarded as key to the Nedbank Group's profit growth over the next three years. The intention is to derive maximum benefit from robust credit demand, expansion into diverse income segments and higher interest margins.

As part of the drive to increase the retail base a significant portion of the BEE Transaction was reserved for existing and new Black Retail Clients of the Nedbank Group (which includes Nedbank, Peoples Bank, Old Mutual Bank and Pick 'n Pay Pay Go Banking). These clients will be afforded an opportunity to Participate in the BEE Transaction through the Nedbank Eyethu Ownership Plan.

### **3.3 Be client-driven**

During the next three years, the Nedbank Group intends doing a significant amount of work to deliver on the objective of being client-driven. This started with the bedding down of the recent re-organisation, the Group continually re-engineering its systems and processes, the embedding of the Group's value of being people-centred (putting people ahead of systems and processes), and the undertaking to deeply understand its clients' needs.

### **3.4 Stretch our brand and service offering**

The intention is to stretch the Nedbank brand across markets, accompanied by a repositioning of the Nedbank Group to effectively service lower income groups.

### **3.5 Focus on transactional banking**

In the next three years the Nedbank Group will focus on growing its share of transactional accounts, both in the retail and corporate banking areas. This will be achieved through client acquisition, retention, cross-selling and improving the Group's primary banker status. The Group will focus on improving its primary banker status in both retail and corporate banking by focusing on transactional banking improvements and sales. The Nedbank Eyethu Ownership Plan will assist in achieving this objective by requiring Participants to conduct their transactional banking through their Qualifying Account and to comply with the Transaction Requirements.

### **3.6 Create a high-performance culture**

The Nedbank Group is optimising and improving its people practices, its business infrastructure and its transformation programme.

### **3.7 Practice world-class risk management**

The Nedbank Group will not only adhere to industry and legislative requirements such as Basel II, but will fundamentally change the way the Group does business and makes decisions.

### **3.8 Optimise our mix**

To improve the Nedbank Group's lending margin the Group has put action plans in place to increase lending in the retail segment. Equally, the aim is to improve our product mix and client segment mix to optimise profitability.

The approach to growing our business will be to find opportunities within and across divisions to improve delivery to our clients, while at the same time seeking opportunities to optimise cost effectiveness, but not at the expense of income growth.

### 3.9 Back to the basics of banking

The Nedbank Group will focus on serving clients' financial services needs and will not dilute this focus by pursuing distracting business models. The Group aims to become the best at the basic elements of service delivery.

### 3.10 Full-spectrum banking

The Nedbank Group will continue to have a retail, corporate and investment banking business and will provide a comprehensive range of products and services to the full spectrum of South African banking clients.

### 3.11 Southern Africa focus

The Nedbank Group will seek and find growth opportunities in the Republic of South Africa and, where opportunities exist, cautiously expand into southern Africa. The purpose of international operations is primarily to serve the international banking needs of southern African clients as well as to serve multi-national clients doing business in southern Africa.

### 3.12 Align the organisation with a synergistic client-driven business model

The Nedbank Group has changed from a product-driven to a client-driven business model, redefined leadership accountabilities and fundamentally changed its structure.

By the end of 2004 the Group had addressed major structural deficiencies by devolving authority and transferring decision-making to client-facing units to improve delivery to clients. Core to the new way of functioning is the centralisation of the capital management, information technology and risk functions.

To build on these positive changes the Group is simplifying processes in accordance with the principles of a client-driven business model, further refining accountabilities within the divisions and tightly aligning performance agreements with the action-orientated three-year plans that underpin our strategy.

There is great potential to unlock synergies among businesses within the bank to which end cross-divisional teamwork is being encouraged.

## 4. INCORPORATION AND HISTORY OF THE NEDBANK GROUP (1(a), 6(a)(i),(ii),(iv))

The Nedbank Group, through its various banking components, can trace its roots back to as early as 1831 when The Cape of Good Hope Savings Society (the Republic of South Africa's oldest bank) was incorporated.

The original banking operations have gone through a series of corporate transformations. In 1973 Syfrets and UAL Holdings Limited changed its name to Nedbank and Syfrets – UAL Holdings Limited, signifying the merger of Nedbank with that of Syfrets SA Limited and UAL Merchant Bank. The Company changed its name in 1978 to Nedbank Group Limited.

In 1986 Nedbank (the registered bank) acquired control of the entity Finansbank Limited. The CoGHB was a subsidiary of Finansbank Limited at the time and remained as such until 1992. By 1987, the Nedbank Group consisted of Nedbank, Nedfin, UAL Syfrets, Finansbank Limited, Nefic, Nedtravel, World Travel and Nedfactors (which later became Nedbank Commercial Services).

In 1988 Nedbank (the registered bank) acquired the assets of the South African Permanent Building Society and subsequently changed its name to NedPerm Bank Limited.

In 1989 Nedbank Group Limited (the listed holding company) changed its name to Nedcor Limited.

In 1992 NedPerm Bank Limited (the registered bank) through a general rationalisation of the Group, acquired the assets of Finansbank Limited and, at the same time, changed its name to Nedcor Bank Limited. As a consequence of the aforesaid restructure, CoGHB became a wholly-owned subsidiary of Nedcor Limited.

In April 1995 Nedcor Bank Limited (the registered bank) split its operations into three banking divisions namely, Nedbank, Permanent Bank and Peoples Bank and the newly formed divisions began operating in June of that year. Nedbank Investment Bank was also established as a division of Nedcor Bank Limited around the same time.

In 1997 Nedcor Investment Bank Limited was established through the merger of the Nedbank Investment Bank division and the two merchant-banking businesses being conducted by the Group at the time, namely Syfrets and UAL. Nedcor Investment Bank Limited, became a wholly-owned subsidiary of Nedcor Investment Bank Holdings Limited, the latter being a public company that was listed on the JSE and NSX with Nedcor Limited maintaining a majority shareholding therein.

In 1999 the South African Mutual Life Assurance Society, the majority shareholder of Nedcor Limited at that time, was demutualised, and Old Mutual plc was formed. Its registered office was located in the United Kingdom and it was listed on the London Stock Exchange plc and the JSE as Old Mutual plc. In the same year, NIB acquired Edward Nathan & Friedland (Proprietary) Limited, which was subsequently disposed of at the end of 2004.

In 2000 Nedcor Bank Limited (the registered bank) acquired control of FBC Fidelity Bank Limited and integrated its Peoples Bank division and NedEnterprise division into that entity. By 2002 a BEE consortium had acquired a 30% minority interest in Peoples Bank Limited.

In 2002 Permanent Bank was rebranded as Old Mutual Bank, in a joint venture with Old Mutual (SA) in order to establish a new banking operation, which focused on the retail middle market, wealth management, bancassurance (the provision of integrated financial solutions including, amongst others, banking and insurance products), financial planning and mortgages. In July 2002, Nedcor Limited (the listed holding company) acquired BoE Limited, thereby creating South Africa's largest banking group at the time, with assets of more than R270 billion. In October of the same year, Nedcor Limited acquired the minority shareholders' interests in NIB and delisted it from the JSE and the NSX.

Nedcor Bank Limited (the registered bank) changed its name to Nedbank Limited in November 2002.

On 1 January 2003 following approval from SARB, Nedbank Limited acquired the banking operations of BoE Bank Limited, Nedcor Investment Bank Limited and CoGHB. BoE Bank Limited, Nedcor Investment Bank Limited and CoGHB thereafter deregistered as banks and relinquished their banking licenses.

In 2004 Nedcor Limited (the listed holding company) entered into agreements with the BEE consortia in Peoples Bank to acquire the special-purpose vehicles through which their 30% minority interest in Peoples Bank was held.

On 1 February 2005 the banking operations of Peoples Bank Limited were acquired by Nedbank Limited and Peoples Bank Limited has deregistered as a bank.

Nedcor Limited (the listed holding company) changed its name to the Nedbank Group Limited with effect from the close of business on 13 May 2005.

The following table is a segmental analysis of the Nedbank Group's operations, extracted from the annual report, for the financial year ended 31 December 2004 as prepared under SA GAAP at that time:

Business/Operational unit	Average total assets 2004 (Rbn)	Operating income 2004 (Rm)	Headline earnings 2004 (Rm)
Nedbank Retail	76	7 662	641
Nedbank Corporate	118	6 229	2 112
Imperial Bank	15	836	83
Nedbank Capital	61	2 440	878
Shared Services	10	196	(751)
Capital Management and Central Funding	39	(1 583)	(1 516)
Eliminations	(20)	(388)	–
<b>Total</b>	<b>299</b>	<b>15 392</b>	<b>1 447</b>

On 3 May 2005 the Company released its restated reviewed annual financial statements for the year ended 31 December 2004 on an IFRS basis. The IFRS announcement is set out in Annexure 2 to this Prospectus.

On 5 May 2005 the Company released its unaudited trading statement for the period to 31 March 2005. This trading statement was in line with management's expectations and is set out in Annexure 4 to this Prospectus. The Company released a further unaudited trading statement on 21 July 2005 and is set out in Annexure 5 to this Prospectus

## 5. OVERVIEW OF ASSETS (6(b), 6(d))

The Nedbank Group offers a wide range of retail and wholesale banking services through three principal business clusters: Nedbank Retail, Nedbank Corporate and Nedbank Capital. The principal services offered by these three clusters are set out below:

### 5.1 Nedbank Retail

Nedbank Retail serves the financial needs of individuals and small businesses, providing credit, lending, savings, investment, insurance and transactional products and services.

Target markets are clearly identified and range from entry-level transactional banking to the high-income segment. These markets have been serviced through the brands within the Nedbank Retail stable, being Nedbank, Peoples Bank, Old Mutual Bank, Pick 'n Pay Pay Go Banking, NedLife, BoE Private Clients, Fairbairn Private Bank and Fairbairn Trust Company.

Nedbank Retail provides credit, savings, investment, insurance and transactional products and services that are marketed through different brands to attract clients across the economic and social spectrum in the Republic of South Africa. The cluster's businesses serve the financial needs of individuals in the Republic of South Africa and abroad through its branches and a number of joint ventures and strategic alliances.



## **Retail Banking Services**

This business unit enables the delivery of client-centric services, the building of client relationships and the delivery of banking products and services to Nedbank's retail clients. The division includes the primary distribution channels and segments of Nedbank Retail:

- the branch and ATM networks of Nedbank, Peoples Bank and Old Mutual Bank;
- the Pick 'n Pay Pay Go Banking strategic alliance, which is breaking ground as the Republic of South Africa's leading supermarket banking offering;
- Nedbank Personal Banking and Cross-Border;
- Nedbank Private Banking and BoE Private Clients;
- Nedbank's client call centres;
- Nedbank Small Business Services, which provides banking and advisory solutions to businesses with a turnover of under R5 million; and
- Nedbank Corporate Schemes, which provides banking services to clients through their employees.

Through these businesses a comprehensive banking offering is delivered to the full range of individuals from low-income to high-net-worth clients, small businesses as well as Nedbank Group employee members.

In addition to its business banking products and services, the division had a secured lending portfolio comprising specialised and other asset-based finance, such as instalment sales, leases, debtor management, origination discounting, capital equipment import and insurance premium financing.

## **Nedbank Card**

From an issuing perspective, Nedbank Card provides an extensive range of card products. These include a range of options, including American Express, MasterCard and Visa-branded offerings. This range of offering allows Nedbank Card to tailor products specifically for the retail, business and corporate client needs.

The acquiring division provides a managed payment service to merchants for the acceptance of card-based transactions, whether they emanate from a physical or virtual environment. Nedbank acquires transactions and handles the settlement of merchants as well as the local and international inter-bank settlement for all card products.

## **Old Mutual Bank**

Old Mutual Bank is a strategic alliance between the Company and Old Mutual Finance Limited, a subsidiary of Old Mutual (SA), that attracts business from almost 4 000 Old Mutual-accredited insurance intermediaries. Old Mutual Bank offers a retail product range including savings accounts, deposits, home loans, vehicle finance and credit cards, as well as selected Old Mutual-branded assurance and investment products. The primary target client base of this joint venture comprises the more than three million predominantly South African Old Mutual clients in the middle-income market who already have a relationship with the Old Mutual brand, but are not existing clients of the Nedbank Group.

## **Pick 'n Pay Go Banking**

The Pick 'n Pay Go Banking alliance was created to address the identified strategic imperative of attracting transactional banking business in the middle-income market. Pick 'n Pay Go Banking offers a large footprint, cheap distribution and a great client loyalty scheme. The Go Account is a transactional account with all the features of a current, savings and money market account. Clients can access this account via Pick 'n Pay tills, all ATMs, self-service terminals, telephone and internet banking.

The value proposition is based on value for money and simple, yet convenient banking. In addition to the very competitive fees and interest rates of the product, the Shop 'n Pay Save programme entitles Pick 'n Pay Go Banking clients to discounts on goods purchased at Pick 'n Pay.

Clients of Nedbank, Old Mutual Bank and Peoples Bank can also use till points at Pick 'n Pay stores to withdraw and deposit cash, increasing Nedbank's footprint. Pick 'n Pay has over 250 stores in key locations throughout the country and is constantly expanding. This affords Nedbank a low-cost distribution channel via more than 5 000 point-of-sale terminals.

## **Retail Bancassurance and Wealth**

Retail Bancassurance and Wealth incorporates the short-term insurance broking, credit assurance, investment management and financial planning businesses of the Nedbank Group.

It offers Nedbank clients a comprehensive quality selection of investment, insurance and life assurance products, services and financial advice designed to complement and enhance clients' relationships with Nedbank.

The wealth and investment products are managed and run by some of the pre-eminent best-of-breed fund managers both in the Republic of South Africa and internationally, while our insurance and assurance products are sourced from the largest and most innovative South African insurance underwriters and companies.

Internationally we offer a 'one-stop access' to a range of collective investment schemes through the offshore fund supermarket, Nedcor International Fund Xchange.

#### **Nedbank Home Loans**

Nedbank Home Loans offers our clients a wide range of home loan products and services for purchasing established residential properties, construction of residential properties or making improvements to their properties.

#### **Nedbank Personal Loans**

Nedbank Personal Loans offers our clients a range of personal and retail loans to satisfy their aspirational needs and lifestyle requirements.

#### **Retail International**

Retail International comprises Fairbairn Private Bank ('FPB') and Fairbairn Trust Company ('FTC'). FPB benefits from full banking and investment licenses in Jersey and the Isle of Man and also a trust licence in Jersey. It operates as a single seamless business with particular benefits to private clients, professional intermediaries, trustees and investment companies. Although principally a private bank, from its offshore United Kingdom locations the businesses can offer additional advantages where clients' residency or domicile status permits. FTC is a trust administration company located in Guernsey, Channel Islands.

### **5.2 Nedbank Corporate**

Nedbank Corporate comprises the client-focused businesses of corporate banking, business banking, property finance, Nedbank Africa and the specialist businesses of transactional banking and shared services. These businesses focus mainly on providing lending, deposit-taking and transactional banking execution services to the wholesale-banking client base of Nedbank.

Nedbank Corporate's strengths lie in its strong corporate, business and property finance franchises and their regional presence, particularly in Gauteng, KwaZulu-Natal and the Western Cape. While all of its businesses have significant presences in the urban areas of each of these regions, the business banking operations cover many of the country's rural and semi-rural areas. Nedbank Corporate also benefits from strong client relationships, which provide an excellent opportunity to cross-sell the products and services offered by Nedbank Corporate's divisions as well as by Nedbank Capital and Nedbank Retail.

The decentralised model, industry specialisation skills and client-centric approach ensure excellent business banking relationships. Client-focused structures, such as dedicated bankers, have resulted in strong relationships with the larger corporates and business banking clients alike. Nedbank Corporate is the leader in commercial and industrial property finance.

Nedbank Corporate's loan book is primarily concentrated in the commercial and industrial property, manufacturing, mining and, to a lesser extent, aviation sectors.

#### **Corporate Banking**

Corporate Banking is a client-focused relationship and client value management-driven business, providing wholesale banking solutions, services and products to medium and large corporate clients that have turnovers in excess of R400 million as well as those clients with sophisticated financial needs. It is actively involved in funding BEE initiatives across all sectors of the economy as well as the South African Government and parastatal organisations.

It provides wholesale banking services, which include lending, deposit-taking, transactional banking, debt structuring, global trade services and vehicle and asset finance.

#### **Business Banking**

Business Banking focuses on clients with a turnover of R5 million to R400 million and has specialist expertise in servicing key industries, including wine, diamonds, professionals, printing and publishing. It provides lending, deposit-taking, transactional banking, debt structuring, factoring and vehicle and asset finance.

#### **Property Finance**

Property Finance provides commercial, industrial, retail and residential development property finance in the Republic of South Africa, offering mortgage loans to developers, owners and occupiers and investors. The Property Finance division also takes minority equity stakes in selected property developments alongside its clients.

#### **Nedbank Africa and International**

Nedbank Africa includes operations in Lesotho, Malawi, Namibia, Swaziland, Mauritius, Madagascar and Zimbabwe. Products vary according to region, but Nedbank Africa's operations aim to offer universal banking products, both retail and wholesale, in each of its regions of representation. Where possible, our regional operations leverage off the South African divisions for skills and systems platforms.

Nedbank's international division carries out limited lending and personal banking activities in London.

The following table provides information regarding the southern African banks in which the Nedbank Group is a shareholder, together with the Company's shareholding in these banks at 31 December 2004:

Name	Country	Percentage shareholding
Nedbank Namibia Limited	Namibia	93,46
NedCapital Namibia (Proprietary) Limited (formerly NIB Namibia Limited)	Namibia	100,00
Nedbank (Swaziland) Limited	Swaziland	67,20
Nedbank (Lesotho) Limited	Lesotho	100,00
Nedbank (Malawi) Limited	Malawi	91,40
Merchant Bank of Central Africa Limited	Zimbabwe	41,86
Nedbank Africa Investments Limited (Mauritius)	Mauritius onshore	100,00
SBM Nedcor Holdings Limited (Mauritius)	Mauritius offshore	79,90
Nedcor Trade Services Limited (Mauritius)	Mauritius	100,00
Banque SBM Madagascar Limited	Madagascar	20,00
State Bank of Mauritius Limited	Mauritius	20,10

### Transactional Banking

Transactional Banking handles the management of payment and receipt transactions that fall within the working capital cycle of debtors, creditors, stock and cash, for, and on behalf of clients. It is about the flow of funds into and out of the current account and the management of information that is associated with these flows.

### 5.3 Nedbank Capital

Nedbank Capital comprises the Group's investment banking business. It consists of a number of divisions that, together, manage the structuring, lending, underwriting and trading businesses. It is unique in the South African market with an offering that stretches from equity research to the provision of long-term project financing, enabling Nedbank Capital to compete effectively not only domestically, but also with international investment banks operating in the South African market.

As one of the Republic of South Africa's leading investment banking franchises, Nedbank Capital has a particularly strong presence in the project finance, mergers and acquisitions, treasury and domestic institutional equity markets in the Republic of South Africa. In addition, Nedbank Capital has a well-developed private equity franchise, which includes several BEE partnerships, and has extensive experience providing structuring advice and financing for BEE initiatives in the mining, telecommunications and petroleum industries. Nedbank Capital's full-service treasury has a regional presence in Johannesburg, Durban and Cape Town.

Nedbank Capital's principal clients across its divisions include the top 200 domestic corporates, as well as parastatals, leading financial institutions, non-South African multi-national corporates and clients undertaking major infrastructure and mining projects in Africa and emerging BEE consortia.

#### Specialised Finance

The Specialised Finance division competes in the southern African merchant and investment banking markets, providing specialised debt financing solutions to its predominantly South African client base.

Its portfolio of services includes resource and infrastructure finance solutions. The division targets the country's top 200 corporates, leading institutions, parastatals as well as major infrastructure and mining projects in the Republic of South Africa.

#### Investment Banking

The Investment Banking division houses the Nedbank Group's corporate finance, private-equity and sector-focused investment bankers who originate transactions across the entire Nedbank Capital product spectrum. Corporate Finance's primary services are advisory, focusing on corporate restructuring, BEE initiatives, stock exchange listings, disposals, privatisations and capital raisings. The division includes a dedicated research team and a unit providing JSE sponsor services to companies relating to their continuing regulatory obligations.

Nedbank Capital's private equity activities entail the selection of opportunistic investments as principal in South African companies. The private-equity team applies its extensive knowledge of the South African market, together with risk management techniques, to its investment analyses when making its investment decisions.

The investment banking division also has a co-operation agreement with Macquarie Bank Limited of Australia that allows it to bid for selected advisory resource and infrastructure projects and cross-border transactions.

## Treasury

Treasury interfaces with local and international financial and investment markets. Treasury's primary role is the management of market-related risk for clients as well as for the Nedbank Group. These risks include currency, interest rate and equity-related exposures which are managed on a principal basis within the Asset and Liability and Executive Risk Committee risk framework.

## Global Markets

This division focuses on servicing the client base with currency, interest rate derivative and bond-related products according to their business needs as well as trading in the different markets for the bank's own account.

## Equity Capital Markets

The Equity Capital Markets division includes an alliance between Nedbank and Macquarie Bank Limited of Australia. Through the alliance, equity capital markets is also able to offer equity derivatives products to the clients of other Company businesses and it undertakes some arbitrage dealing on a proprietary basis. Some of the products and services provided by equity capital markets include share instalments, protected share investments, warrants and single-stock futures.

## Debt Capital Markets

This division focuses on the increased disintermediation activities in the South African banking market. It includes the securitisation and bond origination businesses interest rate solutions and debt distribution activities as well as credit derivative trading and structuring.

## Nedbank Capital Risk

Nedbank Capital Risk includes the product and risk management team as well as the credit and operational risk divisions. The teams focus on the research, processes, controls and risk management of all activities in Nedbank Capital. The Basel II project forms part of the management projects.

## Nedcor Securities (Proprietary) Limited

Nedcor Securities (Proprietary) Limited is the institutional equities business of the Company. It provides research, sales and trading to major South African institutions.

## 5.4 Imperial Bank Limited

The Company is in its fifth year of a ten-year alliance with Imperial Bank Holdings Limited, a South African transport and mobility group, with total assets of R15 billion at 31 December 2004, to operate Imperial Bank Limited. Nedbank owns 50,1% of Imperial Bank Limited, with the remainder held by Imperial Bank Holdings Limited. Imperial Bank Limited's primary sources of income are asset-based financing, including motor vehicle sales and rentals, for which Imperial Bank Limited trades as Motor Finance Corporation, property and aviation finance and other movable industrial assets.

## 6. FUTURE PROSPECTS (6(i))

As the benefits of the increased focus on client service become evident, the Nedbank Group expects to show growth in advances and anticipates maintaining its market share in the second half of 2005.

Net interest margins are expected to continue to improve as a result of:

- the uplift created from the rights issue cash of approximately R5,15 billion received in May 2004;
- reduced funding drag as a result of the banking book being relatively interest neutral following the hedging strategy;
- income on the proceeds from the sale of non-core investments;
- the repatriation of certain foreign capital during 2004 and earning higher yields in Rand.

The Nedbank Group will focus on growing transactional revenue. Revenue is anticipated to continue to improve and costs to reduce as the Nedbank Group's initiatives under the three-year recovery programme are implemented. The Nedbank Group will also benefit from a significant reduction in once-off merger and recovery programme costs.

The directors and management are aware that a considerable amount of effort lies ahead in the recovery programme. However, the business is well-placed to deliver improved earnings growth in 2005. The effect of IFRS make the Company's published 2007 targets more challenging.

The detailed three-year programme anticipates that the Nedbank Group will maintain its asset market share from the second half of 2005. The published target for the 2007 financial year for the cost-to-income ratio is 55% or better and for the Return on Equity ratio, 20% or better. Over the next three years the compound annual revenue growth is targeted to grow at 9% more than the compound annual growth in expenses. The programme focuses on growing transactional revenue through a combination of focused teams, cross-selling, upselling, improving client service, consistent pricing and bancassurance initiatives. Nedbank Retail has been identified as the major growth area. Importantly, the programme focuses on the transformation process within the Nedbank Group.

## 7. DIRECTORS' AND SENIOR MANAGEMENT OF THE COMPANY

### 7.1 The Board (2(a))

The names of the executive and non-executive directors of the Company are set out below:

Name	Date initially appointed as director
Warren Alexander Morten Clewlow ( <i>Chairman</i> )	15 September 2000
Michael Mervyn Katz ( <i>Vice-Chairman</i> )	4 November 1997
Maduke Lot Ndlovu ( <i>Vice-Chairman</i> )	1 November 1994
Thomas Andrew Boardman ( <i>Chief Executive</i> )	1 November 2002 as director and 10 December 2003 as Chief Executive
Christopher John Watkins Ball	1 November 2002
Michael William Thomas Brown ( <i>Chief Financial Officer</i> )	17 June 2004
Richard Gray Cottrell	25 November 2002
Barry Erskine Davison	25 November 2002
Nicholas Dennis	25 November 2002
Brian de Lacy Figaji	25 November 2002
Robert Michael Head	1 January 2005
Johannes Bhekumuzi Magwaza	1 October 1996
Mafika Edmund Mkwanzazi	20 April 1999
Julian Victor Frow Roberts	1 January 2001
Cedric Michael Langton Savage	1 November 2002
James Harry Sutcliffe	10 December 2001

### 7.2 Directors' details and experience (2(a))

#### Warren Alexander Morten Clewlow (68)

(Non-executive Chairman) (South African) (appointed 2000)

Business address: Barlow Park, Katherine Street, Sandton, 2199  
 Qualifications: OMSG, CA(SA), DEcon (hc)  
 Occupation: Non-executive Chairman, Barloworld Limited

Warren Clewlow is Non-executive Chairman of the Company. He has been Chairman of Barloworld Limited since 1991. He was previously Chief Executive of Barloworld Limited and has managed many of its diverse divisions. He is Deputy Chairman of Old Mutual Life Assurance Company (SA) Limited and is also a non-executive director of Old Mutual plc, Sasol Limited, Rustenburg Wines (Proprietary) Limited and Pretoria Portland Cement Company Limited. He was previously Chairman of the State President's Economic Advisory Council.

#### Professor Michael Mervyn Katz (60)

(Non-executive Vice-Chairman) (South African) (appointed 1997)

Business address: Edward Nathan (Proprietary) Limited, 150 West Street, Sandown, 2196  
 Qualifications: BCom, LLB, LLM (Harvard Law School), LLD (hc)  
 Occupation: Corporate law adviser and consultant

Professor Michael Katz is Non-executive Vice-Chairman of the Company and Chairman of Edward Nathan (Proprietary) Limited. He is also Chairman of the Commission of Inquiry into the Tax System of South Africa and the Tax Advisory Committee, as well as honorary professor of company law at the University of the Witwatersrand. Professor Katz is also a non-executive director of Nampak Limited.

#### Maduke Lot Ndlovu (53)

(Non-executive Vice-Chairman) (South African) (appointed 1994)

Business address: Nedbank Sandton, 135 Rivonia Road, Sandown, 2196  
 Qualifications: Dip LR (Unisa), MAP (Wits), EDP (North Western U.S.A.), AMP (Harvard Business School)  
 Occupation: Non-executive Vice-Chairman

Lot Ndlovu is Non-executive Vice-Chairman of the Company and a director of Mutual & Federal. He is a non-executive Chairman of Lafarge South Africa (Proprietary) Limited, South African National Roads Agency, Nakatomi Corporation, NestLife Assurance Corporation Limited, Mpumalanga Economic Empowerment Corporation and Community Growth Management Company. He is a non-executive director of Nampak Limited and a member of the Independent Commission on the Remuneration of Public Office Bearers and a trustee of The Business Trust.

**Thomas Andrew Boardman (49)**

(Chief Executive) (South African) (appointed November 2002 as director and 10 December 2003 as Chief Executive)

Business address: Nedbank Sandton, 135 Rivonia Road, Sandown, 2196

Qualifications: BCom, CA(SA)

Occupation: Chief Executive, the Company and Nedbank

Tom Boardman is Chief Executive of the Company. He was formerly the Chief Executive and an executive director of BoE. Past directorships include the Banking Council, Boardmans and Sam Newman Limited as well as BoE International Holdings Limited and Northwind Investments (Proprietary) Limited.

**Christopher John Watkins Ball (65)**

(Independent non-executive) (South African) (appointed 2002)

Business address: 4 Gardenia Lane, Constantia, 7800

Qualifications: Dip Juris, MA

Occupation: Director of Companies

Christopher Ball is a non-executive director of Imperial Bank Limited. He was previously a non-executive director of BoE and five of its subsidiary companies, including Century City Limited.

**Michael William Thomas Brown (39)**

(Chief Financial Officer) (South African) (appointed 2004)

Business address: Nedbank Sandton, 135 Rivonia Road, Sandown, 2196

Qualifications: BCom, Dip Acc, CA(SA)

Occupation: Chief Financial Officer, the Company and Nedbank

Michael Brown is the Chief Financial Officer of the Company. He was a past executive director of BoE, and after the merger between the Company, BoE, NIB and CoGHB, he was appointed to Head of Property Finance at Nedbank Limited.

**Richard Gray Cottrell (69)**

(Independent non-executive) (South African) (appointed 2002)

Business address: 18 Rivonia Road, Illovo, 2196

Qualifications: CA(SA), FCA, SEP (Stanford)

Occupation: Director of Companies

Richard Cottrell is a non-executive director of African Oxygen Limited, Glenrand MIB Limited and Imperial Bank Limited. He is also a director of Munich Reinsurance Company of Africa Limited and STRATE. He is a past executive officer of the Financial Services Board, Deputy-Chairman and Managing Partner of Coopers & Lybrand and member of the then Policy Board for Financial Services and Regulation. He is also a past president of The South African Institute of Chartered Accountants.

**Barry Erskine Davison (59)**

(Independent non-executive) (South African) (appointed 2002)

Business address: 14th Floor, 55 Marshall Street, Johannesburg, 2001

Qualifications: BA (Law and Economics)

Occupation: Non-executive Chairman of Anglo Platinum Limited

Barry Davison is a non-executive Chairman of Anglo Platinum Limited, executive director of Anglo American plc, non-executive director of Anglo American Corporation of South Africa Limited, the Tongaat-Hulett Group Limited, Chairman of Anglo American plc Ferrous Metals Division, Non-executive director of Kumba Resources Limited and non-executive director of Samancor Limited.

**Nicholas Dennis (58)**

(Independent non-executive) (British) (appointed 2002)

Business address: 3010 William Nicol Drive, Bryanston, 2191

Qualifications: BCom (Hons)

Occupation: Chief Executive, Tiger Brands Limited

Nicholas Dennis is Chief Executive of Tiger Brands Limited and non-executive director of Oceana Group Limited.

**Professor Brian de L Figaji (60)**

(Independent non-executive) (South African) (appointed 2002)

Business address: 118 Upper Kenridge Avenue, Durbanville, 7550

Qualifications: BSc (Eng), Dip Tertiary Edu Med, Ded (Coventry University UK), DLitt (hc) (California State University)

Occupation: Former Vice-Chancellor of the Peninsula Technikon

Professor Brian de L Figaji is Chairman of ASSET (Educational Trust) (Trustee), Development Bank of South Africa, HHO Africa (Proprietary) Limited, I&J Limited and MARIB Holdings. He is the former principal and Vice-Chancellor of the Peninsula Technikon and is currently a member of the Council on Higher Education. He is also a director of PetroSA and Cape Lime (Proprietary) Limited.

**Robert Michael Head (46)**

(Non-executive) (British) (appointed 2005)

Business address: Old Mutual plc, 5th Floor, Old Mutual Place, 2 Lambeth Hill, London, EC4V 4GG

Qualifications: BA (Oxon), ACA, ACII, FCIB

Occupation: Group Human Resources and Strategy Director, Old Mutual plc

Robert Head is a non-executive director of the Company and Mutual & Federal. He joined Old Mutual plc in February 2003. Prior to that he was Chief Executive of smile.co.uk, Finance Director of egg.com (both United Kingdom internet banks) and held various directorships.

**Johannes Bhekumuzi Magwaza (63)**

(Independent non-executive) (South African) (appointed 1996)

Business address: 6th Floor, Corporate Place, Gardiner Street, Durban, 4001

Qualifications: BA, MA (Warwick, UK)

Occupation: Director of Companies

Johannes Magwaza was previously non-executive Chairman of Peoples Bank Limited. He is also a non-executive director of Dorbyl Limited and is a member of boards of the Development Bank of Southern Africa and Ithala Development Finance Corporation Limited. In addition he is a non-executive director of Rainbow Chickens Limited and the Tongaat-Hulett Group Limited.

**Mafika Edmund Mkwanzazi (51)**

(Independent non-executive) (South African) (appointed 1999)

Business address: 3rd Floor, 28 Harrison Street, Johannesburg, 2001

Qualifications: BSc (Maths), BSc (Elec Eng)

Occupation: Director of Companies

Mafika Mkwanzazi was previously Group Chief Executive of Transnet Limited. He is currently Chairman of Western Areas Limited, Letseng Investment Holdings and Letseng Diamonds (Lesotho). He is also a director of Matodzi Resources Limited and Orlyfunt Holdings.

**Julian Victor Frow Roberts (47)**

(Non-executive) (British) (appointed 1999)

Business address: Old Mutual plc, 5th Floor, Old Mutual Place, 2 Lambeth Hill, London, EC4V 4GG

Qualifications: BA (Hons) (Stirling), FCA

Occupation: Group Financial Director, Old Mutual plc

Julian Roberts is Group Financial Director of Old Mutual plc. He is a Fellow of the Institute of Chartered Accountants of England and a Member of the Association of Corporate Treasurers. His other directorships include Mutual & Federal, Old Mutual (US) Holdings, Old Mutual Life Assurance Company (South Africa) Limited, Old Mutual (South Africa) Limited and King & Shaxton Holdings. He is the past Group Finance Director of Sun Life and Provincial Holdings plc.

**Cedric Michael Langton Savage (66)**

(Independent non-executive) (South African) (appointed 2002)

Business address: Amanzimnyama Hill, Tongaat, 4400

Qualifications: BSc (Eng), MBA, ISMP (Harvard)

Occupation: Non-executive Chairman, Tongaat-Hulett Group Limited

Cedric Savage is non-executive Chairman of the Tongaat-Hulett Group Limited. He is a non-executive director of Datatec Limited, Harmony Gold Mining Company Limited, Hulett Aluminium (Proprietary) Limited and Kumba Resources Limited. He also served as a non-executive director of BoE.

**James Harry Sutcliffe (49)**

(Non-executive) (British) (appointed 2001)

Business address: Old Mutual plc, 5th Floor, Old Mutual Place, 2 Lambeth Hill, London EC4V 4GG

Qualifications: BSc, FIA

Occupation: Chief Executive, Old Mutual plc

James Sutcliffe is the Chief Executive of Old Mutual plc. He is a Fellow of the Institute of Actuaries. He was previously deputy chairman of Liberty International plc and past Chief Executive Officer of Prudential plc's UK division.

### 7.3 Other directorships and partnerships held by the directors of the Company (2(b), 16(b))

Annexure 15 to this Prospectus sets out the names of companies and partnerships of which the directors of the Company are, or have in the past five years been, either directors or partners.

### 7.4 Senior management of the Nedbank Group

EXCO assists the Chief Executive with the management of the day-to-day operations of the Nedbank Group, subject to certain statutory limits on the Board's delegation of authority, Board-approved policies, and authority levels of the Company. The Chief Executive derives his authority through the delegation of the powers of the Board by means of resolutions. EXCO acts as a medium of communication and co-ordination between the various business divisions, Nedbank Group companies and the Board.

The names, ages, positions, dates of appointment and a brief CV of each of the members of EXCO, at the Last Practicable Date, are set out below:

Senior management	Position	Date initially appointed	Brief CV
<b>S A M Baqwa</b> <sup>(1)(2)</sup> (53) (BJuris, LLB, MBA)	Enterprise Governance and Compliance	November 2004	Selby had over 20 years experience as both an attorney and an advocate prior to being appointed to the position of Public Protector of the Republic of South Africa in 1995. He joined the Nedbank Group in 2002 to head up a new corporate governance function and has recently assumed responsibility for compliance as well.
<b>T A Boardman</b> <sup>(1)(2)</sup> (49) (BCom, CA(SA))	Chief Executive, Nedbank Group	November 2002	Tom is Chief Executive of the Company. He was formerly the Chief Executive and an executive director of BoE. Past directorships include the Banking Council, Boardmans and Sam Newman Limited as well as BoE International Holdings Limited and Northwind Investments (Proprietary) Limited.
<b>M W T Brown</b> <sup>(1)(2)</sup> (39) (BCom, CA(SA))	Chief Financial Officer, Nedbank Group	June 2004	Mike has been with the Group for the past 11 years. After joining the NBS Treasury Department in 1993 he moved to NBS Corporate (later BoE Corporate) where he held the positions of General Manager: Specialised Finance and Deputy Managing Director before being appointed Managing Director in 1999. He was appointed an executive director of BoE Limited in October 2001 and appointed Managing Director Property and Asset Finance, following the merger. In June 2004 Mike was appointed Chief Financial Officer and an executive director of the Company.
<b>L M de Villiers</b> <sup>(1)(2)</sup> (49) (BA, SAIM, MAP, Dipl EDP, GITI)	Group Technology and Support Services	November 2003	Len has 28 years experience in the IT industry, having begun his career in 1976 with IT general management positions at BP, Metro Cash & Carry and Gencor (Kanhym). He joined First National Bank as General Manager: IT Division in 1985, followed by three years as Managing Director of Microdata and an executive director at Datakor Limited. In 1993 he joined the Nedbank Group as General Manager IT Division and progressed to General Manager Central and Branch Operations, in 1996. Len was appointed Managing Director of Group Operations in 2003 and Managing Director of GTSS in August 2004.
<b>G W Dempster</b> <sup>(1)(2)</sup> (49) (BCom, CA(SA))	Managing Director, Nedbank Corporate	November 2003	Graham joined the Group in 1980 in the Corporate Finance Division of UAL Merchant Bank. He was promoted to General Manager of the division in 1987 and was appointed as Joint Head of the Special Finance Division in 1989. In 1992 he moved to Nedcor Bank, initially in a general management role on strategy and was appointed as Head of the International Division in 1998. He assumed responsibility for the Corporate Banking Division in 1999 and Nedbank Corporate in late 2003.



Senior management	Position	Date initially appointed	Brief CV
<b>N V Fakude</b> <sup>(1)(2)</sup> (40) (BA (Hons), Senior Executive Programme Certificate)	Group Strategy and Corporate Affairs	August 2004	Nolitha joined the Group in January 2004 as Head of Business Transformation and in August 2004 was appointed Head of Group Strategy and Corporate Affairs. Nolitha Fakude has been President of the Black Management Forum ('BMF') since October 2003 and is the non-executive Chairman of the BMF Board. Nolitha sits on various boards, including BMF Investment Company, Harmony Gold Mines and Woolworths Holdings, as well as WHEAT TRUST. She is also a member of the Council of Business Unity South Africa ('BUSA').
<b>B J S Hore</b> <sup>(1)(2)</sup> (44) (BCom, AMP (Harvard))	Strategic Recovery and Turnaround Office	November 1999	Barry joined the Nedbank Group in 1983 and spent the next eight years in the Corporate Division where he pioneered Nedbank Corporate's Electronic Banking business. In 1991 he was appointed Head of the Information Technology (IT) Division, which was later combined with the Processing Division to form Technology and Operations (T&O). After heading Group Business Innovation, Barry was appointed Head of the Strategic Recovery and Turnaround Office in August 2004.
<b>B Kennedy</b> <sup>(1)(2)</sup> (44) (BSc, MSc, MBA, AMP (Harvard))	Managing Director, Nedbank Capital	November 2003	Brian started his career in engineering before joining FirstCorp Merchant Bank. He joined BoE Merchant Bank in 1996 and was appointed Managing Director in 1998. Brian led Capital Markets following the merger in November 2003. Brian has extensive experience in both debt and equity capital markets and has been actively involved in the design and execution of innovative solutions for top South African corporates and parastatals. He has been instrumental in developing and driving the strategy within Nedbank Capital.
<b>D G S Muller</b> <sup>(1)(2)</sup> (52) (BCom, CA(SA))	Chief Executive's Office	November 1999	Derek has held a number of executive positions in the Nedbank Group, including Head of Corporate Banking, International Banking and Retail Banking. He is Chairman of the Operating Board of the Banking Council of South Africa and represents the banking industry on the Financial Sector Charter Council.
<b>R A Shuter</b> <sup>(1)(2)</sup> (37) (BCom, CA(SA))	Managing Director, Nedbank Retail	September 2004	After completing his articles with Deloitte & Touche, Rob joined BoE Merchant Bank. In 1994 he joined the Corporate Finance Division of Standard Corporate and Merchant Bank ('SCMB') and was promoted to Joint Head of Corporate Finance in January 1997. In April 1998 he was appointed Head of Investment Banking at SCMB. After a brief stint at Computer Configurations Holdings Limited, a client of SCMB, he joined the Nedbank Group as Head of Corporate Finance in early 2000. Rob was appointed Director Group Strategy and Corporate Affairs, in November 2003. In September 2004 Rob was appointed Managing Director of Nedbank Retail.
<b>P A Wessels</b> <sup>(1)(2)</sup> (46) (BCom, CTA, CA(SA), Diploma in Advanced Banking, SA Institute of Stockbrokers)	Chief Risk Officer	May 2004	Philip was appointed as Chief Risk Officer after holding positions as Divisional Director in Nedbank Business Banking and Nedbank Corporate. He was Managing Director of BoE Securities and Chief Executive of BoE International, London, and Managing Director of BoE Bank Business Banking between 1995 and 2003. Prior to that, he was a partner at Deloitte & Touche from 1989 to 1995.

Senior management	Position	Date initially appointed	Brief CV
S Zinn <sup>(1)(2)</sup> (44) (BA, HDE, BEd (Hons), Master of Education and Doctor of Education)	Head of Group Human Resources	July 2005	Shirley Zinn is a well-seasoned, proactive, international human resource professional, experienced in developing integrated people management solutions that drives business success. She spent three years as the Regional Human Resources Director of Reckitt Benckiser prior to joining SARS in February 2004 as General Manager Human Resources. Shirley joined the Nedbank Group in July 2005, responsible for HR deliverables.

**Notes:**

(1) Business address is Nedbank Group Limited, 135 Rivonia Road, Sandown, 2196.

(2) South African.

## 7.5 Directors' service contracts (2(b), 16(b))

At the Last Practicable Date, there were no service contracts with any of the directors or alternate directors of the Company, with the exception of Messrs T A Boardman, M W T Brown and a consultancy contract with M L Ndlovu.

Mr T A Boardman's employment is governed by a service contract, the terms of which are considered by the Remuneration Committee to provide a proper balance of duties and securities between the respective parties. Mr T A Boardman's service contract runs with effect from 10 December 2003 for a period not exceeding five years. Mr T A Boardman's service contract stipulates a maximum notice period of six months under most circumstances.

A similar service contract was agreed at the time of the appointment of Mr M W T Brown on 17 June 2004. This service contract is effective until Mr M W T Brown reaches the normal retirement age and a notice period of six months is required under most circumstances.

Mr M L Ndlovu's employment is governed by a consultancy contract, agreed at the time of the appointment of Mr M L Ndlovu as Non-executive Vice-Chairman of the Company on 1 May 2005. Mr M L Ndlovu has also undertaken, in addition to his Board duties, to provide certain consultancy services to the Nedbank Group.

An executive director is required to retire from the board at age 60, while a non-executive director is required to retire at age 70.

Directors' service contracts contain terms and conditions normal for agreements of this nature and do not contain any restraint-of-trade provisions.

All service and consultancy contracts, including the terms and conditions of employment, entered into between the Company and its directors will be available for inspection.

In terms of the Relationship Agreement entered into between the Company and Old Mutual plc (a summary of which is set out in paragraph 12.1.1 below), no special rights have been granted to Old Mutual plc to appoint directors to the Company's Board.

## 7.6 Remuneration of directors (2(c), 2(e), 16(b), 17(c))

The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the directors. The Board assesses the appropriateness of the nature and amount of emoluments of the directors on an annual basis by reference to industry and market conditions. In determining the nature and amount of directors' emoluments, the Board takes into consideration the Nedbank Group's financial and operational performance.

Details of the nature and amount of each element of executive and non-executive directors' remuneration for the financial year ended 31 December 2004 is set out in Annexure 14 to this Prospectus.

There is no variation in the emoluments received by any of the directors of the Company since the issue of the annual financial statements for the year ended 31 December 2004, with the exception of Mr T A Boardman's remuneration that has been increased by 7,50% and Mr M W T Brown's remuneration that has been increased by 11,43%. Mr M L Ndlovu changed his status from an executive director to a non-executive director with effect from 1 May 2005. His remuneration has been increased by 12,00%. Mr M L Ndlovu will provide certain consultancy services to the Nedbank Group in addition to his duties to the Board.

There will be no variation of the directors' emoluments as a result of the Nedbank Eyethu Ownership Plan.

No fees have been paid to, or have accrued to, or are proposed to be paid to, any third party by the Company in lieu of directors' fees. Furthermore, no payment has been made, or agreed to be made, within the preceding three years prior to the publication of this Prospectus to any director of the Company as an inducement for that individual to become a director of the Company, to qualify such person as a director or for services rendered by such person, nor to any entity in which such person is beneficially interested or of which he is a director.

A summary of the relevant provisions of the Company's memorandum and articles of association relating to:

- the qualification and remuneration of directors;
- any power enabling directors, in the absence of an independent quorum, to vote remuneration to themselves or any members of the Board;
- any power enabling a director to vote on a proposal, arrangement or contract in which they are materially interested;
- borrowing powers exercisable by the directors and how such borrowing powers may be varied,

is set out in Annexures 8 and 9 to this Prospectus.

## 7.7 Interests of directors

### 7.7.1 Directors' interests in Ordinary Shares

Directors' interests in Ordinary Shares at 31 December 2004, the date of the latest audited annual financial statements, are set out below:

Name	Direct beneficial	Indirect beneficial	31 December 2004
C J W Ball	10 000	–	10 000
M W T Brown	–	909	909
W A M Clewlow	–	2 849	2 849
R G Cottrell	523	–	523
M M Katz	–	4 273	4 273
M J Levett	17 804	–	17 804
J B Magwaza	150	–	150
M E Mkwazi	1 647	–	1 647
M L Ndlovu	–	18 299	18 299
C M L Savage	8 452	–	8 452
<b>Total</b>	<b>38 576</b>	<b>26 330</b>	<b>64 906</b>

None of the directors had any direct or indirect non-beneficial interest in Ordinary Shares at 31 December 2004.

Other than the purchase of 15 098 Ordinary Shares by Mr T A Boardman at a price of R76,50 per share and the purchase of 9 803 Ordinary Shares by Mr M W T Brown at a price of R76,50 per share on 10 June 2005, both acquisitions being in terms of the matched share scheme, there has been no change in directors' interests in Ordinary Shares since the latest audited financial statements dated 31 December 2004.

### 7.7.2 Directors' interests in options over Ordinary Shares

Other than:

- the 197 283 options over Ordinary Shares awarded to Mr M L Ndlovu and the 98 641 options over Ordinary Shares awarded to each of Messrs B de L Figaji, J B Magwaza and M E Mkwazi as a result of their participation in the Non-executive Directors Scheme;
- the 100 000 new options at the issue price of R73,00 awarded to Mr M L Ndlovu on 25 April 2005;
- the 100 000 options granted to Mr T A Boardman and the 20 000 options granted to Mr M W T Brown on 30 June 2005,

there have not been any changes to directors' interests in options over Ordinary Shares since the latest audited financial statements dated 31 December 2004.

Details of the issue of Ordinary Shares issued to non-executive directors in terms of the Non-executive Directors Scheme are included in the circular posted to Ordinary Shareholders on 22 June 2005.

The interests of directors in options over Ordinary Shares at 31 December 2004, the date of the latest audited annual financial statements, are set out in the table below:

Name	Share options at 31 December 2004	Issue date	Share option price (cents)	Expiry date
M L Ndlovu	80 000	01/06/1999	125,00	01/06/2005
	25 000	15/04/2002	125,00	15/04/2008
	12 500	31/03/2001	136,20	31/03/2007
	20 000	01/04/2003	88,00	01/04/2009
	23 958	10/05/2005	45,00	01/04/2009
T A Boardman	126 200	02/07/2002	123,60	02/07/2008
	20 000	01/04/2003	88,00	01/04/2009
	250 000	11/05/2004	60,01	11/05/2010
	60 918	10/05/2004	60,00	11/05/2010
M W T Brown	72 800	02/07/2002	123,60	02/07/2008
	18 000	01/04/2003	88,00	01/04/2009
	20 000	11/05/2004	60,01	11/05/2010
	80 000	10/08/2004	55,75	10/08/2010
	37 834	10/05/2004	45,00	10/08/2010

Further details regarding the Company's share option plans and schemes are contained in Notes 16.3 and 16.4 of the audited annual financial statements for the year ended 31 December 2004 attached as Annexure 1 to this Prospectus.

The salient features of the Company's share incentive schemes are set out in Annexure 10 to this Prospectus.

### 7.7.3 *Effect on directors' interests*

The effect of the Offer for Subscription on the interests of the directors who hold shares in the Company does not differ from its effect on the like interests of any other Ordinary Shareholder, namely, the same dilution will affect the holdings of the directors.

### 7.8 **Directors' interests in transactions**

The directors of the Company have not had any material beneficial interest, whether direct or indirect, in transactions that were effected by the Company during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.

### 7.9 **Appointment of directors (2(b))**

The manner in which, and terms on which, directors are appointed are set out in the articles of association of the Company, a summary of which is set out in Annexure 9 to this Prospectus.

## 8. **ASSETS, LIABILITIES AND OTHER FINANCIAL INFORMATION (6(f))**

### 8.1 **Accounting treatment of the Eyethu Retail Trust**

The pro forma financial effects of the BEE Transaction on an SA GAAP were announced on 19 April 2005.

The restated reviewed annual financial statements of the Company, on an IFRS basis, for the year ended 31 December 2004 were published by the Company on 3 May 2005.

The revised pro forma financial effects of the BEE Transaction for the financial year ended 31 December 2005 on an IFRS basis were announced by the Company on 5 May 2005.

In accordance with the requirements of JSE Limited Listings Requirements, the underlying accounting treatment of the pro forma financial information is in accordance with the accounting policies forming the basis of the financial information published on 3 May 2005, IFRS.

The accounting treatments adopted may require the BEE Transaction to be accounted for in a different manner to its legal substance and form. It is important to note that the pro forma financial information has been prepared in accordance with IFRS statements that are expected to be effective at 31 December 2005. These are subject to ongoing review and amendment through interpretive guidance from the International Accounting Standards Board and may therefore change.

The following accounting principles were applied and are applicable in the future:

- because control is deemed to remain within the Company, the trusts (with the exception of the trust formed for the Broad-based Employee Scheme) formed for the purposes of the BEE Transaction (including the Eyethu Retail Trust) are regarded as subsidiaries of the Company and therefore consolidated. In instances where the New Nedbank Group Shares are viewed as issued, the acquisition of New Nedbank Group Shares by the consolidated trusts are regarded as issues of treasury shares (and therefore consolidated in the financial statements of the Company); and

- earnings per share – the weighted average number of New Nedbank Group Shares is impacted by the BEE Transaction only to the extent that New Nedbank Group Shares are viewed as issued. In terms of the Nedbank Eyethu Ownership Plan, this occurs once Participants have acquired Scheme Shares and these are allocated to Participants. The unallocated Scheme Shares and the Bonus Shares will be consolidated.

## 8.2 Historical financial information and trading update (6(f))

The audited annual financial statements of the Company for the three years ended 31 December 2004, 2003 and 2002 prepared in terms of SA GAAP, and the restated reviewed annual financial statements of the Company for the year ended 31 December 2004 prepared on an IFRS basis, are set out in Annexure 1 to this Prospectus.

The restated reviewed annual financial statements of the Company on an IFRS basis and a reconciliation between SA GAAP and IFRS for the financial year ended 31 December 2004, as published by the Company on 3 May 2005, is set out in Annexure 2 to this Prospectus.

The independent reporting accountants' report on the historical financial information of the Company for the years ended 31 December 2004, 2003, 2002 and 2001 is set out Annexure 3 to this Prospectus.

The unaudited trading statement of the Company for the period ended 31 March 2005, released by the Company on 5 May 2005, is set out in Annexure 4 to this Prospectus. The unaudited trading statement of the Company released on 21 July 2005 is set out in Annexure 5 to this Prospectus.

The profits and losses of the Company, before and after taxation, for the financial years ended 2004, 2003, 2002, 2001 and 2000 are set out below:

	Restated* 2004 Rm	Audited 2004 Rm	Audited 2003 Rm	Audited 2002 Rm	Audited 2001 Rm	Audited 2000 Rm
Profit/(Loss) before taxation	2 510	1 877	(982)	1 304	1 120	7 102
Profit/(Loss) after taxation	1 881	1 338	(1 334)	1 078	177	6 464

### Note:

\* Restated reviewed financial information for the year ended 31 December 2004 in terms of IFRS.

## 8.3 Pro forma financial information (25(1), 25(3) and 25(4))

The 2004 pro forma IFRS impact of the BEE Transaction is exaggerated due to the Company being in the early stages of its three-year recovery programme and accordingly being impacted by the 2004 recovery programme one-off costs. One of the key differences in respect of the accounting of the BEE Transaction (between previous accounting policies (SA GAAP) and the new accounting policies (IFRS)) is the introduction of IFRS 2 – Share-based Payments, which results in an additional charge to the income statement. IFRS seeks to more closely align the accounting treatment of a transaction with its economic substance.

The table below sets out the unaudited pro forma financial effects of the BEE Transaction for the financial year ended 31 December 2004 on an IFRS basis. The unaudited pro forma financial effects are presented for illustrative purposes only and because of their nature may not give a fair reflection of the impact of the BEE Transaction on the Company's financial performance, financial position and changes in equity.

For purposes of the unaudited pro forma financial effects, it has been assumed that the BEE Transaction took place with effect from 1 January 2004 for income statement purposes and 31 December 2004 for balance sheet purposes. The directors of the Company are responsible for the preparation of the unaudited pro forma financial effects.

	Before the BEE Transaction and issue of New Nedbank Group shares (cents)	After the BEE Transaction and issue of New Nedbank Group shares (cents)	Change %
Attributable EPS <sup>(1)(3)(4)</sup>	423	357	(15,50)
Fully diluted EPS <sup>(1)(3)(4)</sup>	422	336	(20,38)
Headline HEPS <sup>(1)(3)(4)</sup>	483	417	(13,66)
Fully diluted HEPS <sup>(1)(3)(4)</sup>	481	392	(18,70)
Ordinary shareholders' equity (Rm)	18 497	18 580	0,45
NAV per share <sup>(2)(5)</sup>	4 692	4 696	0,09
TNAV per share <sup>(2)(5)</sup>	3 400	3 408	0,24

**Notes:**

- (1) The 'Before the BEE Transaction and issue of New Nedbank Group Shares' column reflects the earnings and headline earnings per Ordinary Share for the year ended 31 December 2004 as announced on 3 May 2005 on an IFRS basis. The 'After the BEE Transaction and issue of New Nedbank Group Shares' column reflects the earnings and headline earnings adjusted for the financial effects of the various schemes, based on the assumption that the BEE Transaction was implemented from 1 January 2004.
- (2) The 'Before the BEE Transaction and issue of New Nedbank Group Shares' column reflects the net asset value per Ordinary Share at 31 December 2004 as announced on 3 May 2005 on an IFRS basis. The 'After the BEE Transaction and issue of New Nedbank Group Shares' column reflects the net asset value per Ordinary Share after the consideration received from the various schemes in terms of the BEE Transaction and the Enlarged Share Capital, based on the assumption that the BEE Transaction was implemented on 31 December 2004.
- (3) The 'Before the BEE Transaction and issue of New Nedbank Group Shares' column weighted average number of Ordinary Shares in issue used in calculating EPS was 360,88 million and in calculating fully diluted EPS was 361,75 million.
- (4) The 'After BEE Transaction and issue of New Nedbank Group Shares' column weighted average number of Ordinary Shares in issue used in calculating EPS was 362,30 million and in calculating fully diluted EPS was 385,25 million (this includes New Nedbank Group Shares expected to vest under the BEE Transaction).
- (5) In calculating NAV and TNAV per share the number of Ordinary Shares in issue at 31 December 2004 was 394,21 million and in determining the pro forma NAV and TNAV per share, the number of Ordinary Shares in issue was 395,63 million (including 1,4 million New Nedbank Group Shares that vest immediately as a result of the BEE Transaction).
- (6) The impact of the BEE Transaction is exaggerated partly because 2004 earnings were low (owing to the Company being in early stages of the three-year recovery programme, together with 2004 recovery programme one off costs).
- (7) The expense of R107 million relating to the Broad-based Employee Scheme cost is accounted for in the first year as this scheme vests on issuance. The expense relating to the remaining schemes is subject to a straight-line amortisation charge, based on the vesting conditions implicit in each scheme, this being four to six years in respect of the remaining Employee Schemes, three years in respect of the Nedbank Eyethu Ownership Plan, six years in respect of the Corporate, Community and Non-executive Directors Schemes and 10 years in respect of the Black Business Partner Schemes.

The detailed unaudited pro forma financial information of the Company for the financial year ended 31 December 2004 is set out in Annexure 6 to this Prospectus.

The independent reporting accountants' reports on the detailed pro forma financial information of the Company for the financial year ended 31 December 2004 is set out in Annexure 7 to this Prospectus.

## 8.4 Capital commitments, lease payments and contingent liabilities

### 8.4.1 Operating lease agreements

Annual commitments of the Company under non-cancellable operating leases at 31 December 2004, being the latest financial year-end, are as follows:

Operating leases which expire	Rm
Within one year	617
From the second year forward	6 136

### 8.4.2 Finance lease agreements

At 31 December 2004, being the latest financial year-end of the Company, the Company had no outstanding finance leases.

### 8.4.3 Contingent liabilities

Details of the Company's contingent liabilities at 31 December 2004, being the latest financial year-end, are detailed in note 20 to the annual financial statements of the Company are set out in Annexure 1 to this Prospectus, a summary of which is set out below:

	Rm
Liabilities under guarantees	10 770
Letters of credit	2 782
Unutilised facilities and other	20 018
<b>Total</b>	<b>33 570</b>

### 8.4.4 Capital commitments (6(e)(ii))

Details of the Company's capital commitments at 31 December 2004, being the date of the latest financial year-end, are detailed in note 21 to the annual financial statements of the Company as set out in Annexure 1 to this Prospectus. These capital commitments will be funded from Nedbank Group resources.

#### **8.4.5 Material acquisitions or disposals of properties, subsidiaries or business assets (12(a),(b),(c),(d),(e))**

Details of material acquisitions or disposals of properties, subsidiaries or business assets in the preceding two years, or proposed acquisitions or disposals of properties, subsidiaries or business assets are set out in Annexure 12 to this Prospectus.

#### **8.4.6 Principal immovable property owned or leased by the Nedbank Group (6(c))**

Details of the Nedbank Group's owned and leased principal immovable properties and those of its subsidiaries are set out in Annexure 11 to this Prospectus.

#### **8.4.7 Material changes**

There has been no material changes in the Company's commitments under non-cancellable operating leases, its obligations under finance leases, its contingent liabilities or its principal owned and leased immovable property since 31 December 2004, the date of the Company's latest audited annual financial statements.

There have been no material acquisitions or disposals of properties, subsidiaries or business assets since 31 December 2004, the date of the Company's latest audited annual financial statements.

### **8.5 Loans receivable (9(b))**

Note 7 to the audited annual financial statements of the Company for the year ended 31 December 2004 contains a list of material loans made by the Company and details relating to these loans. The annual financial statements of the Company are included as Annexure 1 to this Prospectus.

No loans have been made or security provided to any director of the Company by the Company, or any or its subsidiary companies.

The 'Analysis of investments in associate companies and joint ventures' note commencing on page 120 and the 'Subsidiary companies' note commencing on page 124 in the notes to the audited annual financial statements of the Company for the year ended 31 December 2004, as detailed in Annexure 1, contains a list of material inter-company loans and details relating to these loans.

There have been no material changes in the amount of loans receivable since 31 December 2004, the date of the Company's latest audited annual financial statements.

### **8.6 Loans payable (9(b))**

Note 17.1 to the audited annual financial statements of the Company for the year ended 31 December 2004, contains a list of material loans and advances made to the Company and details relating to these loans and advances. The annual financial statements of the Company are included as Annexure 1 to this Prospectus.

There have been no material changes in the amount of loans payable since 31 December 2004, the date of the Company's latest audited annual financial statements.

### **8.7 Dividends**

#### **8.7.1 Dividend policy**

Under the terms of the Company's articles of association, the Company may make payments (including the payment of dividends) to its shareholders from time to time in accordance with the provisions of the Companies Act and JSE Limited Listings Requirements. The Companies Act prohibits a payment (including the payment of any dividend) to shareholders if there are reasonable grounds for believing that:

- the Company is, or would be, after payment, unable to pay its debts as they become due; or
- the consolidated assets of the Company fairly valued would, after the payment, be less than the consolidated liabilities of the Company.

Subject to these requirements, the Ordinary Shareholders in general meeting or the directors may from time to time declare a dividend or any other payment to be paid to Ordinary Shareholders in proportion to the number of Ordinary Shares held by them.

All unclaimed dividends or other payments to Ordinary Shareholders may be invested or otherwise be made use of by the directors for the benefit of the Company until claimed, provided that any dividend or other payment to Ordinary Shareholders remaining unclaimed for a period of not less than 12 years from the date on which it became payable may be forfeited by resolution of the directors for the benefit of the Company.

Secondary Tax on Companies will be incurred by the Company at a rate of 12,5% of the amount of net dividends declared from time to time. Net dividends will be the difference between the dividends declared by the Company and the dividends received by the Company during any particular dividend cycle. However, Capitalisation Shares distributed do not attract Secondary Tax on Companies.

On 23 February 2004, the directors announced a new dividend policy for the Company for the 2004 financial year onwards that will be based upon a dividend cover ratio of between 3,0 and 3,5 based on the Company's HEPS. Any decision as to whether to make capitalisation awards or to pay cash dividends will depend upon a variety of factors, including statutory, tax and other restrictions, the earnings, level of statutory reserves and capitalisation of the Company's subsidiaries and various business considerations. Capitalisation share awards enable the Company to enlarge its capital base and also conserve cash resources for its continued growth and development, while giving the shareholders who require a cash dividend the opportunity to elect to receive cash.

In relation to dividends, the Company's normal practice is to announce capitalisation awards together with the right of election to receive a specified final cash dividend in lieu thereof. Ordinary Shareholders receive capitalisation shares unless they elect to receive the specified cash dividend per share before a specified date. The number of capitalisation shares to which shareholders are entitled is the ratio that the specified cash dividend per Ordinary Share bears to the issue price of the capitalisation shares, such issue price normally being a volume weighted average trading price of the Ordinary Shares on the JSE for a specified trading day period, less an appropriate discount to compensate for Capital Gains Tax. The number of capitalisation shares to be issued to an Ordinary Shareholder will therefore be determined as being the number of Ordinary Shares held by that Ordinary Shareholder at the relevant record date, multiplied by the specified cash dividend per Ordinary Share, divided by the issue price of the capitalisation shares.

As a result of the introduction of Capital Gains Tax legislation in the Republic of South Africa with effect from October 2001, South African residents may be subject to Capital Gains Tax on the disposal of Ordinary Shares issued by way of capitalisation awards on the basis of a deemed zero acquisition cost. Accordingly, to the extent capitalisation awards are not sufficiently discounted to compensate for the excess tax liability over that payable on a cash dividend, capitalisation awards may become less attractive to the South African Ordinary Shareholders than cash dividends in the future. This may result in the increase of cash dividend payments and related secondary tax payments required to be made by the Company.

#### 8.7.2 *Dividends* (6(f)(ii),(iii),(iv))

The following table sets forth the cash dividends announced, cash dividends paid and other related information for the periods indicated:

For the year ended 31 December:	Interim dividend per ordinary share (cents)	Final dividend per ordinary share (cents)	Total dividend announced per ordinary share (cents)	Total cash dividends paid (Rm) <sup>(1)</sup>	Dividend cover <sup>(2)</sup> (times)
2000 <sup>(3)</sup>	160	240	400	513	3,2
2001 <sup>(3)</sup>	190	310	500	1 204	2,9
2002 <sup>(3)</sup>	205	310	515	1 374	1,9
2003 <sup>(3)</sup>	205	35	240	652	0,1
2004 <sup>(3)</sup>	44	76	120	473	3,3
2004 <sup>(4)</sup>	44	76	120	473	4,0

**Notes:**

- (1) Although cash dividends paid are listed in the table above under the financial year in respect of which the dividend was announced, cash dividend payments are only provided for in the Company's consolidated financial statements in the following financial year.
- (2) Dividend cover is the number of times dividends per share are covered by HEPS.
- (3) SA GAAP basis.
- (4) IFRS basis.



## 9. SHARE CAPITAL, SHARE MOVEMENT AND INFORMATION RELATING TO THE COMPANY'S SHARES

### 9.1 Authorised and issued share capital (8(a))

The authorised and issued share capital of the Company, before and after the BEE Transaction, is set out below:

	Last Practicable Date (Rm)
<b>Before the issue in respect of the BEE Transaction</b>	
<i>Authorised share capital</i>	
600 000 000 ordinary shares of R1,00 each	600
<b>Total issued share capital</b>	
395 447 621 Ordinary Shares	395
Share premium	9 976
<b>Total issued share capital and share premium</b>	<b>10 371</b>
<b>After the BEE Transaction</b>	
<i>Authorised share capital</i>	
600 000 000 ordinary shares of R1,00 each	600
<b>Total issued share capital</b>	
436 715 751 Ordinary Shares <sup>(1)</sup>	437
Share premium	10 699
<b>Total issued share capital and share premium</b>	<b>11 136</b>

**Note:**

(1) All of the Ordinary Shares are listed on the JSE and are of one class, namely ordinary shares of R1,00 each and rank pari passu in all respects.

The New Nedbank Group Shares were issued in terms of the resolutions passed by Ordinary Shareholders at a general meeting of the Company held on Friday, 22 July 2005.

### 9.2 Share movements (6(a)(ii),(iii), 11 and 20(a))

Ordinary Share movements of the Company for the years ended 31 December 2004, 2003, 2002, 2001 and 2000 are as follows:

	Year ended 31 December				
	2000 (R)	2001 (R)	2002 (R)	2003 (R)	2004 (R)
<b>Share capital</b>					
<b>Ordinary share capital</b>					
<i>Authorised</i>					
600 000 000 (2003: 350 000 000; 2002: 350 000 000; 2001: 280 000 000; 2000: 280 000 000) ordinary shares of R1,00 each	280 000 000	280 000 000	350 000 000	350 000 000	600 000 000
<i>Issued</i>					
394 211 390 (2003: 274 754 425; 2002: 270 675 320; 2001: 244 306 042; 2000: 242 095 917 fully paid-up Ordinary Shares	242 095 917	244 306 042	270 675 320	274 754 425	394 211 390
<i>Less: Treasury shares arising from share repurchases by subsidiary of 240 000 (2003: nil; 2002: 97 667; 2001: 2 301 900; 2000: 1 961 900) fully paid-up Ordinary Shares</i>	(1 961 900)	(2 301 900)	(97 667)	-	(240 000)
	<b>240 134 017</b>	<b>242 004 142</b>	<b>270 577 653</b>	<b>274 754 425</b>	<b>393 971 390</b>
<b>Ordinary share movements during the year</b>					
	<b>Number of shares</b>				
Ordinary share capital at beginning of year	237 180 223	240 134 017	242 004 142	270 577 653	274 754 425
Ordinary Shares issued for options exercised under the Nedcor Group (1994) Employee Share Incentive Scheme	2 601 152	1 963 246	3 284 261	4 079 105	2 766 258
Ordinary Shares issued to shareholders in terms of the rights offer of five new Ordinary Shares for every 12 ordinary shares held on 8 April 2004 at R45,00 per new Ordinary Share					114 481 010

	2000	Year ended 31 December			2004
		2001	2002	2003	
	Number of shares				
<b>Ordinary share movements during the year</b>					
Ordinary Shares issued in terms of the Capitalisation issue to shareholders recorded in the share register on 8 April 2004 at 0,77778 of a new Ordinary Share for every 100 Ordinary Shares					1 930 396
Ordinary Shares issued to the BEE shareholders of Peoples Bank Limited at R59,749 per Ordinary Share as part of the acquisition of the minority shareholding in Peoples Bank Limited					278 944
Ordinary Shares issued in terms of the clawback rights issue at an issue price of 12 900 cents per share on the ratio of 1 324,08 Ordinary Shares for every 100 Ordinary Shares held on 10 July 2002			3 269 002		
Ordinary Shares issued to the minority shareholders of NIB in terms of a scheme of arrangement in the ratio of 3,33333 Ordinary Shares for every 100 NIB shares held on 18 October 2002 at an issue price of R102,00 per Ordinary Share			9 438 942		
Ordinary Shares issued to the minority shareholders of BoE Limited in terms of a scheme of arrangement in the ratio of 0,48544 of an Ordinary Share per 100 BoE Limited shares held on 10 July 2002 at a price of 12 900 cents per Ordinary Share			10 377 073		
Ordinary Shares issued to The Business Trust at the par value of R1,00 per Ordinary Share		246 879			
During March 2001, in terms of a general authority granted by shareholders, a wholly-owned subsidiary of Nedcor Limited, acquired a total of 340 000 Ordinary Shares at an average price of R139,56 per Ordinary Share for a total consideration of R47,45 million)		(340 000)			
During 2002 a wholly-owned subsidiary of the Company acquired Ordinary Shares totalling 1 338 429 at an average price of R119,47 per Ordinary Share for a total consideration of R159,91 million			(1 338 429)		
During 2003 97 667 treasury shares were sold by a wholly-owned subsidiary of the Company for a total value of R11,18 million. At 31 December 2004, 240 000 Ordinary Shares were held by subsidiaries				97 667	
During 2002 a total of 3 542 662 Ordinary Shares held as treasury stock by a wholly-owned subsidiary of the Company were sold in the market for a total value realised of R457 million			3 542 662		
Capitalisation shares awarded to shareholders registered on 10 March 2000 in the ratio of 1,500309 new Ordinary Shares for every 100 held at 13 437 cents per share	941 492				
Capitalisation shares awarded to shareholders registered on 18 August 2000 in the ratio of 1,071372 new Ordinary Shares for every 100 held at 15 680 cents per share	1 373 050				
Share buyback by subsidiary company	(1 961 900)				
<b>Ordinary issued share capital at end of year</b>	<b>240 134 017</b>	<b>244 004 142</b>	<b>270 577 653</b>	<b>274 754 425</b>	<b>393 971 390</b>

The difference between the price paid for Ordinary Shares and the par value of R1,00 each is share premium.

No shares in the Company were issued to any person, otherwise than for cash, in the two years preceding the Last Practicable Date, other than as disclosed above.

### 9.2.1 Preference Shares

Details of the issued Preference Shares of the Nedbank Group (issued by Nedbank and listed on the JSE) are disclosed in note 16.2 to the audited annual financial statements of the Company for the year ended 31 December 2004 as set out in Annexure 1 to this Prospectus.

### 9.2.2 Options and preferential rights (10)

Information regarding options and preferential rights under share capital is included in notes 16.3 and 16.4 to the audited annual financial statements of the Company for the year ended 31 December 2004 included in Annexure 1 to this Prospectus.

Salient features of the Company's share incentive schemes are set out in Annexure 10 to this Prospectus.

The Company enters into various financial services transactions with associates and other entities within the Nedbank Group and the Old Mutual Group. For details refer to note 2 to the audited annual financial statements of the Company for the year ended 31 December 2004 included in Annexure 1 to this Prospectus.

### 9.2.3 American Depositary Receipts

The Company has the following ADR programs in place with The Bank of New York:

- Level 1 program comprising 1 009 684 ADRs with each ADR in this program representing two Ordinary Shares;
- Regulation S program comprising 5 042 ADRs with each ADR in this program representing one Ordinary Share; and
- Rule 144A program comprising 399 178 ADRs with each ADR in this program representing one Ordinary Share.

## 9.3 Rights attaching to shares and power to issue shares (8(c))

9.3.1 The articles of association detail the rights attaching to each class of share (including voting rights and rights to dividends, profits and capital). The salient features of the consents necessary for the variation of rights are included in Annexure 9 to this Prospectus.

9.3.2 The 163 284 249 unissued ordinary shares of the Company have been placed under the control of the directors subject to the provisions of the Companies Act and JSE Limited Listings Requirements. Furthermore, the directors' authority has been limited to the issuing of ordinary shares only for the purposes of the Company's existing contractual obligations, the issue of ordinary shares for capitalisation share awards and scrip dividends, as well as for the purposes of the various Nedbank Group share incentive schemes.

9.3.3 There has been no sub-division or consolidation of Ordinary Shares during the three years preceding the date of the issue of this Prospectus.

## 9.4 Listing of other securities of the Company

Nedbank, a wholly-owned subsidiary of the Company, has non-redeemable, non-cumulative preference shares listed on the JSE under the share code 'NBKP' (ISIN ZAE0000043667).

## 9.5 Controlling shareholders

At the Last Practicable Date, Old Mutual Group, directly and indirectly, beneficially owned 50,23% of the Ordinary Shares, which includes 0,29% held by Mutual & Federal and other Old Mutual Group companies for the benefit of Old Mutual policyholders. This effectively allows Old Mutual Group to exercise control over the Company.

The shareholding of Old Mutual Group in Ordinary Shares diluted from 53,83% to 50,23% as a result of the BEE Transaction. The shareholding of Old Mutual Group would have diluted below 50% because of the BEE Transaction, however Old Mutual Group acquired Ordinary Shares in the market to maintain a shareholding of greater than 50% in Ordinary Shares.

## 9.6 Major Ordinary Shareholders

So far as the Company is aware, at the Last Practicable Date, the following are the only Ordinary Shareholders holding more than 5% of Ordinary Shares:

Shareholder name	Number of Ordinary Shares	Percentage ownership
Old Mutual Life Assurance Company (South Africa) Limited and associates	219 384 531	50,23
Public Investment Corporation	22 525 507	5,16
<b>Total</b>	<b>241 910 038</b>	<b>55.39</b>

The calculations above are based on 436 715 751 Ordinary Shares in issue, after taking into account the maximum shares available in terms of the Offer for Subscription.

#### 9.7 Share incentive schemes

The salient features of the share incentive plans and schemes of the Company are set out in Annexure 10 to this Prospectus.

#### 9.8 The Company's share price history

A table setting out the trading history of Ordinary Shares on the JSE has been included in Annexure 16 to this Prospectus.

### 10. THE OFFER FOR SUBSCRIPTION (18(a) and 19)

#### 10.1 Mechanics of the Offer for Subscription

The mechanics are set out in paragraph 2.2 above.

#### 10.2 Amount to be raised from the Offer for Subscription

The maximum amount to be raised in terms of the Offer for Subscription may vary depending on the Offer Price.

In terms of the Lump Sum Option and the Buy as You Go Option, the Offer Price will be the closing market price of Ordinary Shares as published by I-Net Bridge and quoted on the JSE on the last Business Day prior to a Participant making payment in subscribing for Offer Shares.

In the case of the Lump Sum Option, this will be the business day before the Participant makes payment of their lump sum.

In the case of the Buy as You Go Option, this will be the business day before the automatic monthly payment is debited from a Participant's Qualifying Account.

Participants electing the Buy as You Go Option, or the automatic monthly portion of the Combination Option will have the option to increase or decrease their automatic monthly amounts, subject to the consent of the Eyethu Retail Trust and the Company and availability of Subscription Shares. Participants will further have the opportunity to pay up their outstanding automatic monthly payments through the payment of a lump sum during the Lock-In Period, subject to the consents of the Eyethu Retail Trust and the Company and the availability of Subscription Shares.

In the case of the Combination Option, the Offer Price for the lump sum portion will be the business day before the Participant makes payment of their lump sum and the Offer Price for the automatic monthly payment, this will be the Business Day before the automatic monthly payment.

#### 10.3 Offer Share details (18(a))

A total of 7 102 170 Subscription Shares are being made available to the public in terms of the Nedbank Eyethu Ownership Plan. A further 2 367 390 Bonus Shares have been set aside to conditionally cater for Bonus Shares accruing to Participants at the end of the Lock-In Period.

Subscription Shares, once issued, and Bonus Shares will rank *pari passu* (in terms of dividends and voting rights) with existing Ordinary Shares. Participants may instruct Trustees how to vote their Allocated Offer Shares in a corporate action of the Company, failing which those Allocated Offer Shares will not be voted. Participants will receive cash dividends on the same number of Scheme Shares as equates to their Allocated Offer Shares from the day they pay for Subscription Shares, with the Trustees electing Capitalisation Shares in lieu of a cash dividend for unallocated Offer Shares, Bonus Shares, Capitalisation Shares, Ordinary Shares received in a capitalisation issue of the Company and shares received by the Eyethu Retail Trust in terms of the Nedbank Eyethu Ownership Plan.

#### 10.4 Expected timetable

Opening date of the Offer for Subscription (08:00)	Monday, 15 August 2005
Closing date of first allocation (15:00)	Thursday, 15 September 2005
Closing date of second allocation (15:00)	Friday, 14 October 2005
Closing date of third allocation and the Nedbank Eyethu Ownership Plan (15:00)	Tuesday, 15 November 2005

**Note:** Any changes to the above dates and times will be released on SENS and published in the South African press and lodged with the Registrar of Companies.

#### 10.5 Applications

**10.5.1** Existing and new Black Retail Clients wanting to Participate in the Nedbank Eyethu Ownership Plan must complete the attached Application Form and deliver it to any Nedbank, Peoples Bank or Old Mutual Bank branch or alternatively deliver it to the Company in an envelope marked '**Nedbank Group Limited: Nedbank Eyethu Ownership Plan**' either by post (in the enclosed prepaid Business Reply Service or to PO Box 1144, Johannesburg, 2000) or by hand (135 Rivonia Road, Sandown, 2196).

**10.5.2** Based on the value of applications received, the Company will allocate Offer Shares to Applicants and inform Applicants accordingly. Should the Offer for Subscription be over-subscribed, the Company will allocate the Offer Shares on an equitable basis in its sole and absolute discretion. Completed Application Forms will include the manner in which Applicants wish to subscribe for Subscription Shares (through the Lump Sum Option, the Buy as You Go Option or the Combination Option) and the value of Subscription Shares for which they wish to subscribe.

**10.5.3 Applications irrevocable**

Applications constitute an irrevocable offer, which may be accepted in whole or in part and may not be withdrawn once received by the Company.

**10.5.4 Evidence of capacity to apply**

No documentary evidence of capacity to apply or satisfying the qualification criteria need accompany the Application Form, but the Company reserves the right to call upon any Applicant to submit such evidence for noting, which evidence will be held on file with the Company or returned to the Applicant at the Applicant's risk.

**10.5.5 Representation**

Any person applying for Subscription Shares shall be deemed to have represented to the Company that such person was in possession of a copy of this Prospectus at that time. Any person applying for Subscription Shares will be deemed to have represented that they are eligible to Participate. Applications may not be made through representatives or agents. Applications completed on reproduced Application Forms will be accepted.

**10.5.6 Reservation of rights**

The directors of the Company reserve the right to accept or refuse any applications, either in whole or in part, or to abate any or all applications (whether or not received timeously) in such manner as they may, in their sole and absolute discretion, determine.

**10.6 Subscription**

**10.6.1 Over-subscriptions**

The Company will not accept applications totalling more than R100 000 per applicant. Based on the value of applications received, the Company will allocate Offer Shares to Applicants and inform Applicants accordingly. Should the Offer for Subscription be over-subscribed, the Company will allocate the Offer Shares on an equitable basis in its sole and absolute discretion.

**10.7 Acquisition price**

**10.7.1 Lump Sum Option**

The price at which Participants subscribe and pay for Subscription Shares will be determined with reference to the closing market price of the Company's shares on the JSE on the last Business Day prior to Participants paying their lump sum to the Eyethu Retail Trust.

The Trustees will inform Participants of the number of Subscription Shares allocated to them and simultaneously issue a payment instruction form to Participants. The payment instruction form will request the Participant to indicate the date on which the Participant wishes to make payment of their lump sum payment.

Participants need to ensure that their Qualifying Account has the necessary funds available on the date specified by them in the payment instruction form.

In terms of the Lump Sum Option, should the lump sum amount subscribed and paid for by a Participant result in a fraction of a Subscription Share, the fraction amount will be refunded into the Participant's Qualifying Account, in cash.

**10.7.2 Buy as You Go Option**

The price at which Participants subscribe and pay for Subscription Shares will be determined, in relation to each monthly payment, with reference to the closing market price of the Company's shares on the JSE on the last Business Day prior to Participants making payment to the Eyethu Retail Trust in terms of each automatic monthly payment.

The Trustees will inform Participants of the number of Offer Shares allocated to them and simultaneously issue a payment instruction form to Participants. The payment instruction form will request the Participant to indicate the date on which the Participant wishes to make payment of their automatic monthly payment.

Participants need to ensure that their Qualifying Account has the necessary funds available on each automatic monthly payment date.

In terms of the Buy as You Go Option, should the automatic monthly amount subscribed and paid for by a Participant result in a fraction of a Subscription Share, the fractions will be accumulated until sufficient to subscribe for one whole Subscription Share. The Offer Price for this one whole Subscription Share in this instance will be at a price equal to the aggregate of all the aforesaid fractions of the automatic monthly payments paid for the fractions of the Subscription Shares making up such whole Subscription Share.

### **10.7.3 Combination Option**

The lump sum portion will be as described in paragraph 10.7.1 above and the buy as you go portion will be determined as described in paragraph 10.7.2 above.

Participants need to ensure that their Qualifying Account has the necessary funds available.

### **10.8 Deviations from the use of a closing price in determining an Offer Price**

If the Company is of the opinion, in its sole and absolute discretion, that there has been evidence of manipulation of its share price in the calculation of the Offer Price using a closing market price, it may elect to utilise the 10-day volume-weighted average price of Ordinary Shares as published by I-Net Bridge and quoted on the JSE instead.

### **10.9 Underwriting and minimum subscription**

There is no underwriting attaching to the Offer Shares.

The minimum subscription in respect of the Lump Sum Option is R2 000 and the maximum is R100 000. The minimum subscription in the Buy as You Go Option is R50 per month and the maximum is R1 000 per month. The maximum subscription per Participant is limited to R100 000.

### **10.10 Use of proceeds (21(a)(i) – (v))**

The proceeds of the Subscription Shares will be utilised by the Company in the ordinary course of business.

### **10.11 Issue of Subscription Shares**

Subscription Shares will be issued at the expense of the Company. All Subscription Shares will be allotted subject to the provisions of the Rules of the Nedbank Eyethu Ownership Plan and the articles of association of the Company and will rank *pari passu* in all respects with existing Ordinary Shares.

Uncertificated Securities Tax payable on the transfer of Bonus Shares (if any) to Participants at the end of the Lock-In Period will be for the account of the Participant. Uncertificated Securities Tax will be levied at the then prevailing rate (currently 0,25%) on the then market value of the Bonus Shares.

At the expiry of the Lock-In Period, or if Participants exit the Nedbank Eyethu Ownership Plan earlier, the Eyethu Retail Trust will open a CSDP account for Participants at BoE Trust Limited and their Subscription Shares and the Bonus Shares (if any) due to them will be transferred into this account.

If Participants wish to sell their Subscription Shares and the Bonus Shares (if any) due to them, or wish to transfer their Subscription Shares and the Bonus Shares (if any) due to them to another CSDP, they will need to contact BoE Trust Limited directly.

The Eyethu Retail Trust will ensure that Participants' account details at BoE Trust Limited are sent to them together with all relevant contact details.

### **10.12 Listings (23)**

JSE Limited has listed the Scheme Shares, in the Financials 'Banks' sector under the abbreviated name 'Nedbank', with effect from the commencement of business on Monday, 8 August 2005.

### **10.13 STRATE**

Subscription Shares and Bonus Shares may only be traded on the JSE in electronic form (Dematerialised Shares) and will be trading for electronic settlement in terms of STRATE.

Participants will receive Dematerialised Shares on the termination of their Participation in the Nedbank Eyethu Ownership Plan.

STRATE is a system of 'paperless' transfer of securities. If you have any doubt as to the mechanics of STRATE please consult your broker, CSDP or other appropriate adviser. You are also referred to the STRATE website ([www.strate.co.za](http://www.strate.co.za)) for more information. Some of the principal features of STRATE are as follows:

- electronic records of ownership replace share certificates, physical delivery of certificates and other documents of title;
- trades executed on the JSE must be settled within five Business Days; and
- all investors owning dematerialised shares or wishing to trade their securities on the JSE are required to appoint either a broker or a CSDP to act on their behalf and to handle their settlement requirements.

## 10.14 Applicable law

The Nedbank Eyethu Ownership Plan, applications, allocations, acceptances and subscriptions will be exclusively governed by the laws of the Republic of South Africa and each Applicant will be deemed, by applying for Offer Shares, to have consented and submitted to the jurisdiction of the Courts of the Republic of South Africa in relation to all matters arising out of or in connection with the Offer for Subscription.

## 11. EXCHANGE CONTROL REGULATIONS

The following summary is intended only as a guide and is therefore not comprehensive. The utilisation of any proceeds for investment outside the Common Monetary Area requires prior approval of the Exchange Control Department.

In terms of the Nedbank Eyethu Ownership Plan, only citizens of the Republic of South Africa who are resident of the Common Monetary Area will be allowed to participate in the Offer for Subscription.

## 12. GENERAL

### 12.1 Material contracts (16(a))

Material contracts entered into by the Company are summarised below:

#### 12.1.1 *The Relationship Agreement*

On 20 February 2004, the Company and Old Mutual plc entered into the relationship agreement to record formally the terms of their relationship. The agreement was effective from 23 February 2004 and will continue, unless otherwise agreed, for so long as the Company is a subsidiary of Old Mutual plc by virtue of Old Mutual plc owning more than 50% of Ordinary Shares.

Among other things, the relationship agreement provides that:

- the Company will consult with Old Mutual plc and have regard to Old Mutual plc's strategic plans in devising its own strategy. The Company's strategy is to be aligned with that of Old Mutual plc and designed to maximise the long-term shareholder value of both entities;
- the Company will update its strategic plan and business plan annually to accord with Old Mutual Group's three-year planning cycle;
- the Company will not commit itself to a strategy that would entail the raising of additional ordinary share capital (other than in the ordinary course of satisfying normal employee option holders' rights) or dilute Old Mutual Group's stake in its ordinary share capital below 50,1% without Old Mutual plc's written consent. If additional ordinary share capital is required and Old Mutual plc agrees, the Company will liaise with Old Mutual plc over the timing and arrangements for the proposed issue with a view to accommodating Old Mutual plc's reasonable requirements;
- the Company will consult with Old Mutual plc prior to making any material changes to its dividend policy;
- the Company will report to Old Mutual plc appropriate financial and operational information on the Nedbank Group's activities and will put in place and maintain appropriate arrangements for co-ordinating flows of information required by Old Mutual plc;
- the Company will provide such confirmation, certificates and assurances to Old Mutual plc as it may reasonably require to discharge its obligations under any governance or regulatory obligations or best practice to which it is subject, whether in the United Kingdom or elsewhere;
- the Company will consult with Old Mutual plc and obtain its consent before publicly announcing any material proposed change to the terms and conditions of employment, remuneration or share incentive arrangements applicable to its directors or senior management employees or before appointing or dismissing: (i) the Chairman of the Board or of the audit, Remuneration or nomination committees of the Company; (ii) the Chief Executive or Group Finance Director of the Company; (iii) any non-executive director and (iv) the Company's auditors;
- the Company will actively seek to identify, develop and exploit, among other things, synergies, joint ventures and opportunities for the secondment of personnel and sharing of knowledge and expertise with other businesses in Old Mutual Group, particularly with Old Mutual (SA) and its subsidiaries and in the area of bancassurance. Priorities will be agreed in respect to bancassurance initiatives. In the case of joint management arrangements documented in formal joint venture agreements, Old Mutual plc agrees that it will co-operate with the Company to achieve these objectives and, as far as is reasonably practicable, keep the Company informed of its proposals for the Old Mutual Group strategy, insofar as these may impinge directly on the Nedbank Group;
- day-to-day management decisions and regulatory banking relationships in the Republic of South Africa will remain the sole responsibility of the Company's management and the Board;
- Old Mutual plc and the Company will treat all unpublished information of a price-sensitive nature that is received from the other with appropriate confidentiality;

- pursuant to the Companies Act 1985 in the United Kingdom, the Company and its subsidiaries are generally precluded (except in the areas of third party asset management and in providing fiduciary services to third parties) from acquiring any interest or otherwise dealing in the shares of Old Mutual plc. The Company undertakes that it will procure that the Nedbank Group will be made aware of and abide by the restriction. Where shares in Old Mutual plc may be dealt in by Nedbank Group in accordance with the exceptions mentioned above, the Company will ensure that any price-sensitive or confidential information relating to Old Mutual plc is protected from those involved in such dealings by the use of 'chinese walls' or other appropriate mechanisms. The Company will also ensure that its directors and any of its other senior employees who are designated as 'Relevant Employees' in terms of the UK Model Code on Securities Dealings of Old Mutual plc, are made aware of the restrictions on freely dealing in securities of Old Mutual plc and its listed subsidiaries from time to time;
- both parties acknowledge that where a conflict of interest arises or is perceived to arise, they will liaise with each other to ensure appropriate arrangements are put in place to deal with the situation including by establishing, where thought fit, committees of their respective Boards comprising only independent directors and the taking of independent advice;
- save for the purposes of giving effect to the relationship agreement, all relationships between the Company and Old Mutual plc shall be on an arm's length basis unless otherwise agreed;
- nothing in the relationship agreement shall relieve the Company or Old Mutual plc of their respective disclosure obligations in terms of the JSE.

#### **12.1.2 Old Mutual Bank**

With effect from 1 January 2003, Nedbank and the Company entered into a shareholders' agreement with Old Mutual (SA) and Old Mutual Finance Limited (previously Old Mutual Bank Limited) in terms of which the various parties agreed that the banking activities of Old Mutual Finance Limited, as well as a portion of those banking activities conducted by Permanent Bank Limited (as it was then), be constituted as a separate division within Nedbank licensed to use the 'Old Mutual Bank' brand. The agreement further regulates the relationship of the parties in relation to the business operations of the business.

#### **12.2 Litigation statement**

The directors of the Company are not aware of any legal or arbitration proceedings (including any such proceedings that are pending or threatened), which may have, or have had, a significant effect on the Company's financial position during the last 12 months preceding the date of this Prospectus.

#### **12.3 Material change statement (6(d))**

Other than disclosed in the trading updates published on 3 May 2005 and 21 July 2005, the IFRS announcement published on 5 May 2005 and the effects of the BEE Transaction, the directors report that there is no material change in the financial or trading position of the Company and its subsidiaries since the last financial period dated 31 December 2004 for which audited financial statements have been published and attached as Annexure 1 to this Prospectus.

There has been no material change in the business of the Company in the five years preceding the Last Practicable Date.

#### **12.4 Directors' responsibility statement**

The directors, whose names are set out in paragraph 7.1 above, collectively and individually, accept full responsibility for the accuracy of the information provided and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Prospectus contains all information required by the Companies Act.

#### **12.5 The Company's corporate governance practices**

Details of the Company's corporate governance practices are outlined in Annexure 8 to this Prospectus.

### **13. PROMOTERS' INTERESTS (13)**

There were no payments made or proposed to be made to the promoters of the Company in the three years preceding the publication of this Prospectus.

### **14. BROKERAGES AND COMMISSIONS (14)**

The following expenses and commissions were incurred by the Company in relation to commissions paid or payable by the Company within the three years preceding the publication of this Prospectus:

#### **14.1 Underwriters' details**

The following is provided in respect of each of the underwriters of the rights issue:



#### 14.1.1 Old Mutual (SA)

- Old Mutual (SA) was incorporated in Cape Town on 26 June 1998 with the registration number 1998/012276/06;
- the current directors of Old Mutual (SA) are: J H Sutcliffe (*Chairman*), R J A Sparks (*Managing Director*), P G de Beyer (*Deputy Managing Director*), P B Hanratty (*Deputy Managing Director*), M P Moyo (*Deputy Managing Director*), T Dloti, P J Golesworthy and J V F Roberts;
- the secretary of Old Mutual (SA) is R F Foster; and
- at the Last Practicable Date, the authorised and issued share capital of Old Mutual (SA) was:

	Authorised	Issued
Ordinary shares of no par value	9 999 999	700
Redeemable preference shares of R1,00 each	1	1

Other than the underwriting commission paid to Old Mutual (SA) in respect of rights issue amounting to R78,3 million, and the amount disclosed in the paragraph below, no other such payment has been received by Old Mutual Group from the Company within the preceding three years.

A commission of 0,25% of the value of securities placed by JSE Limited registered members that placed Preference Shares issued by Nedbank was paid on both the R2 000 million placement on 24 December 2002 and the R825 million placement on 19 November 2003. Old Mutual (SA) was paid R1,8 million for the time value of money factor in respect of the period from 10 July 2002 (date of subscription of the clawback offer) and its closing date 8 August 2002 in relation to its commitment on the clawback offer.

#### 14.1.2 Deutsche Bank

- Deutsche Bank was incorporated in England and Wales on 30 June 1936 with the registration number 00315841;
- the current directors of Deutsche Bank are: S J Dobbie, I S Dunbar, D Hards, V E Harman, G D Hayter, I R Holt, P D Jackson, D G Penfold, A T Procter, E F G Short and M J Wood;
- the secretary of Deutsche Bank is A P Rutherford; and
- at the Last Practicable Date, the authorised and issued share capital of Deutsche Bank was:

	Authorised	Issued
Ordinary shares of £1 each	400 000 000	385 000 000

#### 14.1.3 Merrill Lynch

- Merrill Lynch was incorporated in England and Wales on 2 November 1988 with the registration number 02312079;
- the current directors of Merrill Lynch are: A Orcel, A M Briski, E N Moriarty III, J D Breit, M Butler, M J Hale, N Azam, O Semerci and R C M Wigley;
- the secretary of Merrill Lynch is Merrill Lynch Corporate Services Limited; and
- at the Last Practicable Date, the authorised and issued share capital of Merrill Lynch was:

	Authorised	Issued
Ordinary shares of U.S.\$1 each	1 800 000 000	1 595 283 391
Preference 'A' shares of U.S.\$1 each	500 000 000	401 500 000
Preference 'B' shares of U.S.\$1 each	40 150	40 150
Preference 'C' shares of U.S.\$1 each	500 150 000	–
Preference 'D' shares of U.S.\$1 each	500 000 000	–
Preference 'E' shares of U.S.\$1 each	500 000 000	150 000
Preference 'F' shares of U.S.\$1 each	500 000 000	400 000 000
Preference 'G' shares of U.S.\$1 each	500 000 000	500 000 000
Preference 'H' shares of U.S.\$1 each	500 000 000	150 000 000
Preference 'I' shares of U.S.\$1 each	500 000 000	500 000 000
Preference 'J' shares of U.S.\$1 each	500 000 000	158 000 000
Preference 'K' shares of U.S.\$1 each	500 000 000	–
Preference 'L' shares of U.S.\$1 each	500 000 000	22 993 175
Preference 'M' shares of U.S.\$1 each	2 043 313 424	2 043 313 424

#### 14.1.4 Amounts paid to underwriters

The following amounts were paid to underwriters during the three years prior to the Last Practicable Date:

- Old Mutual (SA): R78 305 072;
- Merrill Lynch: R12 363 959;
- Deutsche Bank: R12 363 959; and
- discretionary incentive fee split equally between Merrill Lynch and Deutsche Bank: R9 272 969.

#### 15. WORKING CAPITAL AND ADEQUACY THEREOF (22)

The directors of the Company are of the opinion that the Company will have adequate capital for the Company and its subsidiaries present requirements after the Offer for Subscription.

#### 16. PRELIMINARY EXPENSES INCURRED (15)

No consideration has been paid by the Company in respect of preliminary expenses during the three years prior to the Last Practicable Date.

#### 17. EXPENSES OF THE OFFER FOR SUBSCRIPTION AND THE LISTING (15)

The expenses relating to the Offer for Subscription and the Listing are estimated to be R5,06 million and relate to:

- the printing, publication and distribution costs of this Prospectus (R1,5 million);
- fees payable to the investment bank, BEE Transaction adviser and sponsor (R3 million);
- corporate law advisers (R500 000);
- independent reporting accountants and auditors (R60 000).

#### 18. INTERESTS OF ADVISERS

None of the advisers to the Company has an interest in Ordinary Shares at the Last Practicable Date.

#### 19. SHAREHOLDER PROTECTION PROVISIONS RELATING TO TAKE-OVERS

The Company is a public listed company registered and incorporated in the Republic of South Africa and as a consequence is subject to the Securities Regulation Code on Take-overs and Mergers as issued by the Securities Regulation Panel under the provisions of section 440B of the Companies Act.

#### 20. CORPORATE INFORMATION RELATING TO THE COMPANY (1,3,4 and 5)

##### **Secretary and registered office**

Company Secretary: G S Nienaber  
(BA, LLB, Dip Adv Banking, Qualified Attorney)  
Ground Floor  
Block A  
Nedbank Group Limited  
(formerly Nedcor Limited)  
(Registration number 1966/010630/06)  
135 Rivonia Road  
Sandown, 2196  
(PO Box 1144, Johannesburg, 2000)

##### **Investment bank, BEE Transaction adviser and sponsor**

Nedbank Capital  
(A division of Nedbank Limited)  
(Registration number 1951/000009/06)  
135 Rivonia Road  
Sandown, 2106  
(PO Box 1144, Johannesburg, 2000)

##### **Corporate law advisers**

Edward Nathan (Proprietary) Limited  
(Registration number 2004/005665/07)  
150 West Street  
Sandown, 2196  
(PO Box 783347, Sandton, 2146)

### **Independent reporting accountants and auditors**

Deloitte & Touche  
The Woodlands  
20 Woodlands Drive  
Woodmead, 2196  
(Private Bag X6, Gallo Manor, 2052)

KPMG Inc  
(Registration number 1999/012876/07)  
KPMG Crescent  
85 Empire Road  
Parktown, 2193  
(Private Bag X9, Parkview, 2122)

### **Transfer secretaries**

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

### **Lead sponsor**

Merrill Lynch South Africa (Proprietary) Limited  
(Member of the Merrill Lynch Group)  
(Registration number 1995/001805/07)  
138 West Street  
Sandown, 2196  
(PO Box 651987, Benmore, 2010)

### **The Company's holding company**

Old Mutual plc  
(Incorporated in England and Wales)  
(Registration number 3591559)  
5th Floor  
Old Mutual Place  
2 Lambeth Hill  
London, EC4V 4GG

### **Commercial Banker**

Nedbank Limited  
(Registration number 1951/000009/06)  
135 Rivonia Road  
Sandown, 2196  
(PO Box 1144, Johannesburg, 2000)

## **21. EXPERTS' CONSENTS**

The investment bank, BEE Transaction adviser and sponsor, corporate law advisers, independent reporting accountants and auditors, transfer secretaries and lead sponsor, whose names are included in this Prospectus, have consented in writing to act in the capacities stated and to their names being included in this Prospectus and have not withdrawn their consents prior to the publication of this Prospectus. The independent reporting accountants and auditors of the Company have consented to the inclusion of their reports in the form and context in which they appear and have not withdrawn such consents prior to the publication of this Prospectus.

## **22. REGISTRATION OF PROSPECTUS AND SUPPORTING DOCUMENTS**

A copy of this Prospectus in English was registered by the Registrar of Companies on 1 August 2005, as required by section 155(1) of the Companies Act, together with:

- the letters of consent from the investment bank, BEE Transaction adviser and sponsor, corporate law advisers, independent reporting accountants and auditors, transfer secretaries and lead sponsor consenting to act in the capacities stated and to their names being included in this Prospectus and confirming that such consents have not been withdrawn at the date of this Prospectus;

- the written consents of the independent reporting accountants and auditors to the issue of this Prospectus with their reports included in the form and context in which they appear and confirming that such consents have not been withdrawn at the date of this Prospectus;
- copies of the material contracts described in paragraph 12.1 above; and
- a signed copy of this Prospectus.
- a copy of the Eyethu Retail Trust deed (including the rules of the Nedbank Eyethu Ownership Plan).

### 23. DOCUMENTATION AVAILABLE FOR INSPECTION ((16(a)))

Copies of the following documents will be available for inspection at the registered office of the Company, the details of which are set out in the 'Corporate information relating to Company' section of this Prospectus, during normal business hours (excluding Saturdays, Sundays and South African public holidays) from the date of issue of this Prospectus up to and including Tuesday, 15 November 2005:

- the memorandum and articles of association of the Company;
- copies of the BEE Transaction circular;
- material contracts as described in paragraph 12.1 above;
- copies of service contracts with directors entered into during the last three years;
- details of the share incentive schemes of the Company;
- the powers of attorney granted by the directors of the Company;
- the consolidated audited annual financial statements of the Company for the years ended 31 December 2004, 2003 and 2002;
- the reporting accountants' report on the historical financial information of the Company for the years ended 31 December 2004, 2003, 2002 and 2001 as it appears in the 'Summary of financial information' section above and Annexure 1 to this Prospectus;
- the reporting accountants' report on the unaudited pro forma financial information of the Company as it appears in paragraph 8.3 above and Annexure 7 to this Prospectus;
- the letters of consent received from the investment bank, BEE Transaction adviser and sponsor, corporate law advisers, independent reporting accountants and auditors, transfer secretaries and lead sponsor with regard to the publication of their names in the form and context in which they appear in this Prospectus and confirming that such consents have not been withdrawn at the date of this Prospectus;
- copies of this Prospectus, dated 15 August 2005, relating to the Nedbank Eyethu Ownership Plan; and
- a signed copy of this Prospectus.

### 24. PARAGRAPHS OF SCHEDULE 3 TO THE COMPANIES ACT THAT ARE NOT APPLICABLE (50)

The information required by the following paragraphs of Schedule 3 to the Companies Act are not applicable to the Company and have therefore not been included in this Prospectus:

1(b), 2(d), 6(e)(ii), 6(g), 6(h), 8(b), 8(d), 12(b), 12(c), 12(d), 12(e), 17, 18(b), 20(b), 21, 24, 25(2)(a), 25(2)(b), 26, 27, 28, 29 and 30.

**Signed at Sandton by or on behalf of all the directors of the Company on 1 August 2005**

W A M Clewlow  
M M Katz  
M L Ndlovu  
T A Boardman  
C J W Ball  
M W T Brown  
R G Cottrell  
B E Davison  
N Dennis  
B de L Figaji  
R M Head  
J B Magwaza  
M E Mkwanazi  
J V F Roberts  
C M L Savage  
J H Sutcliffe

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## HISTORICAL FINANCIAL INFORMATION

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The audited historical financial information of the Company, prepared in terms of SA GAAP, for the three years ended 31 December 2004, 2003 and 2002 is set out below.

The reviewed restated historical financial information of the Company prepared in terms of IFRS, and a reconciliation of IFRS to SA GAAP for the year ended 31 December 2004, is set out in Annexure 2 to this Prospectus.

The independent reporting accountants' report on historical financial information of the Company for the years ended 31 December 2004, 2003, 2002 and 2001 is set out in Annexure 3 to this Prospectus.

The unaudited trading statement of the Company for the period ended 31 March 2005, released on 5 May 2005, is set out in Annexure 4 to this Prospectus and the unaudited trading statement of the Company released on 21 July 2005 is set out in Annexure 5 to this Prospectus.

The pro forma financial information of the Company for the year ended 31 December 2004 is set out in Annexure 6 to this Prospectus.

The independent reporting accountants' report on the pro forma financial information of the Company for the year ended 31 December 2004 is set out in Annexure 7 to this Prospectus.

ANNUAL FINANCIAL STATEMENTS

INCOME STATEMENT for the year ended 31 December

	Notes	Restated 2004 Rm	Audited 2004 Rm	Audited 2003 Rm	Audited 2002 Rm	Audited 2001 Rm
Interest and similar income	22	23 904	23 825	28 141	23 607	17 186
Interest expense and similar charges	23	16 322	16 258	21 333	17 652	11 918
Net interest income		7 582	7 567	6 808	5 955	5 268
Non-interest revenue	24	7 936	8 197	7 953	6 822	5 054
Foreign exchange translation losses		(280)	(372)	(1 416)	(1 216)	1 096
Total income after foreign currency translation losses		15 238	15 392	13 345	11 561	11 418
Impairment losses on loans and advances	8.2	1 217	1 416	2 063	1 067	1 458
Income after impairment losses on loans and advances		14 021	13 976	11 282	10 494	9 960
Total expenses		11 404	11 736	10 703	7 559	5 416
Operating expenses	25.1	10 709	11 041	10 305	7 366	5 416
Fees due to alliance partners		70	70	4	–	–
Recovery programme expenses		379	379	–	–	–
Merger expenses		246	246	394	193	–
Profit from operations before non-trading and capital items		2 617	2 240	579	2 935	4 544
Non trading and capital items	26	(254)	(510)	(1 693)	(1 793)	(3 605)
Impairment of goodwill		(87)	(126)	(1 379)	(75)	–
Amortisation of goodwill		–	(248)	(424)	(426)	(273)
Net loss on investment in Dimension Data		–	–	–	(1 080)	(3 298)
Merger and reorganisation expenses		–	–	–	(35)	–
(Loss)/Profit on sale of subsidiaries, investments and property and equipment		(74)	(23)	349	(58)	–
Net impairment of investments, property and equipment and capitalised development costs		(93)	(113)	(239)	(119)	(34)
Profit/(Loss) from operations		2 363	1 730	(1 114)	1 142	939
Share of profits of associates and joint ventures	11.2	147	147	132	162	181
Profit/(Loss) before taxation		2 510	1 877	(982)	1 304	1 120
Taxation	27.1	668	576	390	418	772
Taxation on non-trading and capital items	27.2	(39)	(37)	(38)	(192)	171
Profit/(Loss) after taxation		1 881	1 338	(1 334)	1 078	177
Minority interest income attributable to:						
Ordinary shareholder		(125)	(135)	(133)	(203)	(164)
Preference shareholders		(229)	(229)	(133)		
<b>Profit/(Loss) attributable to shareholders for the year</b>		<b>1 527</b>	<b>974</b>	<b>(1 600)</b>	<b>875</b>	<b>13</b>
Headline earnings reconciliation						
<b>Profit/(Loss) attributable to shareholders for the year</b>		<b>1 527</b>	<b>974</b>	<b>(1 600)</b>	<b>875</b>	<b>(225)</b>
Adjusted for:						
Less: Non-trading and capital items	26	(254)	(510)	(1 693)	(1 793)	(3 605)
Impairment of goodwill		(87)	(126)	(1 379)	(75)	–
Amortisation of goodwill		–	(248)	(424)	(426)	(273)
Net loss on investment in Dimension Data		–	–	–	(1 080)	(3 298)
Merger and reorganisation expenses		–	–	–	(35)	–
(Loss)/Profit on sale of subsidiaries, investments and property and equipment		(74)	(23)	349	(58)	–
Net impairment of investments, property and equipment and capitalised development costs		(93)	(113)	(239)	(119)	(34)
Taxation on above items	27.2	39	37	38	192	171
<b>Headline earnings</b>		<b>1 742</b>	<b>1 447</b>	<b>55</b>	<b>2 476</b>	<b>3 551</b>
Headline earnings excluding foreign currency translation losses		2 022	1 819	1 471	–	–
Attributable earnings per share (cents)	28	423	270	(546)	346	–
Fully diluted attributable earnings per share (cents)	28	422	269	(545)	343	5
Headline earnings per share (cents)	28	483	401	19	979	1 574
Fully diluted headline earnings per share (cents)	28	481	400	19	971	1 560
Dividend declared per share (cents)		120	120	240	515	500

\* Restated on an IFRS basis

**BALANCE SHEET at 31 December**

	Notes	Restated* 2004 Rm	Audited 2004 Rm	Audited 2003 Rm	Audited 2002 Rm
<b>ASSETS</b>					
Cash and balances with central banks	4	10 050	10 050	12 227	16 607
Other short-term securities	5	16 310	16 310	10 610	14 987
Government and other securities	6	26 224	26 224	21 333	14 647
Derivative financial instruments	33	27 560	27 560	28 496	50 786
Loans and advances to customers	7	221 275	221 128	210 096	194 862
Sundry debtors		6 816	7 881	7 463	5 684
Current taxation receivable	10	196	196	256	421
Investments in associate companies and joint ventures	11	1 089	1 043	1 627	1 504
Other investments	12	6 565	3 456	3 788	5 429
Insurance assets	13	992	3 109	5 152	7 891
Deferred taxation asset	9	1 169	1 172	3 074	1 788
Investment property		174	–	–	–
Property, plant and equipment	14	2 828	2 740	2 684	2 854
Non-current assets held for sale		48	–	–	–
Computer software and capitalised development costs	15.1	1 419	1 419	1 710	1 730
Goodwill	15.2	3 676	3 441	3 762	4 457
Customers' indebtedness for acceptances		1 509	1 509	835	1 120
<b>Total assets</b>		<b>327 900</b>	<b>327 238</b>	<b>313 113</b>	<b>324 767</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
Share capital	16.1	394	394	275	271
Ordinary share premium		9 892	9 892	4 801	4 536
Reserves		8 211	7 809	6 571	12 239
<b>Ordinary shareholders' equity</b>		<b>18 497</b>	<b>18 095</b>	<b>11 647</b>	<b>17 046</b>
Minority shareholders' equity attributable to:					
Preference shareholders	16.2	2 770	2 770	2 802	1 987
Ordinary shareholders		681	721	652	503
<b>Shareholders' equity and minority interests</b>		<b>21 948</b>	<b>21 586</b>	<b>15 101</b>	<b>19 536</b>
Derivative financial instruments	33	28 055	28 055	28 206	50 233
Amounts owed to depositors	17.1	254 299	254 299	238 404	236 526
Other liabilities	17.2	9 117	10 054	12 454	–
Deferred revenue		257	–	–	–
Current taxation liabilities	10	193	193	144	183
Deferred taxation liabilities	9	1 125	1 125	2 731	1 710
Post-employment liabilities		979	3 109	5 152	7 891
Investment contract liabilities	18	3 109	–	–	–
Long-term debt instruments	19	7 309	7 308	10 086	7 568
Current indebtedness for acceptances		1 509	1 509	835	1 120
<b>Total liabilities</b>		<b>305 952</b>	<b>305 652</b>	<b>298 012</b>	<b>305 231</b>
<b>Total shareholders' equity and liabilities</b>		<b>327 900</b>	<b>327 238</b>	<b>313 113</b>	<b>324 767</b>
Guarantees on behalf of customers excluded from assets	20	10 770	10 770	12 403	11 966

\* Restated on an IFRS basis

**CASH FLOW STATEMENT for the year ended 31 December**

	Notes	Restated* 2004 Rm	Audited 2004 Rm	Audited 2003 Rm	Audited 2002 Rm
<b>Cash flows from operating activities</b>	<b>30.1</b>		<b>5 582</b>	<b>5 281</b>	<b>5 555</b>
Cash received from clients	30.2		31 782	35 699	29 939
Cash paid to clients, staff and suppliers	30.3		(26 570)	(30 668)	(24 633)
Dividends received on investments			143	152	173
Recoveries on loans previously written-off			227	98	76
<b>Changes in working funds</b>			<b>(11 804)</b>	<b>(14 124)</b>	<b>1 504</b>
Increase in operating assets	30.4		(21 565)	(13 634)	(10 311)
Increase/(Decrease) in operating liabilities	30.5		9 761	(490)	11 815
<b>Cash utilised by operating activities before taxation</b>		<b>(6 081)</b>	<b>(6 222)</b>	<b>(8 843)</b>	<b>7 059</b>
Taxation paid	30.6	(835)	(835)	(616)	(765)
<b>Net cash utilised by operating activities</b>		<b>(6 916)</b>	<b>(7 057)</b>	<b>(9 459)</b>	<b>6 294</b>
<b>Cash flows from investment activities</b>		<b>2 836</b>	<b>2 836</b>	<b>2 654</b>	<b>(7 096)</b>
Acquisition of property and equipment		(948)	(948)	(1 007)	(1 944)
Proceeds on disposal of property and equipment		277	277	145	902
Net income on investment banking assets		97	97	243	317
Net proceeds from disposal of investments in associate companies and other investments		1 642	1 642	552	1 108
Net proceeds from disposal of insurance assets		1 516	1 516	2 739	–
Disposal of investments in subsidiary companies, net of cash	30.7	343	343	236	78
Acquisition of investments in subsidiary companies, net of cash	30.8	(91)	(91)	(254)	(7 557)
<b>Cash flows from financing activities</b>		<b>1 903</b>	<b>1 903</b>	<b>2 063</b>	<b>7 020</b>
Proceeds from issue of ordinary shares		5 211	5 211	380	2 943
Proceeds from issue of preference shares by Nedbank Limited		–	–	815	1 987
Shares repurchased by subsidiary company		–	–	(111)	297
Net (decrease)/increase in long-term debt instruments		(2 778)	(2 778)	2 507	3 075
Dividends paid to ordinary shareholders	30.9	(269)	(269)	(1 395)	(1 282)
Preference dividends paid		(261)	(261)	(133)	–
Effects of exchange rate changes on cash and short-term funds (excluding foreign borrowings)		–	141	362	(589)
<b>Net increase/(decrease) in cash and short-term funds</b>		<b>(2 177)</b>	<b>(2 177)</b>	<b>(4 380)</b>	<b>5 629</b>
Cash and short-term funds at beginning of year		12 227	12 227	16 607	10 978
<b>Cash and short-term funds at end of year</b>	<b>4</b>	<b>10 050</b>	<b>10 050</b>	<b>12 227</b>	<b>16 607</b>

\* Restated on an IFRS basis



STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Number of ordinary shares Rm	Ordinary share capital Rm	Ordinary share premium Rm	Reserves not available for distribution† Rm	Foreign currency translation reserve Rm	Other non-distributable reserves‡ Rm	AC133 available for sale reserves Rm	Other distributable reserves# Rm	Total ordinary shareholders' equity Rm	Preference share capital and premium Rm	Minority interest attributable to ordinary shareholders Rm	Total shareholders' equity Rm
<b>Balance at 31 December 2001 as previously reported</b>	242 004 142	242	1 326	166	383	154	-	12 559	14 830	-	881	15 711
Opening adjustment	-	-	-	-	-	-	-	109	109	-	-	109
<b>Restated balance at 31 December 2001</b>	242 004 142	242	1 326	166	383	154	-	12 668	14 939	-	881	15 820
Shares issued for options exercised under the Nedcor Group (1994) Employee Incentive Scheme	3 248 261	3	387	-	-	-	-	-	390	-	-	390
Shares issued on acquisition of BoE and NIB	23 085 017	24	2 537	-	-	-	-	-	2 561	-	-	2 561
Shares sold by subsidiary	3 542 662	3	453	-	-	-	-	-	456	-	-	456
Shares purchased by subsidiary	(1 338 429)	(1)	(158)	-	-	-	-	-	(159)	-	-	(159)
Preference issued by Nedbank Limited	-	-	-	-	-	-	-	-	-	2 000	-	2 000
Share issue expenses	-	-	(9)	-	-	-	-	-	(9)	(13)	-	(22)
Income attributable to shareholders	-	-	-	-	-	-	-	875	875	-	203	1 078
Transfer from/(to) reserves	-	-	-	263	-	(17)	-	(246)	-	-	-	-
Release of reserve previously not available*	-	-	-	(332)	-	-	-	-	(332)	-	-	(332)
Foreign currency translation differences	-	-	-	-	(411)	-	-	-	(411)	-	-	(411)
Dividends to shareholders	-	-	-	-	-	-	-	(1 282)	(1 282)	-	-	(1 282)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	(587)	(587)
Other	-	-	-	-	-	10	-	8	18	-	6	24
<b>Balance at 31 December 2002</b>	270 577 653	271	4 536	97	(28)	147	-	12 023	17 046	1 987	503	19 536
AC 133 transactional adjustments	-	-	-	-	-	-	15	(2 109)	(2 094)	-	-	(2 094)
<b>Restated at 31 December 2002</b>	270 577 653	271	4 536	97	(28)	147	15	9 914	14 952	1 987	503	17 442
Shares issued for options exercised under the Nedcor Group (1994) Employee Incentive Scheme	4 079 105	4	377	-	-	-	-	-	381	-	-	381
Shares sold by subsidiaries	97 667	-	(111)	-	-	-	-	-	(111)	-	-	(111)
Preference shares issued by Nedbank Limited	-	-	-	-	-	-	-	-	-	825	-	825
Preference share issue expenses	-	-	(1)	-	-	-	-	-	(1)	(10)	-	(11)
Preference dividend paid	-	-	-	-	-	-	-	-	-	(133)	-	(133)
Loss attributable to shareholders	-	-	-	-	-	(40)	-	(1 600)	(1 600)	133	133	(1 334)
Transfer from/(to) reserves	-	-	-	266	-	-	-	(226)	-	-	-	-
Release of reserve previously not available*	-	-	-	(357)	-	-	-	-	(357)	-	-	(357)
Foreign currency translation differences	-	-	-	-	(181)	-	-	-	(181)	-	-	(181)
Dividends to shareholders	-	-	-	-	-	-	-	(1 395)	(1 395)	-	-	(1 395)
Release of AC 133 available for sale reserve	-	-	-	-	-	-	(15)	-	(15)	-	-	(15)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	36	36
Other	-	-	-	-	-	-	-	(26)	(26)	-	(20)	(46)

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

	Number of ordinary shares Rm	Ordinary share capital Rm	Ordinary share premium Rm	Reserves not available for distribution† Rm	Foreign currency translation reserve Rm	Other non-distributable reserves‡ Rm	AC133 available for sale reserves Rm	Other distributable reserves# Rm	Total ordinary shareholders' equity Rm	Preference share capital and premium Rm	Minority interest attributable to ordinary shareholders Rm	Total shareholders' equity Rm
<b>Balance at 31 December 2003</b>	<b>274 754 425</b>	<b>275</b>	<b>4 801</b>	<b>6</b>	<b>(209)</b>	<b>107</b>	<b>-</b>	<b>6 667</b>	<b>11 647</b>	<b>2 802</b>	<b>652</b>	<b>15 101</b>
Shares issued for options exercised under the Nedcor Group (1994) Employee Incentive Scheme	2 766 258	3	168	-	-	-	-	-	171	-	-	171
Shares issued in terms of rights offer	114 481 010	114	5 037	-	-	-	-	-	5 151	-	-	5 151
Other share issues	2 209 697	2	102	-	-	-	-	-	104	-	-	104
Share issue expenses	-	-	(215)	-	-	-	-	-	(215)	-	-	(215)
Shares held by subsidiary	(240 000)	-	(1)	-	-	-	-	-	(1)	-	-	(1)
Preference share dividend paid	-	-	-	-	-	-	-	-	-	(229)	-	(229)
Preference share cumulative dividend	-	-	-	-	-	-	-	-	-	(32)	-	(32)
Income attributable to shareholders	-	-	-	-	-	-	-	974	974	229	135	1338
Transfer from/(to) reserves	-	-	-	98	-	39	-	(137)	-	-	-	-
Release of reserve previously not available*	-	-	-	(48)	-	-	-	-	(48)	-	-	(48)
Foreign currency translation differences	-	-	-	-	(57)	-	-	-	(57)	-	-	(57)
Dividends to shareholders	-	-	-	-	-	-	-	(269)	(269)	-	(15)	(284)
Fair value adjustments to AC 133 available for sale reserve	-	-	-	-	-	-	621	-	621	-	-	621
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	(38)	(38)
Other	-	-	-	-	-	22	-	(5)	17	-	(13)	4
<b>Balance at 31 December 2004</b>	<b>393 971 390</b>	<b>394</b>	<b>9 892</b>	<b>56</b>	<b>(266)</b>	<b>168</b>	<b>621</b>	<b>7 230</b>	<b>18 095</b>	<b>2 770</b>	<b>721</b>	<b>21 586</b>

\* Release of reserve previously not available relates to the difference between the market price and the exercise price of options granted to employees that were exercised in the current year.

† Represents the non-distributable provision for vested share options issued under the Nedcor Group (1994) Employee Incentive Scheme.

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

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

**BALANCE SHEET – CLASSIFICATION OF FINANCIAL INSTRUMENTS**

	Audited 2004 Assets Rm	Audited 2004 Liabilities Rm	Audited 2003* Assets Rm	Audited 2003* Liabilities Rm
<b>Fair value</b>	<b>66 438</b>	<b>36 153</b>	<b>75 741</b>	<b>35 749</b>
Held-for-trading	63 283	36 153	73 774	35 749
Available-for sale	3 155	–	1 967	–
<b>Amortised cost</b>	<b>251 832</b>	<b>268 181</b>	<b>225 356</b>	<b>259 388</b>
Originated loans and receivables	244 759	–	224 033	–
Held-to-maturity	7 073	–	1 323	–
Non-trading liabilities	–	268 181	–	258 859
Other assets and liabilities	8 968	1 318	11 486	2 875
Total ordinary shareholders' equity	–	21 586	–	15 101
	<b>327 238</b>	<b>327 238</b>	<b>312 584</b>	<b>312 584</b>

\* Restated as per note 3.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December**
**1. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements are prepared in accordance with, and comply with, South African Statements of Generally Accepted Accounting Practice and the requirements of the South African Companies Act and the South African Banks Act. The financial statements are prepared on the historical-cost basis, except for certain financial assets and liabilities in respect of which the group adopts the fair-value basis of accounting. These assets and liabilities include:

- financial assets and liabilities held for short-term trading;
- financial assets classified as available-for-sale;
- derivative financial instruments; and
- financial instruments elected to be carried at fair value.

The accounting policies adopted and applied are set out below and are in all material respects consistent with those of the previous year, except for the adoption of IFRS 3 – Business Combinations, which was applied prospectively for business combinations after 31 March 2004. In accordance with South African Statements of GAAP, the Company has adopted the accounting standard AC 133 – 'Financial instruments: Recognition and Measurement' with effect from 1 January 2003; AC 133 is a prospective statement, which means that reported historical figures are adjusted to the new basis of accounting but such adjustments are not restated by way of comparatives. Instead, adjustments to determine the measurement of assets and liabilities are recognised as opening transitional adjustments in retained earnings, details of which are disclosed in note 3.1.

The accounting policies of the subsidiaries are consistent with those of the holding company.

**1.1 Consolidated financial statements**

The group financial statements comprise Nedbank Group Limited and its subsidiaries (referred to as 'the group') and the group's interest in associates and joint ventures.

**1.1.1 Investments in subsidiary companies**

Subsidiary companies are those entities controlled by the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of entities so as to obtain benefits from their activities. Special purpose entities are consolidated when the substance of the relationship between the group and the special purpose entity indicates that the special purpose entity is controlled by the group.

The financial statements of all subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

**1.1.2 Investments in associate companies**

Associate companies are those entities which the group has the ability to significantly influence, but not control, the financial and operating policies. The equity method of accounting for associates is adopted in the group financial statements. In applying the equity method, the carrying amount reflected in the group financial statements include the group's share of the accumulated retained earnings and movements in the reserves of associates, from the date that

significant influence commences until the date that significant influence ceases. When the group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the group has incurred or guaranteed obligations in respect of the associate.

Goodwill arising on the acquisition of associates is included in the carrying amount of the associate and is treated in accordance with the group's accounting policy for goodwill. The carrying values of investments in associate companies are adjusted for the amortisation of goodwill.

The group's share of associates' retained earnings and reserves is determined from the associates' latest audited or unaudited financial information. Where financial statements with a different reporting date are used, adjustments are made for the effects of any significant events or transactions between the group and the associate that occur between the date of the associate's financial statements and the date of the group's financial statements.

### **1.1.3 Investments in joint ventures**

Joint ventures are those enterprises over which the group exercises joint control in terms of a contractual agreement. Joint ventures are accounted for by utilising the equity method of accounting, as outlined in 1.1.2 above.

### **1.1.4 Transactions eliminated on consolidation**

Intra-group balances and transactions, and profits and losses arising from intra-group transactions, are eliminated in preparing the group financial statements. Unrealised losses are not eliminated to the extent that they provide evidence of impairment.

### **1.1.5 Goodwill and negative goodwill**

Goodwill arises as the excess of the cost of an acquisition over the group's interest in the fair value of the identifiable assets and liabilities of subsidiaries and associates and joint ventures acquired. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses and is amortised on a straight-line basis over its estimated useful life not exceeding 20 years. Any gain or loss on the disposal of an interest in an entity includes the carrying amount of goodwill relating to the disposal of that interest.

For all business combinations that occurred subsequent to 31 March 2004 this goodwill is not amortised but subject to an annual impairment test.

Negative goodwill arising on an acquisition represents any excess of the fair value of the group's share of the identifiable net assets acquired over the cost of the acquisition. To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but do not represent identifiable liabilities at the date of acquisition, it is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the identified acquired depreciable assets, is recognised in the income statement over the weighted average useful life of the identified depreciable/amortisable non-monetary assets. The balance of negative goodwill in excess of the fair values of the identified acquired depreciable assets is recognised immediately in the income statement.

## **1.2 Financial instruments**

Financial instruments as reflected on the balance sheet include all assets and liabilities, including derivative instruments, but exclude investments in subsidiaries, associated companies and joint ventures, employee benefit plans, property and equipment, deferred taxation, taxation payable, intangible assets and goodwill. AC 133 – Financial Instruments: Recognition and Measurement requires all financial instruments to be classified into one of four categories:

#### **– Originated loans and receivables and non-trading liabilities**

The bank has classified the bulk of its financial assets and liabilities as 'originated loans' and 'non-trading liabilities', which are carried at amortised cost.

#### **– Held-for-trading**

AC 133 requires certain financial instruments to be measured at their fair value. This includes all derivatives and instruments held for trading purposes. Trading instruments (whether assets or liabilities) are those that the group principally holds for the purpose of short-term profit taking. All derivatives in a net receivable position, as well as options purchased, are reported as trading assets. All derivatives in a net payable position, as well as options written, are reported as trading liabilities. As permitted under AC 133, the group has elected to designate certain financial instruments at their fair value to reflect the match between such items and their hedge. The fair-value adjustment required in respect of the above financial instruments is recognised in the income statement.

#### **– Held-to-maturity**

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that the group has the intent and ability to hold to maturity, other than those that upon initial recognition were designated as held-for trading or available-for-sale, or that meet the definition of originated loans and receivables. Such investments are measured at amortised cost, using the effective interest rate method, less any impairment.

– *Available-for-sale*

Financial assets are classified as available-for-sale where the intention, origination and designation of the instrument do not fall within the ambit of the other financial 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 the group's hold or sell decision. The bank recognises fair-value gains and losses on these investments directly in equity along with the associated deferred taxation. However, when available-for-sale equity instruments are determined to be impaired to the extent that the fair value declines below its original cost, the resultant losses are recognised in the income statement.

***Recognition***

The group recognises financial assets held-for-trading and available-for-sale assets on the date it becomes party to the contractual provisions to purchase the assets and applies trade date accounting for 'regular way' purchases and sales. From this date any gains or losses arising from changes in fair value of the assets are recognised. Held-to-maturity loans and originated loans and receivables are recognised on the day they are transferred to the group or the day the funds are advanced.

***Measurement***

Financial instruments are measured initially at cost, including transaction costs. Subsequent to initial recognition all trading instruments and all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities, originated loans and receivables and held-to-maturity assets are measured at amortised cost, less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised, based on the effective interest rate of the instrument.

***Fair-value measurement principles***

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market-related measures at the balance sheet date.

The fair value of derivatives of non-exchange-traded instruments is estimated at the amount that the group would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties.

***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 stand-alone derivative. Where the value of embedded derivatives can be reliably measured, embedded derivatives are accounted for separately at their fair value. Where the embedded derivative cannot be separated, the entire financial instrument is accounted for at fair value.

***Gains and losses on subsequent measurement***

Gains and losses arising from a change in the fair value of available-for-sale assets are recognised directly in equity. When the financial assets are sold, collected or otherwise disposed of, the cumulative gain or loss recognised in equity is transferred to the income statement. Gains and losses arising from a change in the fair value of trading instruments are recognised in the income statement.

***Impairments for credit losses***

A financial instrument is impaired if its carrying value is greater than its estimated recoverable amount. When an advance is uncollectible, it is written-off against the related impairment. Subsequent recoveries are credited to the income statement in the period in which it occurred. Advances are written-off once all reasonable attempts at collection have been made and there is no probable likelihood of collection. If the amount of the impairment subsequently decreases due to an event occurring after the initial impairment, the reversal is reflected in the income statement in the period in which it occurred.

***Specific advances impairment***

The group creates a specific impairment when there is objective evidence that it will not be able to collect all amounts due. The amount of such impairment is the difference between the carrying amount and the recoverable amount, calculated as the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the effective interest rate at the inception of the advance.

### ***Portfolio impairment***

The group creates a portfolio impairment where there is objective evidence that components of the advances portfolio contain probable losses at the balance sheet date, which will only be identified in the future, or where there is insufficient reliable data to determine whether such losses exist. The estimated probable losses are based on historical information and take into account historical patterns of losses in each component, the credit ratings allocated to the borrowers and the current economic climate in which the borrowers operate.

### ***Specific instruments***

#### ***1.2.1 Cash and short-term funds***

Cash and short-term funds comprise coins and bank notes, money at call and short notice and balances with central banks.

#### ***1.2.2 Life assurance operations***

Securities and other investments held by life assurance operations are stated at fair value. Gains and losses on the remeasurement to fair value are included in the insurance underwriting surplus, which forms part of non-interest revenue in the income statement. Gains and losses realised on these investments are also included in the insurance underwriting surplus.

#### ***1.2.3 Properties in possession***

Unsold properties in possession are included under advances and are accounted for as originated loans and carried at the lower of amortised cost or recoverable amount.

### **1.3 Provisions**

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur and where a reliable estimate can be made of the amount of the obligation.

#### ***1.3.1 Onerous contracts***

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

#### ***1.3.2 Leave pay***

The provision for leave pay represents the present obligation that the group has to pay as a result of employees' services provided to the balance sheet date. The provision is measured as the amount that the group expects to pay as a result of the unused leave entitlement that has accumulated at the balance sheet date, taking into account the undiscounted amount of current costs to employer per employee.

### **1.4 Property and equipment**

Freehold land is carried at cost less accumulated impairment losses. Other items of property (both owner-occupied and investment properties) and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on the straight-line basis on all items of property and equipment, other than freehold land, over the estimated useful lives of these assets.

The relevant estimated useful lives of items of property and equipment are as follows:

– Freehold buildings:	50 years
– Leasehold improvements:	10 – 20 years
– Computer equipment:	3 – 5 years
– Furniture and other equipment:	4 – 10 years
– Vehicles:	3 – 6 years

Subsequent expenditure relating to an item of property and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased beyond its original assessed standard of performance. All other subsequent expenditure is recognised as an expense in the period in which it is incurred. Surpluses or deficits on the disposal of property and equipment are recognised in the income statement. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

## 1.5 Computer software and capitalised development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, and expenditure on internally generated goodwill and brands are recognised in the income statement as an expense as incurred.

Expenditure on computer software and other development activities, whereby set procedures and processes are applied to a project for the production of new or substantially improved products and processes, is capitalised if the computer software and other developed products or processes are technically and commercially feasible and the group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, and directly attributable staff and other costs. Computer development expenditure is amortised only once the relevant software has been commissioned. Capitalised software is stated at cost, less accumulated amortisation and impairment losses. Computer development expenditure, which has not yet been commissioned, is stated at cost less impairment losses.

Amortisation on computer software and development costs is charged to the income statement on a straight-line basis over the estimated useful lives of these assets, not exceeding five years.

Subsequent expenditure relating to computer software is capitalised when it is probable that future economic benefits from the use of assets will be increased beyond its original assessed standard of performance. All other subsequent expenditure is recognised as an expense in the period in which it is incurred. Surpluses or deficits on the disposal of computer software are recognised in the income statement. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

## 1.6 Impairment of assets

The carrying amounts of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment, in which case their recoverable amounts are estimated.

An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount. A previously recognised impairment loss will be reversed if the recoverable amount increases as a result of a change in the estimates used previously to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in prior periods. For goodwill, a recognised impairment loss is not reversed, unless the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and the increase clearly relates to the reversal of the effect of that specific event.

The recoverable amount of an asset is the higher of its net selling price and its value in use. Net selling price is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset.

In assessing value-in-use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset whose cash flows are largely dependent on those of other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

## 1.7 Leases

The following accounting policies apply in respect of leases where a group company is the lessee:

### 1.7.1 Finance leases

Leases that transfer substantially all of the risks and rewards of ownership of the underlying asset to the group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and amortised over the estimated useful life of the asset. The capital element of future obligations under the leases is included as a liability in the balance sheet. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor. Finance leases where the group is the lessor are included in advances.

### 1.7.2 Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the period of the lease.

## 1.8 Taxation

Current taxation comprises taxation payable, calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the balance sheet date and any adjustment of taxation payable for previous periods.

Deferred taxation is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date. Deferred taxation is charged to the income statement, except to the extent that it relates to a transaction that is recognised directly in equity or a business combination that is an acquisition. The effect on deferred taxation of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred-tax asset is recognised to the extent that it is probable that future taxable income will be available, against which the associated unutilised tax losses and deductible temporary differences can be used. Deferred-tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised. This reduction is recognised in either the income statement or directly in equity, depending on how the deferred tax asset was initially raised.

## **1.9 Foreign currency**

### **1.9.1 Foreign currency transactions**

Transactions in foreign currencies are recorded at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Gains and losses arising on translation are recognised in the income statement. Foreign exchange trading positions, including spot and forward exchange contracts, are valued at current market rates taking maturity profiles into account and resultant profits or losses are recognised in the income statement in the period in which they are incurred.

### **1.9.2 Foreign-operation financial statements**

A foreign operation is a subsidiary, associate, joint venture or branch of Nedbank Group Limited, the activities of which are based or conducted in a country other than South Africa.

A foreign entity is a foreign operation, the activities of which are not an integral part of those of the reporting enterprise. Foreign-entity financial statements are translated into the reporting currency as follows:

- assets and liabilities are translated at rates of exchange ruling at the balance sheet date; and
- income, expenditure and cash flow items are translated at the weighted average exchange rates for the period in which the transaction occurred.

Exchange differences arising from the translation of a foreign entity are taken directly to a foreign currency translation reserve disclosed as part of non-distributable reserves. Goodwill and fair-value adjustments arising on the acquisition of a foreign entity are translated at the closing rate.

Integrated foreign-operation financial statements are translated into the reporting currency as follows:

- transactions and resulting non-monetary items are translated at the exchange rate ruling at the transaction date;
- income statement items are translated at the appropriate weighted average exchange rates for the period in which the transaction occurred; and
- monetary assets and liabilities are translated at rates of exchange ruling at the balance sheet date.

Translation gains and losses arising from the translation of integrated foreign operations are recognised in the income statement for the period in which the translation arises.

## **1.10 Borrowing costs**

Borrowing costs that are directly attributable to qualifying assets are capitalised up to the date that the assets are substantially complete. Qualifying assets are those that necessarily take a substantial period to prepare for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

## **1.11 Segment reporting**

A segment is defined as a distinguishable component of the group that is engaged in providing products or services (operation segment), which are subject to risks and rewards that are different from those of other segments. Segments with a majority of revenue earned from charges to external clients and whose revenue, results or assets are 10% or more of all segments are reported separately. Segment reporting is based on the group's internal organisational and management structure and its system of internal financial reporting.

Segment results include revenue, impairments, expenses and taxes directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to a segment, whether from external transactions or from transactions with other group segments. Intersegment transfer pricing is based on cost. Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to a segment or can be allocated to the segment on a reasonable basis.



## **1.12 Employee benefits**

The group offers post-employment benefits, comprising retirement benefits and post-retirement medical benefits, to employees and their dependants in terms of various defined-contribution and defined-benefit plans.

### **1.12.1 Defined-contribution plans**

Benefits offered in terms of defined-contribution plans comprise retirement benefits. Contributions to defined-contribution plans are recognised as an expense in the income statement when the employee becomes entitled to them.

### **1.12.2 Defined-benefit plans**

Benefits offered in terms of defined-benefit plans comprise retirement benefits and post-retirement medical benefits. The group's defined-benefit obligation in respect of each plan is calculated by estimating the amount of future benefit that the employees have earned, in return for their service in the current and prior periods, in terms of each plan. That benefit is discounted to determine the present value, and the fair value of any plan assets are deducted. The discount rate is the yield at balance sheet date on Government bonds that have maturity dates approximating the term of the group's obligation. The calculation is performed by a qualified actuary using the projected-unit credit method. The present value of the defined benefit obligation and the fair value of any plan assets are determined with sufficient regularity so that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.

In calculating the group's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss at the beginning of the year exceeds 10% of the greater of the present value of the defined-benefit obligation at the beginning of the year (before deducting the fair value of plan assets) and the fair value of plan assets at the beginning of the year that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised in the income statement in the period in which it is incurred.

Where the calculation results in a benefit to the group, the recognised asset is limited to the total of any cumulative unrecognised net actuarial losses and past-service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The following are recognised immediately to the extent that they arise while a defined-benefit asset is determined but not recognised in part or in full:

- Net actuarial losses and past-service costs of the current period to the extent that they exceed any reduction in the present value of the economic benefits specified above. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past-service costs of the current period are recognised immediately.
- Net actuarial gains of the current period after the deduction of past-service costs of the current period to the extent that they exceed any increase in the present value of the economic benefits specified above. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past-service costs of the current period are recognised immediately.

### **1.12.3 Equity compensation benefits**

The group grants share options to employees under an employee share incentive scheme. Other than costs incurred in administering the scheme, which are expensed as incurred, the scheme does not result in any expense to the group other than a dilution in earnings per share when the shares are issued.

## **1.13 Managed funds and trust activities**

Certain companies in the group operate unit trusts, hold and invest funds on behalf of clients and act as trustees and in other fiduciary capacities. Assets and liabilities representing such activities are not included on the balance sheet, as these relate directly to clients. The values of these items are disclosed in note 31. Income from these activities is brought to account over the period to which the service relates.

## **1.14 Share capital**

### **1.14.1 Preference share capital**

Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary at the option of the directors. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders and dividends thereon are recognised in the income statement as an interest expense.

### **1.14.2 Repurchase of share capital**

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Shares repurchased by the issuing company are cancelled. Shares repurchased by group companies are classified as treasury shares and held at cost. These shares are treated as a deduction from the issued and weighted average numbers of shares and the cost price of the shares is presented as a deduction from total equity. The par value of the shares is presented as a deduction from ordinary share capital and the remainder of the cost is presented as a deduction from ordinary share premium. Dividends received on treasury shares are eliminated on consolidation.

### **1.14.3 Dividends**

Dividends are recognised as a liability in the period in which they are declared.

## **1.15 Revenue recognition**

The group's revenue relates mainly to banking activities and comprises the following:

### **1.15.1 Interest income and expense**

Interest income and expense are recognised in the income statement on the effective interest rate method taking into account the expected timing and amount of cash flows. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis. Interest income includes income in respect of Government grants received as compensation for subsidised interest on advances to exporters in line with the conditions set out in the South African export credit support agreement.

### **1.15.2 Non-interest revenue**

Non-interest revenue includes commission and fees, exchange and securities trading income, dividends from investments and net gains on the sale of investment banking assets. The net non-interest revenue from non-banking activities comprises property development, insurance-related activities and computer-related services.

Non-interest revenue as defined above is recognised in the income statement when the amount of revenue from the transaction or service can be measured reliably, it is probable that the economic benefits of the transaction or service will flow to the group and the costs associated with the transaction or service can be measured reliably.

## **1.16 Offsetting**

Financial assets and liabilities are offset, and the net amount reported in the balance sheet, when there is a legally enforceable right to set-off the recognised amounts and the intention is to settle the amounts on a net basis or realise the asset and settle the liability simultaneously.

## **1.17 Life assurance operations**

Provision is made for outstanding premiums due on policies accepted at the balance sheet date, net of reinsurance premiums and adjusted for reinsurance commissions. The life assurance fund represents net revenue from business for the current and all prior years as a reserve against future claims. Commission paid in acquiring business is expensed in the period incurred.

In terms of AC 133, policyholder contracts that do not transfer significant insurance risk are classified as investment contracts and reflected in the financial statements at fair value, with changes in fair value being accounted for in the income statement.

These contracts are disclosed as 'Policyholder liabilities under investment contracts'. The premium income, benefit payments, investment income, commissions and taxation relating to the assets backing these investment contracts, have been excluded from the income statement and accounted for directly against the liability. Fees earned from these products are disclosed separately in the income statement.

## **1.18 Comparative figures**

Comparative figures are restated, where necessary, to afford a proper comparison. Such restatements are explained in note 3.

## **2. RELATED-PARTY INFORMATION**

### **2.1 Parent company**

The holding company of Nedbank Group Limited is Old Mutual Life Assurance Company (SA) Limited ('Old Mutual South Africa') and associates, which hold 51,92% of the company's ordinary shares. The ultimate holding company is Old Mutual plc, incorporated in the United Kingdom, England and Wales.

### **2.2 Identity of related parties with whom material transactions have occurred**

Material subsidiaries of the group are identified in Annexure 13 and the associates and joint ventures in note 11 commencing on page 87. All of these entities are related parties.

### 2.3 Material related-party transactions

Nedbank Group Limited and its subsidiaries, in the ordinary course of business, enter into various financial services transactions with associates, joint ventures and other entities within the greater Nedbank Group and Old Mutual group. These transactions are governed by terms no less favourable than those arranged with third parties.

- Loans to and from related parties with the company (see the list of subsidiary companies disclosed in Annexure 13 to this Prospectus).
- Long-term debt instrument with Old Mutual South Africa of R2 005 million was repaid on 13 May 2004.
- Rights offer fees paid to Old Mutual South Africa and Old Mutual plc, R89 million and R8 million, respectively.
- Sale of the ENF (Pty) Limited business to Edward Nathan for R50 million at a loss to the group of R21 million.
- Dr Holsboer Benefit Fund (first time consolidation of the trust during the current year) owns 240 000 Nedbank Group Limited shares, which are treated as treasury shares.
- Dividends paid to ultimate holding company – R137 million (2003: R710 million).
- Interest income and expenditure.
- Fees and commission.

### 2.4 Directors and director-related entities

Details of directors' shareholdings in the company are disclosed in the directors' report in the 2004 annual financial statements. There are no material contracts with directors, other than regarding the directors' emoluments.

## 3. RESTATEMENT OF COMPARATIVES

The following restatements have been made to the 31 December 2003 comparative financial statements:

### 3.1 Gross-up of assets

Sundry debtors and creditors have been restated for the gross-up of R529 million in non-qualifying pension fund assets.

### 3.2 Reclassification of transaction taxes

Transaction taxes have been reclassified to operating expenses to better reflect the nature of the taxes paid. This has resulted in an increase of R359 million in operating expenses and a reduction of R359 million in taxation.

### 3.3 Segmental reporting

Comparative results for 2003 have been restated to take into account the changes in improved profitability measurement and group restructures during 2004.

### 3.4 Reclassification of advances and deposits

Advances (note 7) and deposits (note 17) have been restated to reflect sundry debtors and creditors separately as well as changes in the reporting of commercial bonds, securities in repurchase agreements, instalment sale agreements and home loans.

### 3.5 Pension fund asset reconciliation

The movement has been separated to provide additional information (note 32).

### 3.6 Derivative instruments

Equity derivative instruments have been separated to provide more comprehensive disclosure.

## 4. CASH AND SHORT-TERM FUNDS

	2004	2003	2002
	Rm	Rm	Rm
Coins and bank notes	1 639	1 887	1 622
Money at call and short notice*	2 907	5 370	3 936
Balance with central banks	5 504	4 970	11 049
	<b>10 050</b>	<b>12 227</b>	<b>16 607</b>

\* Money at call and short notice constitutes amounts withdrawable in 32 days or less.

## 5. OTHER SHORT-TERM SECURITIES

### 5.1 Analysis

	2004 Rm	2003 Rm	2002 Rm
Negotiable certificates of deposit	5 513	3 790	6 473
Treasury bills and debentures	9 889	2 919	5 871
Other	908	3 901	2 643
	<b>16 310</b>	<b>10 610</b>	<b>14 987</b>

### 5.2 Carrying amount at market value

	2004 Rm	2003 Rm	2002 Rm
Investment portfolio	7 660	9 838	13 363
Trading portfolio	8 650	772	1 629
	<b>16 310</b>	<b>10 610</b>	<b>14 992</b>

## 6. GOVERNMENT AND OTHER SECURITIES

### 6.1 Analysis

	2004 Rm	2003* Rm	2002 Rm
Government and Government-guaranteed securities	22 741	19 025	11 988
Other dated securities	3 483	2 308	2 659
	<b>26 224</b>	<b>21 333</b>	<b>14 647</b>

### 6.2 Carrying amount

	2004 Rm	2003* Rm	2002 Rm
Investment portfolio	17 865	16 788	12 602
Trading portfolio	8 359	4 545	2 045
	<b>26 224</b>	<b>21 333</b>	<b>14 647</b>

### 6.3 Maturity structure

	2004 Rm	2003* Rm	2002 Rm
Maturing within one year	1 640	2 602	1 751
Maturing after one year	24 584	18 731	12 896
	<b>26 224</b>	<b>21 333</b>	<b>14 647</b>

### 6.4 Valuation

	2004 Rm	2003* Rm	2002 Rm
Listed securities			
– Carrying amount	25 218	21 025	14 453
– Market value	25 487	21 217	14 572
Unlisted securities			
– Carrying amount	1 006	308	194
– Directors' valuation	1 015	323	204
<b>Total market/directors' valuation</b>	<b>26 502</b>	<b>21 540</b>	<b>14 776</b>

\* Restated as per note 3.

## 7. ADVANCES

### 7.1 Category analysis

	2004 Rm	2003* Rm	2002 Rm
Home loans	61 795	56 733	50 979
Commercial mortgages	34 085	30 978	23 701
Properties in possession	761	1 280	1 068
Credit cards	3 483	3 204	3 370
Overdrafts	11 228	10 248	8 780
Other loans to clients	71 981	72 851	80 293
Net investment in instalment sale agreements and leases	29 341	25 880	24 131
Gross investment	31 592	30 208	28 780
Less: Unearned finance charges	(2 251)	(4 328)	(4 649)
Preference shares and debentures	5 990	5 596	5 154
Factoring accounts	579	644	399
Trade, other bills and bankers' acceptances	4 106	5 135	3 499
Remittances in transit	406	220	41
Deposits placed under reverse repurchase agreements	3 952	4 635	–
	<b>227 707</b>	<b>217 404</b>	<b>201 415</b>
Impairment of advances (note 8)	6 579	7 308	6 553
	<b>221 128</b>	<b>210 096</b>	<b>194 862</b>

\* Restated as per note 3.

### 7.2 Sectoral analysis

	2004 Rm	2003* Rm	2002 Rm
Individuals	94 790	87 156	76 347
Financial services, insurance and real estate	44 305	45 194	47 909
Banks	27 342	24 452	17 035
Manufacturing	6 906	7 055	15 626
Building and property development	6 220	4 866	7 461
Transport, storage and communication	3 503	2 844	5 339
Retailers, catering and accommodation	1 813	1 810	4 744
Wholesale and trade	2 914	3 180	4 408
Mining and quarrying	3 981	4 778	3 696
Agriculture, forestry and fishing	2 515	3 213	2 922
Government and public sector	1 364	1 108	409
Other services	32 054	31 748	15 519
	<b>227 707</b>	<b>217 404</b>	<b>201 415</b>

\* Restated as per note 3.

### 7.3 Maturity structure

	2004 Rm	2003* Rm	2002 Rm
Less than three months	63 594	64 942	55 127
One year or less but over three months	16 917	21 164	19 189
Five years or less but over one year	66 661	70 775	72 217
Over five years	80 535	60 523	54 882
	<b>227 707</b>	<b>217 404</b>	<b>201 415</b>

\* Restated as per note 3.

#### 7.4 Geographical analysis

	2004 Rm	2003* Rm	2002 Rm
South Africa	213 479	200 161	183 391
Other African countries	5 668	5 860	3 607
Europe	7 245	9 147	11 333
Asia	355	1 456	1 197
USA	207	446	768
Other	753	334	1 119
	<b>227 707</b>	<b>217 404</b>	<b>201 415</b>

The group extends advances to individuals and to the corporate, commercial and public sectors. Advances made to individuals are mostly in the form of mortgages, instalment credit, overdrafts, personal loans and credit card borrowings. The group's main activity is in the corporate and commercial sector, where advances are made to a large cross-section of businesses, predominantly in the finance and service area, manufacturing and building and property development finance sectors.

### 8. IMPAIRMENT OF ADVANCES

#### 8.1 Impairment of advances

	2004 Rm	2003* Rm	2002 Rm
Balance at beginning of year as previously reported	7 308	8 253	5 465
Income statement charge	1 416	2 063	1 067
Amounts written-off against the impairment	(2 372)	(3 363)	(2 054)
Recoveries of amounts previously written-off against the impairment	227	98	76
Amounts written-back to the provision			52
Transfer from interest reserved			258
Acquisition of subsidiary		257**	1 667
Other transfers			22
<b>Impairment of advances at end of year</b>	<b>6 579</b>	<b>7 308</b>	<b>6 553</b>

#### 8.2 Ratio of impairments to advances

	2004 Rm	2003* Rm	2002 Rm
Impairment of advances at end of year	6 579	7 308	6 553
Total advances and other assets	227 707	217 404	201 415
<b>Ratio (%)</b>	<b>2,9</b>	<b>3,4</b>	<b>3,3</b>

\* Restated as per note 3.

\*\* Includes R135 million of Property Finance properties in possession impairments, which previously were not separately reported under specific impairments. A gross-up of these properties in possession has been made in line with the Nedbank Group policy by including them under advances at the lower of cost or net realisable value.

## 9. DEFERRED TAXATION

### 9.1 Reconciliation of deferred taxation balance

	2004 Rm	2003 Rm	2002 Rm
Balance at beginning of year	343	865	(496)
Deferred taxation liability	(2 731)	(1 710)	(580)
Deferred taxation asset	3 074	2 575	84
Current year temporary differences	(99)	(36)	296
Client credit agreements	(66)	25	(227)
Impairment	(385)	260	13
Income and expenditure accruals	(402)	(1 337)	172
Amounts previously not allowed, now deducted		1 302	149
Recognition of taxation losses		754	
Other		(286)	189
Business combinations	(3)	(638)	434
Other movements	(194)	152	(156)
Balance at end of year	47	343	78
Deferred taxation liability*	(1 125)	(2 731)	(1 710)
Deferred taxation asset	1 172	3 074	1 788

### 9.2 Analysis of deferred taxation

	2004 Rm	2003 Rm	2002 Rm
Client credit agreements	(1 698)	(1 632)	(1 657)
Impairment	377	762	502
Income and expenditure accruals	(956)	(357)	980
Taxation losses	2 324	1 570	268
Other	-	-	(15)
	47	343	78

\* Included in the balance of deferred taxation is an amount of R79 million (2003: R nil) relating to deferred taxation liability raised on amounts recognised directly in equity.

## 10. CURRENT TAXATION

	2004 Rm	2003 Rm	2002 Rm
Normal South African taxation:			
Current taxation pre-paid	196	256	421
Current taxation liability	(193)	(144)	(183)
	3	112	238

## 11. INVESTMENTS IN ASSOCIATE COMPANIES AND JOINT VENTURES

### 11.1 Carrying amount

	2004 Rm	2003 Rm	2002 Rm
Listed investments	337	925	639
Unlisted investments	706	702	865
	1 043	1 627	1 504

## 11.2 Movement in carrying amount

	2004 Rm	2003 Rm	2002 Rm
Carrying amount at beginning of year	1 627	1 504	1 901
Share of associate companies' and joint ventures' profit after tax for current year	147	132	162
Dividends received	(69)	(52)	(58)
Amortisation of goodwill	(52)	(76)	(190)
Impairment losses			(49)
Net (disposal)/acquisitions of associate companies and joint ventures, at cost	(540)	263	32
Foreign currency translation differences	(70)	(144)	(294)
<b>Carrying amount at end of year</b>	<b>1 043</b>	<b>1 627</b>	<b>1 504</b>

## 11.3 Analysis of carrying amount

	2004 Rm	2003 Rm	2002 Rm
Associate investments on acquisition			
Listed – net asset value	170	588	244
Goodwill	49	136	154
Unlisted – net asset value	401	556	476
Goodwill	737	569	766
Movements subsequent to acquisition:			
Share of retained earnings since acquisition	495	490	564
Goodwill amortised/impaird	(560)	(582)	(728)
Dividends received	(189)	(141)	(155)
Foreign currency translation differences	(60)	11	183
	<b>1 043</b>	<b>1 627</b>	<b>1 504</b>

## 11.4 Analysis of investments in associate companies and joint ventures

	Banking Rm	Technology Rm	Other Rm	Total Rm
<b>2004</b>				
Listed shares, at cost – net asset value	170			170
– goodwill	49			49
Unlisted shares, at cost – net asset value	35	69	297	401
– goodwill	36	513	188	737
Share of retained earnings since acquisition	427	30	38	495
Goodwill amortised/impaird	(85)	(475)		(560)
Dividends received	(166)	(10)	(13)	(189)
Foreign currency translation differences	(60)			(60)
<b>Net interest in associate companies</b>	<b>406</b>	<b>127</b>	<b>510</b>	<b>1 043</b>
<b>2003</b>				
Listed shares, at cost – net asset value	170	46	372	588
– goodwill	58	78		136
Unlisted shares, at cost – net asset value	35	35	486	556
– goodwill	36	513	20	569
Share of retained earnings since acquisition	370	121	(1)	490
Goodwill amortised/impaird	(94)	(468)	(20)	(582)
Dividends received	(118)	(16)	(7)	(141)
Foreign currency translation differences	10		1	11
<b>Net interest in associate companies</b>	<b>467</b>	<b>309</b>	<b>851</b>	<b>1 627</b>



	Banking Rm	Technology Rm	Other Rm	Total Rm
<b>2002</b>				
Listed shares, at cost – net asset value	198	46		244
– goodwill	76	78		154
Unlisted shares, at cost – net asset value	150	194	132	476
– goodwill	115	567	84	766
Share of retained earnings since acquisition	435	58	71	564
Goodwill amortised/impaired	(239)	(405)	(84)	(728)
Dividends received	(147)	(6)	(2)	(155)
Foreign currency translation differences	182		1	183
<b>Net interest in associate companies</b>	<b>770</b>	<b>532</b>	<b>202</b>	<b>1 504</b>

#### Summarised financial information

	Banking Rm	Technology Rm	Other Rm	Total Rm
<b>2004</b>				
Total assets	10 179	549	1 345	12 073
Total liabilities	9 796	271	1 115	11 182
Operating results	203	117	64	384

	Banking Rm	Technology Rm	Other Rm	Total Rm
<b>2003</b>				
Total assets	10 518	1 149	10 110	21 777
Total liabilities	8 888	478	3 027	12 393
Operating results	305	185	868	1 358

	Banking Rm	Technology Rm	Other Rm	Total Rm
<b>2002</b>				
Total assets	16 070	1 046	1 739	18 855
Total liabilities	13 868	398	1 481	15 747
Operating results	353	114	34	501

#### 11.5 Valuation

	2004 Rm	2003 Rm	2002 Rm
Listed at market value	356	1 146	525
Unlisted at directors' valuation	1 000	756	953
	<b>1 356</b>	<b>1 902</b>	<b>1 478</b>

#### 11.6 Goodwill included in associate investments

The carrying amount of investments includes the following amount in respect of goodwill:

	2004 Rm	2003 Rm	2002 Rm
Carrying amount at beginning of year	123	191	476
Cost	705	919	935
Accumulated amortisation and impairment losses	(582)	(728)	(459)
Arising on acquisitions	188		39
Realised through disposals	(34)	(40)	(22)
Amortisation charge recognised in the income statement	(52)	(76)	(190)
Foreign currency translation differences and other	1	48	(122)
Carrying amount at end of year	226	123	191
Cost	786	705	919
Accumulated amortisation and impairment losses	(560)	(582)	(728)

## 12. OTHER INVESTMENTS

### 12.1 Carrying amount

#### *Listed investments*

	2004 Rm	2003 Rm	2002 Rm
Dimension Data Plc (shares held: 103 134 321)			414
Acucap Properties Limited	89	77	
Eagles Bonds	9	60	
Growthpoint Properties Limited	65	80	
ApexHi			94
Primegro Properties Limited			64
NIB Funds Investments	110		
Resilient Property Income Fund Limited	103	80	
JD Group Limited	90		
Vukile Property Fund Managers Limited	68		
Other*	240	327	664
	<b>774</b>	<b>624</b>	<b>1 236</b>

\* Less than R50 million per investment

#### *Unlisted investments*

	2004 Rm	2003 Rm	2002 Rm
Endowment Policies	164	1 323	1 267
Growthpoint & Toontjies Joint Venture	106		
Kagiso Investments Trust	155	67	59
Monex Limited		56	
Net1 U.E.P.S Technologies Inc	620		
New Limpopo Bridge	103	131	
NIBI Fund	733	740	700
Virgin Active			177
Century City Limited			329
NIBH Transformation Fund			144
Monex Limited			359
Rapid Dawn 271 (Pty) Limited	53		
Treacle Venture Partners (Pty) Limited	45	72	
World Wide African Investment Holdings Limited	65	65	
Other*	638	710	1 158
	<b>2 682</b>	<b>3 164</b>	<b>4 193</b>
Total other investments	<b>3 456</b>	<b>3 788</b>	<b>5 429</b>

\* Less than R50 million per investment

### 12.2 Valuation of other investments

	2004 Rm	2003 Rm	2002 Rm
Listed at market value	774	624	1 253
Unlisted at directors' valuation	2 685	3 137	4 232
	<b>3 459</b>	<b>3 761</b>	<b>5 485</b>

The directors' valuation represents the fair value of the underlying equity investment on the basis prescribed by AC 133.

The general information required in terms of Schedule 4 of the Companies Act is contained in a register available for inspection at the registered office.

### 13. INSURANCE ASSETS

	2004 Rm	2003 Rm	2002 Rm
Policyholder (liabilities)/assets	(17)	88	54
Policyholder investments	3 126	5 064	7 837
Listed investments at market value	2 443	3 359	4 922
Equities other than property	499	1 790	2 748
Property companies			1
Government, public and private sector stock	96	333	257
Other investments	1 848	1 236	1 916
Unlisted investments at directors' valuation	683	1 705	2 915
Equities other than property	22	203	215
			20
NCDs, money market and other short-term funds	661	1 502	2 680
	<b>3 109</b>	<b>5 152</b>	<b>7 891</b>

### 14. PROPERTY AND EQUIPMENT

#### 14.1 Property

	Deprecia- tion periods (years)	2004			2003			2002		
		Cost Rm	Accumu- lated deprecia- tion and impair- ment losses Rm	Carrying amount Rm	Cost Rm	Accumu- lated deprecia- tion and impair- ment losses Rm	Carrying amount Rm	Cost Rm	Accumu- lated deprecia- tion and impair- ment losses Rm	Carrying amount Rm
Freehold land and buildings	50	1 970	(343)	1 627	1 791	(187)	1 604	1 865	(134)	1 731
Leasehold premises	10 – 20	162	(51)	111	162	(82)	80	165	(89)	76
		<b>2 132</b>	<b>(394)</b>	<b>1 738</b>	<b>1 953</b>	<b>(269)</b>	<b>1 684</b>	<b>2 030</b>	<b>(223)</b>	<b>1 807</b>

#### 14.2 Equipment

	Deprecia- tion periods (years)	2004			2003			2002		
		Cost Rm	Accumu- lated deprecia- tion and impair- ment losses Rm	Carrying amount Rm	Cost Rm	Accumu- lated deprecia- tion and impair- ment losses Rm	Carrying amount Rm	Cost Rm	Accumu- lated deprecia- tion and impair- ment losses Rm	Carrying amount Rm
Computer equipment	3 – 5	1 940	(1 656)	284	1 924	(1 574)	350	1 912	(1 447)	465
Furniture and other equipment	4 – 10	1 672	(981)	691	1 364	(735)	629	1 196	(634)	562
Vehicles	3 – 6	52	(25)	27	37	(16)	21	39	(19)	20
		<b>3 664</b>	<b>(2 662)</b>	<b>1 002</b>	<b>3 325</b>	<b>(2 325)</b>	<b>1 000</b>	<b>3 147</b>	<b>(2 100)</b>	<b>1 047</b>
Total property and equipment		<b>5 796</b>	<b>(3 056)</b>	<b>2 740</b>	<b>5 278</b>	<b>(2 594)</b>	<b>2 684</b>	<b>5 177</b>	<b>(2 323)</b>	<b>2 854</b>

Included in freehold land and buildings and leasehold premises are properties held for investment purposes with a book value of R201 million (2003: R167 million).

Registers providing the information regarding land and buildings, as required in terms of Schedule 4 of the Companies Act, are available for inspection at the registered office. During the financial year ended 31 December 2004 an impairment loss of R26 million (2003: R24 million) was recognised in respect of certain freehold land and buildings owing to the recoverable amount of these assets being below their carrying amount.

### 14.3 Borrowing costs

	Borrowing costs capitalised during the year			Accumulated capitalised borrowing costs
	2004 Rm	2003 Rm	2002 Rm	
Freehold buildings				
New head office – phase I				170
New head office – phase II			9	9
Foreshore development		2	9	12

Borrowing costs that are directly attributable to qualifying assets were capitalised up to 31 December 2003. As from 1 January 2004 no borrowing costs have been capitalised and included in freehold land and buildings.

### 14.4 Reconciliation of carrying amounts

	Freehold land and buildings Rm	Leasehold premises Rm	Computer equipment Rm	Furniture and other equipment Rm	Vehicles Rm	Total Rm
Carrying amount at 31 December 2001	1 343	23	310	357	13	2 046
Additions	970	13	185	263	7	1 438
Disposals	(876)		(17)	(36)	(3)	(932)
Acquisition through business combinations	394	44	196	97	9	740
Depreciation charge for year	(37)	(4)	(209)	(119)	(6)	(375)
Impairment	(63)					(63)
Carrying amount at 31 December 2002	1 731	76	465	562	20	2 854
Additions	188	14	177	264	13	656
Disposals	(184)	(2)	(30)	(24)	(7)	(247)
Depreciation charge for year	(107)	(8)	(262)	(173)	(5)	(555)
Impairment	(24)					(24)
Carrying amount at 31 December 2003	1 604	80	350	629	21	2 684
Additions	39	8	202	303	12	564
First time consolidation of subsidiaries	216	61	3	8	4	292
Disposals	(156)	(28)	(61)	(85)	(2)	(332)
Depreciation charge for year	(50)	(10)	(210)	(176)	(8)	(454)
Impairment	(26)			12		(14)
Carrying amount at 31 December 2004	1 627	111	284	691	27	2 740

## 15. INTANGIBLE ASSETS AND GOODWILL

### 15.1 Software and capitalised development costs

	Amortisation periods (years)	2004			2003			2002		
		Cost Rm	Accumulated amortisation and impairment losses Rm	Carrying amount Rm	Cost Rm	Accumulated amortisation and impairment losses Rm	Carrying amount Rm	Cost Rm	Accumulated amortisation and impairment losses Rm	Carrying amount Rm
Software	2 – 5	2 642	(1 327)	1 315	2 301	(966)	1 335	1 744	(601)	1 143
Capitalised development costs	None	188	(84)	104	470	(95)	375	587		587
		2 830	(1 411)	1 419	2 771	(1 061)	1 710	2 331	(601)	1 730

## 15.2 Goodwill

	Amortisation periods (years)	2004			2003		
		Accumulated amortisation and impairment losses		Carrying amount Rm	Accumulated amortisation and impairment losses		Carrying amount Rm
		Cost Rm	Rm		Cost Rm	Rm	
Goodwill	5 – 20						
Fairbairn Private Bank/ Fairbairn Trust Company		382	(98)	284	477	(146)	331
Peoples Bank SPVs		38	(38)	–			–
Peoples Bank		198	(198)	–	198	(198)	–
Imperial Bank		285	(41)	244	283	(25)	258
Acturis				–	79	(79)	–
BoE Limited		3 560	(891)	2 669	3 727	(901)	2 826
BoE (Proprietary) Limited (formerly FTNiBAM)			4	(4)	–	4	(4)
–							
Nedcor Investment Bank		375	(375)	–	375	(375)	–
Nedbank Namibia Limited (formerly Commercial Bank of Namibia)		122	(8)	114	118	(2)	116
BoE Investment Management				–	74	(43)	31
Stenham Gestinor Limited				–	381	(183)	198
Capital One		82		82			–
Amex		81		81			–
Fasic Limited*		(34)	1	(33)			–
Other				–	69	(67)	2
		<b>5 093</b>	<b>(1 652)</b>	<b>3 441</b>	<b>5 785</b>	<b>(2 023)</b>	<b>3 762</b>

\* The amortisation period of the negative goodwill is 12,5 years at 31 December 2004. This represents the useful life of the non-monetary assets of Fasic Limited.

### Goodwill 2002

	Amortisation periods (years)	Cost Rm	Accumulated amortisation and impairment losses Rm	Carrying amount Rm
Goodwill	5 – 20	4 814	357	4 457

## 15.3 Borrowing costs

	Borrowing costs capitalised during the year			Accumulated capitalised borrowing costs
	2004 Rm	2003 Rm	2002 Rm	
	Software and capitalised development costs		36	

Borrowing costs that are directly attributable to qualifying assets were capitalised up to 31 December 2003. As from 1 January 2004 no borrowing costs have been capitalised and included in software and capitalised development costs.

## 15.4 Reconciliation of carrying amounts

	Computer Software Rm	Capitalised development costs Rm	Goodwill Rm
<b>Carrying amount at 31 December 2001</b>	<b>336</b>	<b>881</b>	<b>1 272</b>
Additions	109	477	
Commissioned development costs	772	(772)	
Disposals	(26)		(94)
Acquisition through business combinations	104	1	
Arising on business combinations			3 779
Translation differences			(190)
Amortisation charge for year	(152)		(310)
<b>Carrying amount at 31 December 2002</b>	<b>1 143</b>	<b>587</b>	<b>4 457</b>
Additions	42	424	
Commissioned development costs	541	(541)	
Disposals	(5)		(245)
Arising on business combinations			1 293
Translation differences			(17)
Amortisation charge for year	(347)		(347)
Impairment	(39)	(95)	(1 379)
<b>Carrying amount at 31 December 2003</b>	<b>1 335</b>	<b>375</b>	<b>3 762</b>
Additions	50	193	
Commissioned development costs	380	(380)	
Disposals	(49)		(164)
Arising on business combinations			191
Translation differences			(26)
Amortisation charge for year	(395)		(196)
Impairment	(6)	(84)	(126)
<b>Carrying amount at 31 December 2004</b>	<b>1 315</b>	<b>104</b>	<b>3 441</b>

## 16. SHARE CAPITAL

### 16.1 Ordinary share capital

	2004 Rm	2003 Rm	2002 Rm
<i>Authorised</i>			
600 000 000 (2003: 350 000 000) ordinary shares of R1,00 each	600	350	350
<i>Issued</i>			
394 211 390 (2003: 274 754 425) fully paid ordinary shares of R1,00 each	394	275	271
Less: Treasury shares held by subsidiary of 240 000 (2003: nil) fully paid-up ordinary shares of R1,00 each	*		*
<b>Group issued ordinary share capital</b>	<b>394</b>	<b>275</b>	<b>271</b>

\* Less than R1 million

Subject to the restrictions imposed by the Companies Act, the unissued shares are under the control of the directors until the forthcoming annual general meeting. In terms of special resolutions passed in the general meeting, the directors were granted the general authority to buy back up to 10% of the issued share capital of the company until the forthcoming annual general meeting.

119 456 965 ordinary shares were issued during the financial year ended 31 December 2004 at an average price of R45.43.

## 16.2 Nedbank Limited preference share capital and premium

	2004 Rm	2003 Rm	2002 Rm
<i>Authorised</i>			
300 000 000 (2003: 300 000 000) non-redeemable, non-cumulative preference shares of R0,001 each	*	*	*
<i>Issued</i>			
277 298 896 (2003: 277 298 896) non-redeemable, non-cumulative preference shares of R0,001 each	*	*	*
Preference share premium	2 770	2 802	1 987
Minority shareholders' equity attributable to preference shareholders	<b>2 770</b>	<b>2 802</b>	<b>1 987</b>

\* Less than R1 million

No preference shares were issued during the financial year ended 31 December 2004.

The preference shares are classified as equity instruments by Nedbank Limited. They are therefore classified as minorities on consolidation. The cash preference dividend is calculated on a daily, non-compounding basis at 75% of the Nedbank prime interest rate from time to time and is subject to declaration.

## 16.3 Employee incentive scheme

	Nedcor Share Incentive Trust			Ex-NIB Share Incentive Trust			Total		
	2004 Number	2003 Number	2002 Number	2004 Number	2003 Number	2002 Number	2004 Number	2003 Number	2002 Number
<i>Movements:</i>									
<i>Options</i>									
Options outstanding at beginning of year	22 346 816	20 263 081	14 259 497	2 743 023	2 900 907		25 089 839	23 163 988	14 259 023
Granted	14 328 122	3 918 830	9 528 279			3 178 132	14 328 122	3 918 830	12 706 411
Exercised	2 772 393	203 505	(3 130 354)		98 628	(243 100)	2 772 393	302 133	3 373 454
Surrendered	7 186 594	1 631 590	(394 341)	553 801	59 256	(34 125)	7 740 395	1 690 846	637 441
<i>Options:</i>									
Outstanding at end of year	<b>26 715 951</b>	<b>22 346 816</b>	<b>20 263 081</b>	<b>2 189 222</b>	<b>2 743 023</b>	<b>2 900 907</b>	<b>28 905 173</b>	<b>25 089 839</b>	<b>23 163 988</b>
<i>Classification:</i>									
Performance-based options	12 797 207	9 953 325					12 797 207	9 953 325	
Non-performance-based options	13 918 744	12 393 491		2 189 222	2 743 023		16 107 966	15 136 514	
<i>Options:</i>									
Outstanding at end of year	<b>26 715 951</b>	<b>22 346 816</b>		<b>2 189 222</b>	<b>2 743 023</b>		<b>28 905 173</b>	<b>25 089 839</b>	

Share options granted under the schemes have an exercise price fixed at the market price of the share on the day prior to the date on which the option is granted. Options may be exercised at dates determined by the schemes' trustees and expire at the earlier of date of termination of employment or at varying periods of up to 10 years from the granting of the option. On exercise of the option, the schemes will subscribe for shares in Nedbank Group Limited at the full market price then ruling. The difference between such market price and the exercise price is paid by the subsidiary that employs the relevant employee. Any amounts accrued by subsidiaries prior to exercise are transferred to non-distributable reserves net of the amount paid in respect of options exercised.

The following options granted had not been exercised at 31 December 2004:

Option expiry date	Number of shares	Issue price (R)	Option expiry date	Number of shares	Issue price (R)	Option expiry date	Number of shares	Issue price (R)
			b/f	4 295 834	b/f	5 312 996		
1 January 05	700	123,60	27 September 05	1 500	125,00	2 March 06	10 000	88,00
1 January 05	4 600	125,00	27 September 05	1 000	136,20	2 March 06	7 200	125,00
1 January 05	1 400	128,60	1 October 05	7 500	88,00	2 March 06	2 000	136,20
1 January 05	2 350	136,20	1 October 05	2 707	102,65	1 April 06	5 300	88,00
1 February 05	73 050	125,00	1 October 05	28 600	117,60	1 April 06	1 500	102,65
1 February 05	25 800	136,20	1 October 05	14 000	123,60	1 April 06	23 900	123,60
14 February 05	938	63,00	1 October 05	24 980	125,00	1 April 06	25 560	125,00
14 February 05	2 500	125,00	1 October 05	10 800	133,20	1 April 06	88 000	133,20
14 February 05	2 000	130,80	1 October 05	15 285	136,20	1 April 06	13 630	136,20
14 February 05	2 000	136,20	1 October 05	10 000	142,00	9 April 06	3 200	123,60
1 March 05	30 000	111,80	1 November 05	12 000	88,00	1 May 06	9 000	60,01
1 March 05	102 040	117,60	1 November 05	16 600	123,60	1 May 06	33 050	88,00
1 March 05	55 975	125,00	1 November 05	17 470	125,00	1 May 06	500	102,65
1 March 05	16 770	136,20	1 November 05	12 560	136,20	1 May 06	8 300	123,60
1 March 05	2 800	137,60	1 November 05	5 000	155,20	1 May 06	40 900	125,00
1 March 05	16 627	146,00	17 November 05	4 000	88,00	1 May 06	25 194	136,20
1 March 05	558	134,00	17 November 05	5 200	123,60	2 May 06	4 900	128,60
1 March 05	339	146,00	30 November 05	6 000	88,00	1 June 06	7 200	88,00
1 March 05	789	150,00	30 November 05	7 000	125,00	1 June 06	3 000	102,65
1 March 05	117	151,00	30 November 05	4 700	133,20	1 June 06	1 800	123,60
31 March 05	25 900	137,60	30 November 05	3 000	136,20	1 June 06	21 700	125,00
1 April 05	2 900	117,60	1 December 05	47 000	88,00	1 June 06	1 300	130,80
1 April 05	5 900	125,00	1 December 05	91 100	123,60	1 June 06	10 100	136,20
1 April 05	8 800	136,20	1 December 05	57 550	125,00	1 June 06	3 000	152,00
30 April 05	400	125,00	1 December 05	15 250	136,20	1 July 06	3 750	88,00
30 April 05	200	136,20	1 January 06	3 500	69,20	1 July 06	1 500	125,00
1 May 05	10 000	88,00	1 January 06	74 500	88,00	22 August 06	111 500	152,00
1 May 05	78 500	123,60	1 January 06	1 500	102,65	1 October 06	2 920	131,45
1 May 05	50 000	125,00	1 January 06	49 500	123,60	1 October 06	30 000	155,20
31 May 05	4 500	102,19	1 January 06	146 630	125,00	1 November 06	15 700	142,00
1 June 05	10 100	123,60	1 January 06	2 250	130,80	1 March 07	90 900	157,00
1 June 05	2 904 000	125,00	1 January 06	2 500	133,20	1 March 07	385	150,00
1 June 05	3 800	136,20	1 January 06	54 708	136,20	1 March 07	98	151,00
1 June 05	3 000	152,00	1 January 06	8 300	157,00	31 March 07	1 067 597 <sup>p</sup>	136,20
1 July 05	1 700	44,00	2 January 06	30 488	63,00	1 June 07	3 100	132,00
1 July 05	1 326	44,50	29 January 06	200	125,00	27 September 07	6 000	130,80
1 July 05	21 200	88,00	1 February 06	33 650	88,00	27 September 07	54 385 <sup>p</sup>	130,80
1 July 05	22 500	94,00	1 February 06	2 000	102,65	28 September 07	96 094	130,80
1 July 05	3 000	102,65	1 February 06	21 200	123,60	28 September 07	10 950 <sup>p</sup>	130,80
1 July 05	1 200	123,50	1 February 06	39 025	125,00	2 November 07	21 347	123,00
1 July 05	17 800	123,60	1 February 06	1 250	130,80	19 November 07	15 800	125,00
1 July 05	77 120	125,00	1 February 06	21 100	136,20	14 February 08	23 700	115,00
1 July 05	43 000	131,00	1 March 06	8 000	60,01	15 April 08	305 700	125,00
1 July 05	91 900	136,00	1 March 06	20 500	88,00	15 April 08	2 783 974 <sup>p</sup>	125,00
1 July 05	34 500	136,20	1 March 06	4 000	102,65	2 July 08	2 092 000	123,60
1 August 05	8 850	125,00	1 March 06	16 500	123,60	15 October 08	272 200	102,65
1 August 05	4 900	136,20	1 March 06	24 850	125,00	15 October 08	182 279 <sup>p</sup>	102,65
26 August 05	2 234	96,06	1 March 06	5 800	128,60	27 November 08	155 800	123,60
26 August 05	32 065	120,22	1 March 06	500	130,80	25 February 09	131 500	102,19
26 August 05	4 000	126,90	1 March 06	17 121	136,20	1 April 09	41 050	88,00
1 September 05	81 320	121,00	1 March 06	3 000	152,00	1 April 09	2 514 650 <sup>p</sup>	88,00
1 September 05	250	130,80	1 March 06	533	129,20	1 October 09	383 350	69,20
1 September 05	500	136,20	1 March 06	368	130,60	1 October 09	57 080 <sup>p</sup>	69,20
5 September 05	1 000	125,00	1 March 06	512	134,00	11 May 10	699 400	60,01
5 September 05	650	136,20	1 March 06	313	139,00	11 May 10	3 243 800 <sup>p</sup>	60,01
12 September 05	51 789	44,50	1 March 06	62	150,00	11 May 10	25 000 <sup>p</sup>	61,40
27 September 05	343 677	111,80	2 March 06	2 000	60,01	10 August 10	289 100	55,75
						10 August 10	112 000 <sup>p</sup>	55,75
	4 295 834			5 312 996			20 507 839	

P = Performance-based options.



#### 16.4 Balance of options granted in respect of the rights offer not exercised at 31 December 2004

Option expiry date	Number of shares	Issue price (R)	Option expiry date	Number of shares	Issue price (R)	Option expiry date	Number of shares	Issue price (R)
			b/f	1 358 653		b/f	2 438 515	
1 January 05	250	45,00	7 February 06	13 890	60,00	2 November 07	3 472	60,00
1 February 05	41 675	45,00	1 March 06	38 164	45,00	19 November 07	6 584	45,00
1 March 05	24 340	45,00	2 March 06	7 999	45,00	1 December 07	417	45,00
31 March 05	3 211	45,00	1 April 06	51 408	45,00	6 February 08	5 973	45,00
1 April 05	7 505	45,00	9 April 06	1 334	45,00	14 February 08	9 876	45,00
1 May 05	6 416	45,00	1 May 06	43 521	45,00	1 April 08	5 556	45,00
31 May 05	1 876	45,00	2 May 06	2 042	45,00	8 April 08	834	45,00
1 June 05	471 187	45,00	1 June 06	13 542	45,00	15 April 08	1 125 879 <sup>p</sup>	45,00
1 June 05	152 084	60,00	21 June 06	3 483	45,00	15 April 08	128 000	45,00
1 July 05	75 489	45,00	26 July 06	18 305	45,00	15 April 08	34 166	60,00
1 August 05	3 585	45,00	22 August 06	36 860	45,00	21 June 08	2 778	45,00
26 August 05	217 557	45,00	1 October 06	12 341	45,00	1 July 08	15 277	45,00
1 September 05	16 979	45,00	1 November 06	4 796	45,00	2 July 08	762 505	45,00
5 September 05	686	45,00	29 November 06	24 999	45,00	2 July 08	109 210	60,00
12 September 05	15 295	45,00	8 February 07	19 022	45,00	15 October 08	113 420	45,00
27 September 05	71 419	45,00	1 March 07	30 679	45,00	15 October 08	75 893 <sup>p</sup>	45,00
1 October 05	18 482	45,00	31 March 07	427 155 <sup>p</sup>	45,00	27 November 08	64 919	45,00
22 October 05	6 040	45,00	31 March 07	17 708 <sup>p</sup>	60,00	25 February 09	54 800	45,00
1 November 05	13 689	45,00	16 May 07	12 400	45,00	1 April 09	988 692 <sup>p</sup>	45,00
17 November 05	3 832	45,00	24 July 07	26 576	45,00	1 April 09	18 666	45,00
1 December 05	42 252	45,00	27 September 07	22 653 <sup>p</sup>	45,00	1 April 09	59 168 <sup>p</sup>	60,00
1 January 06	108 883	45,00	27 September 07	2 083	45,00	1 October 09	159 730	45,00
2 January 06	3 833	45,00	28 September 07	4 562 <sup>p</sup>	45,00	1 October 09	23 782 <sup>p</sup>	45,00
29 January 06	84	45,00	28 September 07	29 417	45,00			
1 February 06	52 004	45,00	2 November 07	214 923	45,00			
	<b>1 358 653</b>			<b>2 438 515</b>			<b>6 208 112</b>	

Total options outstanding: 26 715 951

*P = Performance-based options*

Ex-NIB Share Incentive Scheme – now part of Nedbank Group share scheme

The following options granted had not been exercised at 31 December 2004:

Option expiry date	Number of shares	Issue price (R)	Option expiry date	Number of shares	Issue price (R)	Option expiry date	Number of shares	Issue price (R)
			b/f	71 693		b/f	1 386 449	
1 January 05	8 361	79,50	26 August 05	1 097 287	79,50	29 November 06	60 000	79,50
1 January 05	1 639	86,40	22 October 05	14 493	79,50	8 February 07	51 562	96,00
1 February 05	1 666	89,70	1 January 06	33 195	86,40	16 May 07	29 762	84,00
1 February 05	1 666	89,70	1 February 06	42 719	86,40	24 July 07	71 834	89,70
1 March 05	31 053	79,50	1 February 06	18 937	96,00	2 November 07	515 616	86,40
1 April 05	1 708	79,50	1 February 06	17 172	97,50	1 December 07	1 000	86,40
1 April 05	1 267	86,40	7 February 06	33 335	79,50	6 February 08	14 333	90,90
1 July 05	11 250	79,50	1 May 06	830	86,40	1 April 08	3 333	81,00
1 July 05	12 083	86,40	21 June 06	11 148	79,50	1 April 08	10 000	90,90
1 August 05	1 000	86,40	26 July 06	45 640	79,50	8 April 08	2 000	81,00
						21 June 08	6 667	111,00
						1 July 08	36 666	111,00
	<b>71 693</b>			<b>1 386 449</b>			<b>2 189 222</b>	

## 17. DEPOSITS, CURRENT ACCOUNTS AND OTHER LIABILITIES

### 17.1 Analysis

	2004 Rm	2003* Rm	2002 Rm
Current accounts	34 401	36 392	27 307
Savings deposits	10 532	10 411	10 046
Other deposits and loan accounts	158 885	136 267	143 643
Call and term deposits	85 684	61 612	
Fixed deposits	24 796	32 645	
Cash management deposits	29 691	28 971	
Other deposits	18 714	13 039	
Foreign currency liabilities	9 928	10 323	15 734
Negotiable certificates of deposit	27 882	31 897	23 134
Deposits received under repurchase agreements	12 671	13 114	7 987
	<b>254 299</b>	<b>238 404</b>	<b>227 851</b>

\* Restated as per note 3.

### 17.2 Sundry creditors

	2004 Rm	2003* Rm	2002 Rm
Creditors and other accounts	8 187	10 954	8 307
Pension fund liabilities	841	539	
Medical aid fund liabilities	629	552	
Provision for onerous contracts (note 17.3)	7	19	41
Provision for leave pay (note 17.4)	390	390	327
	<b>10 054</b>	<b>12 454</b>	<b>8 675</b>

\* Restated as per note 3.

### 17.3 Provision for onerous contracts

	2004 Rm	2003* Rm	2002 Rm
Balance at beginning of year	19	41	63
Movement for year	(12)	(22)	(22)
	<b>7</b>	<b>19</b>	<b>41</b>

\* Restated as per note 3.

Onerous leases resulted from the write-down of R81 million in 2000 in properties and leasehold premises to recognise the permanent diminution of value resulting from the reconfiguration of the retail branch network.

### 17.4 Provision for leave pay

	2004 Rm	2003* Rm	2002 Rm
Balance at beginning of year	390	327	248
Acquisition of BoE			55
Movement for year		63	24
	<b>390</b>	<b>390</b>	<b>327</b>

\* Restated as per note 3.

Deposit products include current accounts, savings accounts, call and notice deposits, fixed deposits and negotiable certificates of deposit. Term deposits vary from six months to five years in both the wholesale and retail markets. The maturity analysis below is based on the remaining period to contractual maturity from year-end.

Foreign currency liabilities are either matched by advances to clients or covered against exchange rate fluctuations. Deposits received under repurchase agreements are secured by pledge of the assets sold.

## 17.5 Sectoral analysis

	2004 Rm	2003* Rm	2002 Rm
Banks	59 438	58 593	30 219
Government and public sector	8 470	6 309	8 468
Individuals	79 519	79 025	63 476
Business sector	106 872	106 402	134 363
	<b>254 299</b>	<b>250 329</b>	<b>236 526</b>

\* Restated as per note 3.

## 17.6 Maturity structure

	2004 Rm	2003* Rm	2002 Rm
Repayable on demand	149 847	124 595	136 182
Three months or less but not repayable on demand	75 554	48 401	38 479
One year or less but over three months	19 958	47 181	41 341
Five years or less but over one year	8 219	13 869	19 649
Over five years	721	4 358	875
	<b>254 299</b>	<b>238 404</b>	<b>236 526</b>

\* Restated as per note 3.

## 17.7 Geographical analysis

	2004 Rm	2003* Rm	2002 Rm
South Africa	236 838	213 605	212 524
Other African countries	4 748	5 005	2 719
Europe	9 545	14 359	13 763
Asia	271	2 032	2 723
USA	453	372	858
Other	2 444	3 031	3 939
	<b>254 299</b>	<b>238 404</b>	<b>236 526</b>

\* Restated as per note 3.

## 18. INSURANCE FUNDS

### 18.1 Policy liabilities under investment contracts

	2004 Rm	2003* Rm	2002 Rm
BoE Life Limited	2 898	4 356	5 584
NIB Life Limited (previously BoE Life Assurance Company Limited)	211	184	1 759
BoE Life International Limited		612	548
	<b>3 109</b>	<b>5 152</b>	<b>7 891</b>

\* Restated as per note 3.

### 18.2 Movements in policy liabilities during year

	2004 Rm	2003* Rm	2002 Rm
Market value at beginning of year	5 152	7 891	8 681
Outflows	(2 043)	(1 565)	(757)
Foreign currency translation differences		(1 174)	(33)
Market value at end of year	<b>3 109</b>	<b>5 152</b>	<b>7 891</b>

\* Restated as per note 3.

### 18.3 Policy liabilities under investment contracts

	2004 Rm	2003* Rm	2002 Rm
Market-related business	3 109	4 539	7 191
Smooth-bonus business		613	630
Contingency and other reserves			70
<b>Total policy liabilities under investment contracts</b>	<b>3 109</b>	<b>5 152</b>	<b>7 891</b>

\* Restated as per note 3.

### 19. LONG-TERM DEBT INSTRUMENTS

		2004 Rm	2003* Rm	2002 Rm
<i>Rand-denominated</i>	<i>Instrument terms</i>			
R 140 million repayable on 15 May 2003 – guaranteed by Nedbank Group Limited				139
Compulsorily convertible loans maturing on 31 December 2005†	18,12% per annum	47	87	142
Compulsorily convertible loans maturing on 6 November 2005†	13,75% per annum	20	37	52
R515 million bonds repayable on 4 December 2008	13,5% per annum	592	575	239
R2 billion callable notes repayable on 20 September 2011‡	11,3% per annum	2 064	2 064	2 064
R4 billion callable notes repayable on 9 July 2012‡	13,15% per annum	4 253	4 254	4 254
R200 million unsecured debentures repayable on 30 November 2029	16% per annum until 15 September 2000 – thereafter interest free	3	2	2
Subordinated debt instruments repayable at Nedbank Group's discretion	Interest free		175	175
R2 billion repaid on 13 May 2004	3-month Jibar plus 1,65%		2 005	
R500 million repaid on 29 June 2004	3-month Jibar plus 1,3%		500	
		<b>6 979</b>	<b>9 699</b>	<b>7 067</b>

\* Restated as per note 3.

† The debt instruments are convertible into Nedbank Limited ordinary shares and BoE Holdings Limited has acquired the option to purchase the ordinary shares in respect of these instruments.

‡ Callable by the issuer, Nedbank Limited, after five years from date of issue, being 20 September 2001 and 9 July 2002, at which time the interest converts to a floating 3-month Jibar rate.

		2004 Rm	2003 Rm	2002 Rm
<i>US dollar-denominated</i>	<i>Instrument terms</i>			
US\$40 million repayable on 17 April 2008	6-month Libor on nominal value	225	266	345
US\$18 million repayable on 31 August 2009	1,5 basis points below 6-month Libor on nominal value	103	120	156
		<b>328</b>	<b>386</b>	<b>501</b>
<i>Namibian-dollar-denominated</i>	<i>Instrument terms</i>			
N\$40 million long-term debenture issue repayable on 15 September 2030	17% per annum until 15 September 2000 – thereafter interest-free	1	1	–
		<b>1</b>	<b>1</b>	<b>–</b>
<b>Total long-term debt instruments in issue</b>		<b>7 308</b>	<b>10 086</b>	<b>7 568</b>

Coupon holders are entitled, in the event of interest default, to put the coupon covering such interest payments to Nedbank Group Limited.

The US dollar subordinated debt instruments were matched by advances to clients or covered against exchange rate fluctuations.

In accordance with the group's articles of association, the borrowing powers of the company are unlimited.

## 20. CONTINGENT LIABILITIES AND ASSETS

	2004 Rm	2003 Rm	2002 Rm
Analysis:			
Liabilities under guarantees	10 770	12 403	11 966
Letters of credit	2 782	2 358	2 233
Unutilised facilities and other	20 018	22 508	14 447
	<b>33 570</b>	<b>37 269</b>	<b>28 646</b>

The group in the ordinary course of business enters into transactions which have inherent tax, legal and business risks. Provisions are made for known and quantifiable liabilities arising from past events that are expected to materialise. Possible obligations and known liabilities where no reliable estimate can be made or it is considered improbable that an outflow would result are noted as a contingent liability. This is in accordance with AC 130: Provisions, Contingent Liabilities and Contingent Assets.

Contingent assets are not disclosed as they are immaterial to the overall group financial statements to warrant separate disclosure.

There are a number of legal or potential claims against Nedbank Group Limited and its subsidiary companies, the outcome of which cannot at present be foreseen. The directors of the group do not foresee a major liability arising from these claims, other than those provided for. The nature of these claims is not disclosed as it could be potentially prejudicial to the group.

## 21. COMMITMENTS

### 21.1 Capital expenditure approved by directors

	2004 Rm	2003 Rm	2002 Rm
Contracted	464	115	143
Not yet contracted	30	26	89
	<b>494</b>	<b>141</b>	<b>232</b>

Funds to meet capital expenditure commitments will be provided from group resources.

In addition, capital expenditure is incurred in the normal course of business throughout the year.

### 21.2 Operating lease commitments

Companies in the group have entered into leases over fixed property, furniture and other equipment for varying periods. The charges will increase in future in line with negotiated escalations and expansions.

	2009 and thereafter Rm	2008 Rm	2007 Rm	2006 Rm	2005 Rm
Land and buildings	3 526	502	465	435	406
Furniture and equipment	514	244	231	219	211
Total operating lease commitments	<b>4 040</b>	<b>746</b>	<b>696</b>	<b>654</b>	<b>617</b>

### 21.3 Commitments under derivative instruments

The group enters into option contracts, financial and commodity futures contracts, forward rate and interest rate swap agreements and other financial agreements in the normal course of business (note 33).

## 22. INTEREST INCOME

	2004 Rm	2003 Rm	2002 Rm
Mortgage loans	9 868	7 815	8 078
Lease and instalment debtors	2 963	3 377	2 859
Bills and acceptances	441	523	379
Overdrafts	1 608	2 915	2 617
Term loans and other	5 774	10 071	6 608
Government and other securities	1 374	1 093	1 094
Short-term funds and securities	1 797	1 923	1 972
Interest reserve – AC 133 adjustment		424	
	<b>23 825</b>	<b>28 141</b>	<b>23 607</b>

## 23. INTEREST EXPENSE

	2004 Rm	2003 Rm	2002 Rm
Deposit and loan accounts	9 791	13 046	11 552
Current and savings accounts	1 346	1 851	1 436
Negotiable certificates of deposit	2 324	4 155	2 069
Other liabilities	1 729	1 335	2 017
Long-term debt	1 068	946	578
	<b>16 258</b>	<b>21 333</b>	<b>17 652</b>

An analysis of the interest income and interest expense by asset and liability category is presented on the balance sheet and related interest table.

## 24. NON-INTEREST REVENUE

	2004 Rm	2003 Rm	2002 Rm
Commission and fees	5 716	5 208	4 540
Cash handling fees	298	262	
Insurance commission	216	208	
Exchange commission	200	176	
Guarantees	70	65	
Securities handling	5	3	
Service charges	1 476	1 267	
Other commission	1 873	1 590	
Fees	1 578	1 637	
Trading income	1 126	1 713	1 199
Securities trading	385	871	235
Exchange trading	741	842	964
Investment income	240	396	490
Dividends from other investments	143	153	173
Surplus on sale of banking investments	97	243	317
Other income	1 115	636	593
Administration fees	124	44	
Rents received	105	200	
Communication recoveries	5	3	
Endowment policy income/(losses on sale)	117	51	
Life assurance surplus/(loss)	16	(83)	24
Other income – first time consolidations*	248	30	
Other	500	391	569
	<b>8 197</b>	<b>7 953</b>	<b>6 822</b>

\* Other income – first-time consolidations includes R119 million gross profit, comprising turnover of R294 million and cost of sales of R175 million.

## 25. OPERATING EXPENSES

### 25.1 Analysis

	2004 Rm	2003* Rm	2002 Rm
Staff	5 350	4 949	3 854
Computer processing	1 234	1 270	948
Depreciation for computer equipment	210	262	209
Amortisation – Software	395	347	152
Operating lease charges for computer equipment	112	126	95
Other computer processing expenses	517	535	492
Communication and travel	434	473	371
Occupation and accommodation	1 005	969	765
Depreciation for freehold land and buildings	50	107	37
Depreciation for leasehold improvements	10	8	4
Operating lease charges for land and buildings	255	264	261
Other occupation and accommodation expenses	690	590	463
Marketing and public relations	502	559	445
Fees and insurances	1 319	1 077	593
Auditors' remuneration	121	93	48
Audit fees – current	66	52	31
– prior	14		4
Other services	41	41	13
Other fees	985	802	545
Insurances	213	182	
Office equipment and requisites	317	321	224
Depreciation for furniture and other equipment	176	173	119
Depreciation for vehicles	8	5	6
Operating lease charges for furniture and other equipment	48	50	41
Operating lease charges for vehicles	6	3	34
Other office equipment and requisites expenses	79	90	24
Sundry expenses	410	328	166
Transaction taxes	470	359	276
VAT	408	217	186
RSC levies	49	74	50
Revenue stamps	2	26	30
Other transaction taxes	11	42	10
Fees to alliance partners	70	4	
	<b>11 111</b>	<b>10 309</b>	<b>7 642</b>

\* Restated as per note 3.

### 25.2 Directors' remuneration – summary

	2004 Rm	2003* Rm	2002 Rm
From the company for services as non-executive directors	6	6	4
From subsidiary companies for services as executive directors	27	37	36
Salaries	14	22	18
Bonuses	10	15	18
Termination packages	3		
Gains on exercise of share options	1		72
Total directors' remuneration	<b>34</b>	<b>43</b>	<b>112</b>

\* Restated as per note 3.

Additional details regarding individual director's remuneration are detailed in the remuneration report.

### 25.3 Subsidiary expenses

Certain expenses incurred by the company on behalf of subsidiary companies are recovered from subsidiary companies.

## 26. NON-TRADING AND CAPITAL ITEMS

	2004 Rm	2003* Rm	2002 Rm
Net loss on investment in Dimension Data			(1 080)
Amortisation of goodwill	(248)	(424)	(426)
Impairment of goodwill	(126)	(1 379)	(75)
(Loss)/Profit on sale of subsidiaries, investments and property	(23)	349	(58)
Merger and reorganisation expenses			(35)
Impairment of investments	(3)	(81)	(56)
Impairment of property, equipment, software and capitalised development cost	(110)	(158)	(63)
	<b>(510)</b>	<b>(1 693)</b>	<b>(1 793)</b>

\* Restated as per note 3.

## 27. TAXATION

### 27.1 Taxation on income

	2004 Rm	2003* Rm	2002 Rm
<i>South African normal taxation</i>			
Current	335	148	150
Deferred	154	74	(67)
Secondary Tax on Companies	(18)	101	38
Foreign taxation	65	67	59
Current and deferred taxation on income	536	390	180
Prior-year under/(over) provision – current	40		(3)
Deferred			(12)
Total taxation on income	576	390	165
<i>Transaction and other taxation</i>			
Regional Services Council levies			50
Value-added tax charge			186
Stamp duty			30
Irrecoverable employees tax			
Other transaction taxes			10
Total transaction and other taxation			276
Tax on merger and re-organisation expenses			(23)
Total tax excluding non-trading and capital items	576	390	418

\* Restated as per note 3.

### 27.2 Taxation – non-trading and capital items

	2004 Rm	2003* Rm	2002 Rm
Impairment of investments, property, equipment, software and capitalised development cost	(27)	(37)	(21)
Loss on sale of subsidiaries, investments and property, plant and equipment	(10)	(1)	
Foreign exchange gains			(171)
Total taxation – non-trading and capital items	(37)	(38)	(192)

\* Restated as per note 3.

### 27.3 Total taxation including non-trading and capital items

	2004 Rm	2003* Rm	2002 Rm
Total taxation including non-trading and capital items	539	352	226

\* Restated as per note 3.



## 27.4 Taxation rate reconciliation (excluding non-trading and capital items)

	2004	2003*	2002
	Rm	Rm	Rm
	%	%	%
Standard rate of South African normal taxation	30	30	30
Dividend income	(7)	(26)	(7)
Differences between foreign tax rates and South African tax rate	3	(5)	(6)
Non-taxable investment income	(1)	(15)	(8)
Translation losses	5	60	11
Recognition of tax loss	(1)	(12)	(10)
Other	(5)	23	(5)
Total taxation on income as percentage of profit before taxation (excluding transaction taxes and non-trading and capital items)	24	55	5
Effective tax rate excluding foreign currency translation losses	21	18	13

\* Restated as per note 3.

## 27.5 Future taxation relief

The group has estimated taxation losses of R8 567 million (2003: R5 433 million, 2002: R894 million) that can be set-off against future taxable income, of which R7 747 million (2003: R5 233 million, 2002: R894 million) has been applied to a deferred taxation balance. Furthermore, the group has accumulated Secondary Tax on Companies ('STC') credits amounting to R405 million at the year-end (2003: R171 million, 2002: R138 million), which have arisen as a result of dividends received exceeding dividends paid. A deferred taxation asset of R50 million (2003: R21 million, 2002: R18 million) has been raised on these STC credits.

## 28. EARNINGS PER SHARE

	Attributable		Headline	
	Basic	Fully diluted	Basic	Fully diluted
<b>2004</b>				
Net earnings for year	974	974	1 447	1 447
Weighted average number of ordinary shares	360 878 724	360 878 724	360 878 724	360 878 724
<i>Adjusted for:</i>				
Employee incentive schemes' share options, which have a dilutive effect		875 164		875 164
Weighted average number of ordinary shares	360 878 724	361 753 888	360 878 724	361 753 888
Earnings per share (cents)	270	269	401	400
<b>2003</b>				
Net (loss)/earnings for year	(1 600)	(1 600)	55	55
Weighted average number of ordinary shares	271 518 137	271 518 137	271 518 137	271 518 137
<i>Adjusted for:</i>				
Rights issue bonus element	21 499 604	21 499 604	21 499 604	21 499 604
Employee incentive schemes' share options, which have a dilutive effect		420 363		420 363
Weighted average number of ordinary shares	293 017 741	293 438 104	293 017 741	293 438 104
(Loss)/Earnings per share (cents)	(546)	(545)	19	19
<b>2002</b>				
Net earnings for year	875	875	2 476	2 476
In issue at end of year	253 040 763	253 040 763	253 040 763	253 040 763
Employee incentive schemes' share options, which have a dilutive effect		1 828 720		1 828 720
Weighted average number of ordinary shares	253 040 763	254 869 483	253 040 763	253 869 483
Earnings per share (cents)	346	343	979	971

Attributable earnings and headline earnings per share are calculated by dividing the relevant earnings amount by the weighted average number of shares in issue. Fully diluted attributable earnings and fully diluted headline earnings per share are calculated by dividing the relevant earnings by the weighted average number of shares in issue, after taking the dilutive impact of potential ordinary shares to be issued into account.

## 29. DIVIDENDS

	Last date to register	Millions of shares	Cents per share	Rm
On fully paid shares				
Final declared for 2001 – paid 2002	05 April 02	241	310	747
Interim declared for 2002	06 September 02	261	205	535
Ordinary dividends paid 2002			<b>515</b>	<b>1 282</b>
Final declared for 2002 – paid 2003	20 March 03	271	310	839
Interim declared for 2003	29 August 03	271	205	556
Ordinary dividends paid 2003			515	1 395
Final declared for 2003 – paid 2004	08 April 04	275	35	96
Interim declared for 2004	03 September 04	394	44	173
Ordinary dividends paid 2004			<b>79</b>	<b>269</b>
Final ordinary dividend declared for 2004	23 March 05		76	

## 30. CASH FLOW INFORMATION

### 30.1 Reconciliation of profit/(loss) from operations to cash flows from operating activities

	2004 Rm	2003* Rm	2002 Rm
Profit/(Loss) from operations	1 730	(1 114)	1 142
<i>Adjusted for:</i>			
Transaction taxes (note 25)	470	359	
Depreciation (note 25)	454	555	375
Foreign currency translation losses	372	1 416	1 216
Goodwill amortisation and impairment (note 26)	374	1 803	501
Movement in impairment of advances	1 643	2 161	1 143
Impairment of long-term investments			1 080
Loss on disposal of property and equipment	105	107	56
Net income on investment banking assets	(97)	(243)	(317)
Amortisation – Software (note 25)	395	347	182
Impairment losses on investments, property, equipment, software and capitalised development cost (note 26)	113	239	119
Other non-cash-flow items (note 26)	23	(349)	58
Cash flows from operating activities	<b>5 582</b>	<b>5 281</b>	<b>5 555</b>

\* Restated as per note 3.

### 30.2 Cash received from clients

	2004 Rm	2003* Rm	2002 Rm
Interest income (note 22)	23 825	28 141	23 607
Commission and fees (note 24)	5 716	5 208	4 540
Trading income (note 24)	1 126	1 713	1 199
Other income	1 115	637	593
	<b>31 782</b>	<b>35 699</b>	<b>29 939</b>

\* Restated as per note 3.

**30.3 Cash paid to clients, staff and suppliers**

	2004 Rm	2003* Rm	2002 Rm
Interest expense	(15 190)	(20 387)	17 652
Interest expense on long-term debt (note 23)	(1 068)	(946)	
Staff costs (note 25)	(5 350)	(4 949)	3 853
Other operating expenses	(4 962)	(4 386)	3 128
	<b>(26 570)</b>	<b>(30 668)</b>	<b>24 633</b>

\* Restated as per note 3.

**30.4 Increase in operating assets**

	2004 Rm	2003* Rm	2002 Rm
Other short-term securities	(5 792)	4 585	501
Government and other securities	(4 891)	(10 657)	2 017
Advances and other accounts	(10 882)	(7 562)	7 793
	<b>(21 565)</b>	<b>(13 634)</b>	<b>10 311</b>

\* Restated as per note 3.

**30.5 Increase/(Decrease) in operating liabilities**

	2004 Rm	2003* Rm	2002 Rm
Current and savings accounts	(1 870)	(8 901)	4 117
Other deposit, loan and foreign currency liabilities	21 633	18 471	3 135
Negotiable certificates of deposit	(4 015)	(8 619)	4 509
Liabilities in respect of repurchase agreements	(443)	3 981	3 979
Creditors and other liabilities	(5 544)	(5 422)	(3 925)
	<b>9 761</b>	<b>(490)</b>	<b>11 815</b>

\* Restated as per note 3.

**30.6 Taxation paid**

	2004 Rm	2003* Rm	2002 Rm
Amounts pre-paid at beginning of year	112	238	80
Income statement charge (excluding deferred tax)	(440)	(316)	(572)
Transaction taxes	(470)	(359)	
Other movements	(2)	6	22
Acquisition of subsidiaries	(2)	(40)	8
Disposal of subsidiaries	1		
Portion of transaction taxation on fixed assets acquired to be depreciated in future years	(31)	(33)	(65)
Amounts pre-paid at end of year	(3)	(112)	(238)
	<b>(835)</b>	<b>(616)</b>	<b>(765)</b>

\* Restated as per note 3.

**30.7 Disposal of investments in subsidiary companies, net of cash**

	2004 Rm	2003* Rm	2002 Rm
Cash and short-term funds	219	56	
Other short-term securities	92		
Advances and other debtors	345	168	
Investments in associate companies		(109)	
Other investments		903	78
Insurance assets	515		
Property and equipment	50	6	
Deposits, current accounts and other creditors	(136)	(1 209)	
Current taxation liabilities	(1)		
Insurance funds	(660)		
Net assets/(liabilities) disposed	424	(185)	78
(Loss)/Profit on disposal	(26)	303	
Minority shareholders' equity		(4)	
Goodwill	164	178	
Consideration received	562	292	78
Less: Cash and short-term funds disposed	(219)	(56)	
Net consideration received	<b>343</b>	<b>236</b>	<b>78</b>

\* Restated as per note 3.

**30.8 Acquisition of investments in subsidiary companies, net of cash**

	2004 Rm	2003* Rm	2002 Rm
Cash and short-term funds	8	(111)	(1 959)
Other short-term securities		(190)	(3 114)
Government and other securities		(117)	(3)
Advances and other debtors	(64)	(1 826)	(44 804)
Other investments	(85)	(10)	(11 285)
Investments in associate companies		243	(65)
Property and equipment	(161)	(94)	(845)
Deposits, current accounts and other creditors	110	2 930	56 261
Long term debt instrument			664
Deferred taxation liabilities	3		
Current taxation liabilities	2		
Net (assets)/liabilities acquired	(187)	825	(5 737)
First time consolidation	177		
Minority shareholders' equity	(41)	17	(587)
Goodwill	(32)	(1 207)	(3 779)
Consideration paid	(83)	(365)	(9 516)
Less: Cash and short-term funds acquired	(8)	111	1 959
Net cash outflow	<b>(91)</b>	<b>(254)</b>	<b>(7 557)</b>

\* Restated as per note 3.

**30.9 Dividends paid**

	2004 Rm	2003* Rm	2002 Rm
Recognised in the statement of changes in equity (note 29)	(269)	(1 395)	(1 282)

\* Restated as per note 3.

### 31. FUNDS UNDER MANAGEMENT

#### 31.1 Fair value – by type

	2004 Rm	2003 Rm	2002 Rm
Unit trusts	21 632	18 765	18 583
Third party	17 488	28 482	55 174
Private clients	17 768	29 046	25 400
Other financial services	12 094	25 797	25 186
	<b>68 982</b>	<b>102 090</b>	<b>124 343</b>

#### 31.2 Fair value – by geography

	2004 Rm	2003 Rm	2002 Rm
South Africa	49 270	43 393	61 860
Rest of Africa			348
United Kingdom	1 130	40 702	43 187
United States			4 281
Rest of world	18 582	17 995	14 667
	<b>68 982</b>	<b>102 090</b>	<b>124 343</b>

#### 31.3 Movement – by type

	Unit trusts Rm	Third party and private clients Rm	Other financial services Rm	Total Rm
<b>2004</b>				
Fair value at beginning of year	18 765	57 528	25 797	102 090
Group transfers		(915)	915	–
Disposals	(1 194)	(20 404)	(15 175)	(36 773)
Inflows	9 316	10 593	2 649	22 558
Outflows	(7 541)	(12 844)	(753)	(21 138)
Mark-to-market value adjustment	3 255	2 535		5 790
Foreign currency translation differences	(969)	(1 237)	(1 339)	(3 545)
Fair value at end of year	18 765	35 256	12 094	68 982
<b>2003</b>				
Fair value at beginning of year	18 583	80 574	25 186	124 343
Acquisitions	1 339	1 119	2 171	4 629
Disposals	(1 877)	(17 806)		(19 683)
Inflows	11 276	9 093	13 048	33 417
Outflows	(9 994)	(13 837)	(12 280)	(36 111)
Mark-to-market value adjustment	696	2 595	1 275	4 566
Foreign currency translation differences	(1 258)	(4 210)	(3 603)	(9 071)
Fair value at end of year	18 765	57 528	25 797	102 090
<b>2002</b>				
Fair value at beginning of year	12 696	13 979	12 249	38 924
Acquisitions	11 472	72 416	16 285	100 173
Disposals		(690)	(48)	(738)
Inflows	2 264	15 081	9 473	26 818
Outflows	(3 751)	(9 801)	(9 447)	(22 999)
Mark-to-market value adjustment	(1 219)	(2 092)	(1 007)	(4 318)
Foreign currency translation differences	(2 879)	(8 319)	(2 319)	(13 517)
Fair value at end of year	18 583	80 574	25 186	124 343

### 31.4 Movement – by geography

	South Africa Rm	United Kingdom Rm	Rest of world Rm	Total Rm
<b>2004</b>				
Fair value at beginning of year	43 393	40 702	17 995	102 090
Group transfers	(915)		915	–
Disposals		(36 773)		(36 773)
Inflows	19 591	441	2 526	22 558
Outflows	(19 085)	(360)	(1 693)	(21 138)
Mark-to-market value adjustment	5 272		518	5 790
Foreign currency translation differences	1 014	(2 880)	(1 679)	(3 545)
Fair value at end of year	49 270	1 130	18 582	68 982
<b>2003</b>				
Fair value at beginning of year	61 860	43 187	19 296	124 343
Acquisitions	1 339	2 358	932	4 629
Disposals	(18 751)		(932)	(19 683)
Inflows	16 773	8 139	8 505	33 417
Outflows	(21 312)	(7 396)	(7 403)	(36 111)
Mark-to-market value adjustment	3 484	1 691	(609)	4 566
Foreign currency translation differences		(7 277)	(1 794)	(9 071)
Fair value at end of year	43 393	40 702	17 995	102 090
<b>2002</b>				
Fair value at beginning of year	13 819	605	24 500	38 924
Acquisitions	47 124	45 959	7 090	100 173
Disposals	(637)	(101)		(738)
Inflows	14 734	6 299	5 785	26 818
Outflows	(11 346)	(943)	(10 710)	(22 999)
Mark-to-market value adjustment	(1 833)	(1 349)	(1 136)	(4 318)
Foreign currency translation differences	(1)	(7 283)	(6 233)	(13 517)
Fair value at end of year	61 860	43 187	19 296	124 343

The group, through a number of subsidiaries, operates unit trusts, holds and invests funds on behalf of clients and acts as a trustee in a number of fiduciary capacities.

In addition, companies in the group operate securities and custodial services on behalf of clients. Commissions and fees earned in respect of trust and management activities performed are included in the income statement as non-interest revenue.

## 32. EMPLOYEE BENEFITS

The group has a number of defined-benefit and defined-contribution plans whereby it provides pension and post-retirement medical benefits to employees and their dependants on retirement or death. All eligible employees and former employees are members of trustee-administered or underwritten pension schemes within the group, financed by company and employee contributions. All South African plans are governed by the Pension Funds Act of 1956. The defined-benefit funds are actuarially valued using the projected-unit credit method. Any deficits are funded to ensure the ongoing financial soundness of the funds.

The benefits provided for by the defined-benefit schemes are based on years of membership and/or salary levels. These benefits are provided from contributions by employees, the group, and income from the assets of these schemes. The benefits provided for by the defined-contribution schemes are determined by the accumulated contributions and investment earnings. The benefits are provided from contributions by employees, the group and income from the assets of these schemes. At the dates of the latest valuations, the funds were in sound financial position in terms of section 16 of the Pension Funds Act of 1956. During 1998 active members in the Nedbank Group Pension Fund (defined-benefit) were granted a further option to transfer to one of the defined-contribution funds and approximately three-quarters of the then valuation surplus was allocated to members and pensioners.

### 32.1 Group defined-benefit plans

The group has recorded an asset of R1 075 million (2003: R791 million) in sundry debtors and a liability of R841 million (2003: R539 million) in sundry creditors in respect of defined-benefit plans. The respective asset and liability recognised in respect of medical defined benefit plans in accordance with the requirements of AC 116: Employee Benefits is R538 million (2003: R471 million) and R629 million (2003: R552 million).

#### *Nedbank Group*

At 31 December 2004, the date of the latest actuarial calculation, the Nedbank Group Pension Fund had assets totalling R2 527 million (2003: R2 322 million, 2002: R2 212 million) and the Nedbank Group Medical Aid Fund had assets totalling R538 million (2003: R471 million) at market value.

The respective actuarial valuation of the liabilities was R2 141 million (2003: R2 106 million, 2002: R1 879 million) and R534 million (2003: R480 million), resulting in a surplus of R386 million (2003: R216 million, 2002: R333 million) in the pension fund and a surplus of R4 million (2003: R9 million shortfall) in the medical aid fund.

The resulting asset to be recognised in sundry debtors on the balance sheet is R250 million (2003: R262 million).

#### **BoE**

As a consequence of the acquisition of BoE during 2002, the Nedbank Group now operates three further pension funds, namely NBS Group Pension Fund, Board of Executors Pension Fund and BoE Bank Division Pension Fund.

At 31 December 2004, the date of the latest actuarial calculation, the three BoE funds had combined assets totalling R347 million (2003: R330 million) at market value. The actuarial valuation of the combined liabilities was R264 million (2003: R257 million), resulting in a surplus of R83 million (2003: R73 million).

BoE's Medical Aid Fund at 31 December 2004, the date of the latest actuarial calculation, had assets totalling R nil (2003: R nil) at market value. The members now belong to the Nedbank Group Medical Aid Fund where post-retirement medical benefit liabilities are calculated at R82 million (2003: R72 million).

The resulting liability to be recognised on the balance sheet is R1 million (2003: R nil).

#### **Nedbank London**

At 31 December 2004, the date of the most recent actuarial calculation, the Nedbank London Pension Fund had assets totalling R144 million (2003: R142 million) at market value. The actuarial value of the liabilities was R193 million (2003: R170 million), resulting in a net liability of R49 million (2003: R28 million).

The resulting liability to be recognised on the balance sheet is R10 million (2003: R8 million).

#### **Fairbairn Private Bank (ex-Gerrard)**

At 31 December 2004, the date of the most recent actuarial calculation, the Fairbairn Private Bank Pension Fund had assets totalling R21 million (2003: R24 million) at market value. The actuarial value of the liabilities was R31 million (2003: R29 million), resulting in a net liability of R10 million (2003: R5 million).

The resulting liability to be recognised on the balance sheet is R4 million (2003: R2 million).

#### **Nedbank Swaziland**

At 31 December 2004, the date of the latest actuarial calculation, the Nedbank Swaziland Pension Fund had assets totalling R27 million (2003: R22 million) at market value. The actuarial valuation of the liabilities was R44 million (2003: R30 million), resulting in a net liability of R17 million (2003: R8 million).

The resulting asset to be recognised on the balance sheet is R nil (2003: R nil).

#### **Nedbank Lesotho**

At 31 December 2004, the date of the latest actuarial calculation, the Nedbank Lesotho Pension Fund had assets totalling R25 million (2003: R23 million) at market value. The actuarial valuation of the liabilities was R26 million (2003: R23 million), resulting in a net liability of R1 million (2003: R nil).

The resulting asset to be recognised on the balance sheet is R nil (2003: R nil).

#### **Nedbank Namibia**

Nedbank Namibia's Medical Aid Fund at 31 December 2004, the date of the latest actuarial calculation, had assets totalling R nil at market value. The post-retirement medical benefit liabilities are calculated at R12 million, resulting in a net liability of R12 million.

#### **Optiplus**

These are insurance plans, which are qualifying plan assets in terms of the accounting standard and are grossed up in the balance sheet and reflected in sundry creditors and debtors, respectively.

### 32.2 Amounts recognised in the balance sheet

	Defined-benefit pension plans		
	2004 Rm	2003 Rm	2002 Rm
Present value of funded obligations	(2 699)	(2 615)	(2 476)
Fair value of plan assets	3 090	2 863	2 797
Funded status	391	248	321
Unrecognised actuarial losses	185	528	361
Unrecognised asset due to application of asset ceiling (paragraph 59 – AC 116)	(342)	(524)	(407)
	234	252	275
Asset in balance sheet	1 075	791	275
Liability in balance sheet	(841)	(539)	

### 32.3 Amounts recognised in the income statement

	Defined-benefit pension plans		
	2004 Rm	2003 Rm	2002 Rm
Current service costs	(34)	(36)	(33)
Interest on obligation	(238)	(276)	(231)
Expected return on plan assets	260	304	315
Net actuarial gains recognised during the year	(78)	(14)	8
Effect of applying the asset ceiling	48	(34)	(93)
Total included in employee remuneration costs	(42)	(56)	(34)

### 32.4 Movements in the net asset recognised in the balance sheet

	Defined-benefit pension plans		
	2004 Rm	2003 Rm	2002 Rm
Net asset at beginning of year	252	275	275
Net expense recognised in the income statement	(42)	(56)	(34)
Contributions	24	33	34
	234	252	275
Asset recognised	1 075	791	275
Liability recorded	(841)	(539)	

### 32.5 Principal actuarial assumptions at balance sheet date

	Fairbairn Private Bank		Nedbank London			All other pension funds		
	2004 %	2003 %	2004 %	2003 %	2002 %	2004 %	2003 %	2002 %
Interest rate used to discount liabilities	5,30	9,50	5,25	5,50	6,50	8,50	9,50	11,50
Price inflation	2,90	5,00	3,00	0,00	2,50	4,00	5,00	6,50
Salary inflation	4,40	6,50	4,00	3,00	4,00	5,50	4,50–6,50	8,00
Expected rates of return on plan assets	6,00	9,50	6,25	5,50	6,25	4,50–9,50	5,00–9,50	6,62–15,00
Pensions in payment and deferred-pensions' inflation	2,70	5,00	3,00	2,50	3,00	0,46–4,00	1,39–4,78	11,00–12,10



### 32.6 Amounts recognised in the balance sheet

	Defined-benefit medical aid fund	
	2004 Rm	2003 Rm
Present value of funded obligations	629	552
Fair value of plan assets	(538)	(471)
Funded status	91	81
Unrecognised actuarial gains/(losses)	4	(9)
Net liability	95	72

### 32.7 Amounts recognised in the income statement

	2004 Rm	2003 Rm
Current service costs	24	23
Interest on obligations	52	51
Expected return on plan assets	(42)	(46)
Total included in employee remuneration costs	34	28

### 32.8 Principal actuarial assumptions at balance sheet date

		2004	2003
Expected return on plan assets	(%)	8,50 – 9,00	9,00
Interest rate used to discount liabilities	(%)	8,50 – 9,00	9,00
Annual increase to medical aid subsidy	(%)	6,00 – 6,50	6,50
Retirement age	(years)	60	60

## 33. DERIVATIVE FINANCIAL INSTRUMENTS

### 33.1 Derivative financial instruments

These transactions have been entered into in the normal course of business and no material losses are anticipated, other than those for which provision has been made in the income statement. There are no commitments or contingent commitments under derivative instruments that are settled, other than with cash.

The principal types of derivative contracts into which the group enters are described below;

#### *Swaps*

These are over-the-counter ('OTC') agreements between two parties to exchange periodic payments of interest, or payments for the change in value of a commodity, or related index, over a set period based on notional principal amounts. The group enters into swap transactions in several markets. Interest rate swaps exchange fixed rates for floating rates of interest based on notional amounts. Basis swaps exchange floating or fixed interest calculated using different bases. Cross currency swaps are the exchange of interest based on notional values of different currencies.

#### *Options*

Currency and interest rate options confer the right, but not the obligation, on the buyer to receive or pay a specific quantity of an asset or financial instrument for a specified price at or before a specified date. Options may be exchange traded or OTC agreements. The group principally buys and sells currency and equity options.

#### *Futures and forwards*

Short-term interest rate futures, bond futures, financial and commodity futures and forward foreign exchange contracts are all agreements to deliver, or take delivery of, a specified amount of an asset or financial instrument based on the specified rate, price or index applied against the underlying asset or financial instrument, at a specified date. Futures are exchange traded at standardised amounts of the underlying asset or financial instrument. Forward contracts are OTC agreements and are principally dealt in by the group in interest rates as forward rate agreements and in currency as forward foreign exchange contracts.

### Collateral

The group may require collateral in respect of the credit risk in derivative transactions. The amount of credit risk is principally the positive fair value of contracts. Collateral may be in the form of cash or in the form of a lien over a customer's assets entitling the group to make a claim for current and future liabilities.

### 33.2 Total carrying value of derivative financial instruments

	Gross carrying value of assets 2004 Rm	Gross carrying value of liabilities 2004 Rm	Net carrying value 2004 Rm	Gross carrying value of assets 2003 Rm	Gross carrying value of liabilities 2003 Rm	Net carrying value 2003 Rm	Gross carrying value of assets 2002 Rm	Gross carrying value of liabilities 2002 Rm	Net carrying value 2002 Rm
Total carrying value of derivative financial instruments	27 560	28 055	(495)	28 496	28 206	290	50 786	50 233	553

A detailed breakdown of the notional principal and fair value of the various types of derivative financial instruments held by the group is presented in the following tables.

### 33.3 Notional principal

This represents the gross notional amounts of all outstanding contracts at year-end. This gross notional amount is the sum of the absolute amount of all purchases and sales of derivative instruments. The notional amounts do not represent amounts exchanged by the parties and therefore represent only the measure of involvement by the group in derivative contracts and not its exposure to market or credit risks arising from such contracts. The amounts actually exchanged are calculated on the bases of the notional amounts and other terms of the derivative, which relate to interest rates, exchange rates, securities prices or financial and other indices.

### 33.4 Notional principal of derivative financial instruments

	Gross notional principal Rm	Positive notional principal Rm	Negative notional principal Rm
<b>2004</b>			
<i>Equity derivatives</i>			
Options written	30 020		30 020
Options purchased	5 266	5 266	
Futures	1 430	1 430	
	<b>36 716</b>	<b>6 696</b>	<b>30 020</b>
<i>Exchange rate contracts</i>			
Spot	2 908	1 383	1 525
Forwards	26 053	17 847	8 206
Currency swaps	109 962	58 373	51 589
Options purchased	226	226	
Options written	138		138
	<b>139 287</b>	<b>77 829</b>	<b>61 458</b>
<i>Interest rate contracts</i>			
Interest rate swaps	336 011	154 686	181 325
Forward rate agreements	193 482	92 277	101 205
Options purchased	470	470	
Options written	720		720
Futures	10 928	5 737	5 191
Caps	5 962	2 404	3 558
Floors	159	100	59
	<b>547 732</b>	<b>255 674</b>	<b>292 058</b>
<b>Total notional principal</b>	<b>723 735</b>	<b>340 199</b>	<b>383 536</b>

	Gross notional principal Rm	Positive notional principal Rm	Negative notional principal Rm
<b>2003</b>			
<i>Equity derivatives</i>			
Options written	3 963		3 963
Options purchased	3 828	3 828	
Futures	4 584	2 458	2 126
	<b>12 375</b>	<b>6 286</b>	<b>6 089</b>
<i>Exchange rate contracts</i>			
Spot	4 861	2 322	2 539
Forwards	31 722	17 039	14 683
Currency swaps	153 735	76 950	76 785
Options purchased	1 305	1 305	
Options written	822	41	781
	<b>192 445</b>	<b>97 657</b>	<b>94 788</b>
<i>Interest rate contracts</i>			
Interest rate swaps	299 770	134 327	165 443
Forward rate agreements	249 909	122 145	127 764
Options purchased	3 179	2 884	295
Options written	1 887		1 887
Futures	3 603	1 758	1 845
Caps	2 958	2 036	922
Floors	9		9
Credit-linked notes	1 644	1 557	87
Credit default swaps	66	66	
	<b>563 025</b>	<b>264 773</b>	<b>298 252</b>
Total notional principal	<b>767 845</b>	<b>368 716</b>	<b>399 129</b>
<b>2002</b>			
<i>Equity derivatives</i>			
Options written	3 963		3 963
Options purchased	3 828	3 828	
Futures	4 584	2 458	2 126
	<b>12 375</b>	<b>6 286</b>	<b>6 089</b>
<i>Exchange rate contracts</i>			
Spot	3 253	1 244	2 009
Forwards	167 723	84 375	83 348
Currency swaps	72 090	37 401	34 689
Options purchased	399	399	
Options written	382		382
	<b>243 847</b>	<b>123 419</b>	<b>120 428</b>
<i>Interest rate contracts</i>			
Interest rate swaps	253 717	127 307	126 410
Forward rate agreements	160 286	76 690	83 596
Options purchased	26 708	26 708	
Options written	15 072		15 072
Futures	4 469	2 829	1 640
Caps	876	395	481
Floors	27	9	18
Credit-linked notes	1 436	1 323	113
Credit default swaps	86	86	
	<b>462 677</b>	<b>235 347</b>	<b>227 330</b>
Total notional principal	<b>706 524</b>	<b>358 766</b>	<b>347 758</b>

### 33.5 Carrying value of derivative financial instrument assets and liabilities

The amounts disclosed represent the value of all derivative instruments held at 31 December 2004. The fair value of a derivative financial instrument is the amount at which it could be exchanged in a current transaction between willing parties, other than a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and market-accepted option and future pricing models.

When it is not practicable, owing to constraints of timeliness or cost, to determine the fair value of a derivative instrument with sufficient reliability, such derivative is included in the following table at a value calculated on an accrual basis. In terms of that basis a value is obtained by taking into account the original cost of the derivative and only the realised gains or losses in respect of the instrument.

### 33.6 Carrying value of derivative financial instrument assets and liabilities

	Net carrying value Rm	Carrying value of assets Rm	Carrying value of liabilities Rm
<b>2004</b>			
<i>Equity derivatives</i>			
Options written	(2 305)		2 305
Options purchased	3 209	3 209	
Futures	654	654	
	<b>1 558</b>	<b>3 863</b>	<b>2 305</b>
<i>Exchange rate contracts</i>			
Spot	10	284	274
Forwards	1 003	1 955	952
Currency swaps	758	8 359	7 601
Options purchased	95	95	
Options written	(38)		38
	<b>1 828</b>	<b>10 693</b>	<b>8 865</b>
<i>Interest rate contracts</i>			
Interest rate swaps	(3 892)	12 518	16 410
Forward rate agreements	(26)	437	463
Options purchased	37	37	
Options written	(4)		4
Futures		2	2
Caps		1	1
Floors	4	9	5
	<b>(3 881)</b>	<b>13 004</b>	<b>16 885</b>
Total carrying value	<b>(495)</b>	<b>27 560</b>	<b>28 055</b>

	Net carrying value Rm	Carrying value of assets Rm	Carrying value of liabilities Rm
<b>2003</b>			
<i>Equity derivatives</i>			
Options written	(1 150)		1 150
Options purchased	1 486	1 486	
Futures	375	1 186	811
	<b>711</b>	<b>2 672</b>	<b>1 961</b>
<i>Exchange rate contracts</i>			
Spot	46	328	282
Forwards	636	2 243	1 607
Currency swaps	(364)	10 978	11 342
Options purchased	33	33	
Options written	(18)		18
	<b>333</b>	<b>13 582</b>	<b>13 249</b>
<i>Interest rate contracts</i>			
Interest rate swaps	(2 854)	9 061	11 915
Forward rate agreements	(24)	394	418
Options purchased	34	34	
Options written	(349)		349
Futures	(7)	150	157
Caps	1	2	1
Floors	(1)		1
Credit-linked notes	2 379	2 534	155
Credit default swaps	67	67	
	<b>(754)</b>	<b>12 242</b>	<b>12 996</b>
Total carrying value	<b>290</b>	<b>28 496</b>	<b>28 206</b>
<b>2002</b>			
<i>Equity derivatives</i>			
Options written			
Options purchased			
Futures			
	<b>711</b>	<b>2 672</b>	<b>1 961</b>
<i>Exchange rate contracts</i>			
Spot	(13)	11	24
Forwards	65	34 274	34 209
Currency swaps	(1 031)	9 689	10 720
Options purchased	14	14	
Options written			
	<b>(965)</b>	<b>43 988</b>	<b>44 953</b>
<i>Interest rate contracts</i>			
Interest rate swaps	(1 084)	6 382	7 466
Forward rate agreements	(6)	166	172
Options purchased	295	295	
Options written	(651)		651
Futures	(3)	3	6
Caps		4	4
Collars	(1)		1
Floors		1	1
Credit-linked notes	2 493	2 703	210
	<b>1 043</b>	<b>9 554</b>	<b>8 511</b>
Total carrying value	<b>78</b>	<b>53 542</b>	<b>53 464</b>

### 33.7 Analysis of derivative instruments

	Exchange rate contracts Rm	Interest contracts Rm	Equity derivatives Rm	Total Rm
<i>Positive fair value of derivatives</i>				
<b>2004</b>				
<i>Maturity analysis</i>				
Under one year	9 138	1 170	1 834	12 142
One to five years	1 284	6 763	2 029	10 076
Over five years	271	5 071		5 342
	10 693	13 004	3 863	27 560
<i>Counterparty analysis</i>				
Financial institutions	6 926	11 708	3 703	22 337
Non-financial institutions	3 767	1 296	160	5 223
	10 693	13 004	3 863	27 560
<b>2003</b>				
<i>Maturity analysis</i>				
Under one year	7 425	933	1 881	10 239
One to five years	3 694	6 124	791	10 609
Over five years	2 463	5 185		7 648
	13 582	12 242	2 672	28 496
<i>Counterparty analysis</i>				
Financial institutions	11 197	11 571	1 456	24 224
Non-financial institutions	2 385	671	1 216	4 272
	13 582	12 242	2 672	28 496
<b>2002</b>				
<i>Maturity analysis</i>				
Under one year	36 793	587		37 380
One to five years	4 938	3 330		8 268
Over five years	2 257	5 637		7 894
	43 988	9 554		53 542
<i>Counterparty analysis</i>				
Financial institutions	43 203	9 477		52 680
Non-financial institutions	785	77		862
	43 988	9 554		53 542
<i>Negative fair value of derivatives</i>				
<b>2004</b>				
<i>Maturity analysis</i>				
Under one year	7 780	1 437	1 709	10 926
One to five years	755	5 776	591	7 122
Over five years	330	9 672	5	10 007
	8 865	16 885	2 305	28 055
<i>Counterparty analysis</i>				
Financial institutions	6 648	15 412	2 081	24 141
Non-financial institutions	2 217	1 473	224	3 914
	8 865	16 885	2 305	28 055

	Exchange rate contracts Rm	Interest contracts Rm	Equity derivatives Rm	Total Rm
<b>2003</b>				
<i>Maturity analysis</i>				
Under one year	7 544	1 433	1 884	10 861
One to five years	3 401	4 875	77	8 353
Over five years	2 304	6 688		8 992
	13 249	12 996	1 961	28 206
<i>Counterparty analysis</i>				
Financial institutions	12 445	12 249	1 212	25 906
Non-financial institutions	804	747	749	2 300
	13 249	12 996	1 961	28 206
<b>2002</b>				
<i>Maturity analysis</i>				
Under one year	37 043	658		37 701
One to five years	5 042	2 918		7 960
Over five years	2 868	4 935		7 803
	44 953	8 511		53 464
<i>Counterparty analysis</i>				
Financial institutions	44 799	8 389		53 188
Non-financial institutions	154	122		276
	44 953	8 511		53 464
<i>Notional principal of derivatives</i>				
<b>2004</b>				
<i>Maturity analysis</i>				
Under one year	131 461	278 008	5 809	415 278
One to five years	6 911	187 305	9 205	203 421
Over five years	915	82 419	21 702	105 036
	139 287	547 732	36 716	723 735
<i>Counterparty analysis</i>				
Financial institutions	114 984	429 930	35 670	580 584
Non-financial institutions	24 303	117 802	1 046	143 151
	139 287	547 732	36 716	723 735
<b>2003</b>				
<i>Maturity analysis</i>				
Under one year	178 939	252 719	8 689	440 347
One to five years	9 869	230 860	3 686	244 415
Over five years	3 637	79 446		83 083
	192 445	563 025	12 375	767 845
<i>Counterparty analysis</i>				
Financial institutions	172 327	461 734	6 415	640 476
Non-financial institutions	20 118	101 291	5 960	127 369
	192 445	563 025	12 375	767 845
<b>2002</b>				
<i>Maturity analysis</i>				
Under one year	213 528	233 113		446 641
One to five years	26 073	168 593		194 666
Over five years	4 246	60 971		65 217
	243 847	462 677		706 524
<i>Counterparty analysis</i>				
Financial institutions	218 396	456 355		674 751
Non-financial institutions	25 451	6 322		31 773
	243 847	462 677		706 524

### 33.8 Risk monitoring

Details of the group's risk management structure, policies and methods are noted in the Company's risk management report and the interest rate risk analysis is detailed in the Company's interest rate risk analysis report as disclosed in the Company's annual report.

### 34. FOREIGN CURRENCY CONVERSION GUIDE

Monetary figures in these financial statements are expressed to the nearest million South African Rand. The approximate value of the South African Rand at 31 December against the following currencies was:

	2004	2003	2002
United States dollar	0,1776	0,1509	0,1163
Pound sterling	0,0921	0,0847	0,0722
Euro	0,1302	0,1196	0,1110

### 35. ANALYSIS OF INVESTMENTS IN ASSOCIATE COMPANIES AND JOINT VENTURES

Name of company and nature of business	Method used to account for investment	2004	Holding	2002	Acquisition date	Year-end
		%	2003	%		
<b>Listed banking</b>						
State Bank of Mauritius Ltd	Equity	20,1	20,1	20,1	November 1997	June
<b>Technology</b>						
Net1 Applied Technology Holdings Ltd****	Equity		25,4	25,7	July 2000	June
<b>Other</b>						
SA Retail**	Equity		38,2		November 2001	March
<b>Unlisted banking</b>						
Banque SBM Madagascar	Equity	20,0	20,0	20,0	December 1999	December
Nedbank Namibia Limited (Formerly Commercial Bank of Namibia Ltd)*****	Equity			47,3	December 1994	December
HSB Equator Holdings plc	Equity			40,0	May 1994	December
Merchant Bank of Central Africa Ltd *****	Equity		29,3	29,3	December 1993	December
SBM Nedbank International Ltd	Equity	50,0	50,0	50,0	July 1999	June
<b>Technology</b>						
Acturis Ltd	Equity	69,4		60,3	March 2001	September
Hatch Investments (Mauritius) Ltd	Equity	37,5	37,5	37,5	March 2001	March
Business Connexion Solutions Holdings (Pty) Ltd	Equity			23,1	July 2002	February
Evolve Internet Incubator (Pty) Ltd	Equity			35,0	July 2002	June
Futurekids SA (Pty) Ltd	Equity			39,6	July 2002	March
Miraculum (Pty) Ltd***	Equity			31,7	July 2000	July
The Internet Solution (Pty) Ltd	Equity	20,0	20,0	20,0	June 2000	September
The IQ Business Group (Pty) Ltd	Equity	46,1	46,1	23,5	July 2000	June



**35. ANALYSIS OF INVESTMENTS IN ASSOCIATE COMPANIES AND JOINT VENTURES (Continued)**

Name of company and nature of business	Method used to account for investment	Holding 2004 %	2003 %	2002 %	Acquisition date	Year-end
<b>Other</b>						
AKA Capital (Pty) Ltd				25,0	July 2002	September
Blue Cloud Investments 40 (Pty) Ltd**	Equity		45,0	45,0	July 2002	December
BoE (Pty) Ltd ††	Equity	50,0	50,0		January 2003	December
BoE Life Assurance Company Ltd††	Equity	50,0	50,0		January 2003	December
Boness Development Phase 3 (Pty) Ltd****	Equity		100,0		January 1992	December
Bridgeport Properties (Pty) Ltd****	Equity		48,0	40,0	July 2002	September
Capricorn Science and Technology Park (Pty) Ltd†	Equity		10,4		November 1998	September
Catalyst Holdings (Pty) Ltd†	Equity		30,0	30,0	January 1999	December
Corobrik (Pty) Ltd-Aka Capital **	Equity			25,0	July 2002	June
Corovest – NIB Property Asset Management	Equity	40,0	35,0	50,0	May 2000	December
Erf 787 Lakefield (Pty) Ltd****	Equity		50,0	50,0	July 2002	June
G & C Shelf 31 (Pty) Ltd	Equity	40,0			May 2004	February
Growthpoint & Toontjiesrivier Joint Venture†	Equity	49,9	49,9		October 2002	December
Good Cape Limited**	Equity			50,0	July 2002	September
Forecourt Television Network**	Equity			17,3	July 2002	June
Inclub Properties (Pty) Ltd	Equity	28,0	28,0	28,0	July 2002	June
Linbro Village (Pty) Limited**	Equity			50,0	July 2002	March
Kimberley-Clark SA Holdings (Pty) Ltd	Equity	50,0			August 2004	December
Lyric Rose (Pty) Ltd	Equity	36,8	25,0	25,0	July 2002	February
Off The Shelf Investment Forty One (Pty) Ltd	Equity	33,3			December 2003	February
Retail Investment Holdings (Pty) Ltd**	Equity		50,0	49,0	July 2002	June
Robow Investments No 47 (Pty) Ltd	Equity	50,0	50,0		December 2002	February
Sanbona Properties (Pty) Ltd	Equity	50,0	50,0		October 2003	September
Sandton Square Portion 8 (Pty) Ltd	Equity	25,0	25,0	25,0	July 2002	April
Steenberg Office Development (Pty) Ltd	Equity	25,0	25,0	25,0	July 2002	February
Stowaway Self Storage South Africa (Pty) Ltd	Equity	50,0	50,0	50,0	July 2002	December
Superbia Four (Pty) Ltd	Equity	30,0	30,0	30,0	July 2002	February
Tokai Development (Pty) Ltd	Equity	25,0	25,0	25,0	July 2002	June
Western Cape Property Company Ltd**	Equity		23,0	23,0	November 1998	December
Win Twice Properties (Pty) Ltd **	Equity			30,0	July 2002	

		Date to which equity income accounted for	Equity accounted earnings			Carrying amount			Market value/ Directors' valuation			Net indebtedness of loans to/(from) associates		
			2004 Rm	2003 Rm	2002 Rm	2004 Rm	2003 Rm	2002 Rm	2004 Rm	2003 Rm	2002 Rm	2004 Rm	2003 Rm	2002 Rm
<b>Listed banking</b>														
State Bank of Mauritius Ltd	Equity	December 2004	51	61	61	336	382	482	356	458	327			
<b>Technology</b>														
Net1 Applied Technology Holdings Ltd****	Equity	December 2004	22	35	31		171	157		321	198			
<b>Other</b>														
SA Retail**	Equity	December 2004					372			367				
<b>Unlisted banking</b>														
Banque SBM Madagascar	Equity	December 2004	1	1	2	8	8	9	4	8	9			
Nedbank Namibia Limited (formerly Commercial Bank of Namibia Limited)****				27	32			93			93			
Merchant Bank of Central Africa Ltd)†	Equity	December 2004						43			43			
HSBC Equator Holdings plc**	Equity	December 2004			(2)			50			50			
SBM Nedbank International Ltd	Equity	December 2004	5	5	8	62	77	94	56	77	94			
<b>Technology</b>														
			22	5	(5)	127	138	375	275	207	430	55	55	31
Acturis Ltd Equity	Equity	December 2004				23		139	27		139			6
Business Connexion Solutions (Pty) Ltd**	Equity	December 2004			1			7			7			
Evolve Internet Incubator (Pty) Ltd**	Equity	December 2004			(3)			2			2			
FutureKids SA (Pty) Ltd**	Equity	December 2004			(2)			5			5			
Hatch Investments (Mauritius) Ltd Equity	Equity	December 2004		(6)	(3)			15			15			6
Miraculum (Pty) Ltd***	Equity	July 2004		(1)	(3)			*			*			
The Internet Solution (Pty) Ltd	Equity	December 2004	21	17	11	70	105	145	200	200	200	23	22	19
The IQ Business Group (Pty) Ltd	Equity	December 2004	1	(5)	(6)	34	33	62	48	7	62	32	33	
<b>Other</b>														
			46	(2)	32	510	479	202	665	464	235	142	338	154
Blue Cloud Investments 40 (Pty) Ltd**	Equity	December 2004			(1)		5	4		5	4		6	5
BoE (Pty) Ltd ††	Equity	December 2004	22	11		107	107		107	107				
BoE Life Assurance Company Ltd ††	Equity	December 2004	(12)	6		47	47		43	20		(12)	6	
Boness Development Phase 3 (Pty) Ltd****	Equity	December 2004	12	(12)			32			43			32	
Bridgeport Properties (Pty) Ltd****	Equity	December 2004	(1)		1		11	5		11	5		11	4
Capricorn Science and Technology Park (Pty) Ltd†	Equity	December 2004		(2)				7		7			10	
Catalyst Holdings (Pty) Ltd†	Equity	December 2004		1	8		32	36		32	36		37	36
Corovest – NIB Property Asset Management Erf 787 Lakefield (Pty) Ltd****	Equity	December 2004	*			7	6	7	7	6	7	7	6	
	Equity	December 2004	*				5	5		5	5	5	5	5
G & C Shelf 31 (Pty) Ltd	Equity	December 2004	*			11			11			10		
Growthpoint & Toontjiesrivier Joint Venture†	Equity	December 2004					106			106			106	
Inclub Properties (Pty) Ltd	Equity	December 2004	(2)	(2)	(1)		4	8		4	8		12	9

		Date to which equity accounted for	Equity earnings accounted for	Carrying amount	Market value/Net indebtedness of loans	Directors' valuation to/(from) associates							
		2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003	2002
		Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Kimberley-Clark SA Holdings (Pty) Ltd	Equity	December 2004	26		214			349					
Linbro Village (Pty) Limited **	Equity	December 2004		*			*			*			
Lyric Rose (Pty) Ltd	Equity	December 2004	1	*	*	6	4	4	6	4	4	6	4
NIB Securities **	Equity	December 2004			1								
Off The Shelf Investment Forty One (Pty) Ltd	Equity	December 2004	*			7	4		7	4		7	4
Retail Investment Holdings (Pty) Ltd**	Equity	December 2004			5		6	6		6	6		
Robow Investments No 47 (Pty) Ltd	Equity	December 2004	*			7	7		7	7		7	7
Sanbona Properties (Pty) Ltd	Equity	December 2004	(7)			29	2		43	2		51	
Sandton Square Portion 8 (Pty) Ltd	Equity	December 2004	*			28	15	13	28	15	13	28	15
Steenberg Office Development (Pty) Ltd	Equity	December 2004	*		*	1	1	1	1	1	1	1	1
Stowaway Self Storage South Africa (Pty) Ltd	Equity	December 2004	1	(1)	*		12	12		12	12		12
Superbia Four (Pty) Ltd	Equity	December 2004	(1)	1	*		1	*		1	*		
Tokai Development (Pty) Ltd	Equity	December 2004		(5)	5	*	2	9	*	2	9	*	2
Western Cape Property Company Ltd**	Equity	December 2004			(3)		2	10		2	10		11
Win Twice Properties (Pty) Ltd **	Equity	December 2004			*			4		4			4
Other *****			7	(1)	13	46	61	33	56	62	66	37	51
			147	132	162	1043	1 627	1 504	1 356	1 902	1 478	197	393
													202

\* Represents an amount less than R1 million.

\*\* Disposed of in 2004.

\*\*\* Disposed of in 2003, but still reflects equity income.

\*\*\*\* Disposed of in 2004, but still reflects equity income.

\*\*\*\*\* Consolidated as a subsidiary from 1 September 2003

† No longer accounted for as an associate.

†† Joint ventures (formerly subsidiaries).

††† This represents the group's economic interest in Acturis but due to a voting pool agreement Nedbank Group does not have the ability to exercise control.

### 36. SUBSIDIARY COMPANIES

A list of the subsidiary companies of the Nedbank Group at 31 December 2004 is listed in Annexure 13 to this Prospectus.

#### Segmental analysis

By business/operational	2004	2003*	2004	2003*	2004	2003*
	Total average assets Rbn	Total average assets Rbn	Operating income Rm	Operating income Rm	Headline earnings Rm	Headline earnings Rm
Nedbank Corporate	118	108	6 229	5 715	2 112	1 841
Imperial Bank	15	10	836	786	83	116
Nedbank Capital	61	68	2 440	2 305	878	837
Nedbank Retail	76	73	7 662	7 145	641	455
Shared Services	10	11	196	(139)	(751)	(1 116)
Capital Management and Central Funding	39	41	(1 583)	(2 125)	(1 516)	(2 078)
Eliminations	(20)	(20)	(388)	(342)		
	<b>299</b>	<b>291</b>	<b>15 392</b>	<b>13 345</b>	<b>1 447</b>	<b>55</b>

By geography	Operating income Rm	Operating income Rm	Headline earnings Rm	Headline earnings Rm
South Africa	14 236	11 961	1 216	(422)
Business operations	14 236	11 961	2 242	1 447
Merger and recovery programme expenses**			(425)	(320)
Foreign currency translation losses			(372)	(1 416)
Minority interest income attributable to preference shareholders			(229)	(133)
Rest of Africa	347	307	49	198
Rest of World	809	1 077	182	279
Business operations	809	1 077	196	279
Merger and recovery programme expenses**			(14)	
	<b>15 392</b>	<b>13 345</b>	<b>1 447</b>	<b>55</b>

\* Restated as per note 3.

\*\* Includes tax effect.

	Nedbank Group		Nedbank Corporate	
	2004 Rbn	2003* Rbn	2004 Rbn	2003* Rbn
<b>Average balance sheet</b>				
Cash and short-term funds	13	12	1	
Other short-term securities	11	15	1	1
Government and other securities	21	12	2	2
Derivative instruments***	26	28		
Mortgage loans	90	79	37	32
Leases and instalment debtors	27	21	11	10
Loans and overdrafts	93	100	49	62
Other assets	18	24	17	1
Total assets	299	291	118	108
Total interest-earning assets	242	224	117	107
Current and savings accounts	44	38	17	13
Deposit and other accounts	203	199	92	85
Long-term debt	9	7		
Derivative instruments***	24	28		
Allocated capital	19	19	9	10
<b>Total liabilities</b>	<b>299</b>	<b>291</b>	<b>118</b>	<b>108</b>
<b>Income statement</b>				
	Rm	Rm	Rm	Rm
Net interest income	7 567	6 808	4 061	4 001
Non-interest revenue	8 197	7 953	2 168	1 714
Foreign currency translation losses	(372)	(1 416)		
Gross operating income	15 392	13 345	6 229	5 715
Impairment of advances	1 416	2 063	266	564
Income after impairment of advances	13 976	11 282	5 963	5 151
Operating expenses	11 041	10 305	2 944	2 704
Fees to alliance partners	70	4		
Merger expenses	246	394	31	7
Recovery programme expenses	379		114	
Profit/(Loss) from operations	2 240	579	2 874	2 440
Attributable earnings of associates and joint ventures	147	132	33	5
Profit/(Loss) before taxation	2 387	711	2 907	2 445
Taxation	576	390	768	603
Profit/(Loss) after taxation	1 811	321	2 139	1 842
Minority interest income attributable to:				
– ordinary shareholders	135	133	27	1
– preference shareholders	229	133		
<b>Headline earnings</b>	<b>1 447</b>	<b>55</b>	<b>2 112</b>	<b>1 841</b>
<b>Selected ratios</b>				
	%	%	%	%
Return on average assets	0,45	0,02	1,79	1,70
Return on average equity	9,22	0,38	23,43	18,96
Interest margin	3,13	3,04	3,47	3,73
Impairments to net interest income	18,70	30,30	6,60	14,10
Non-interest revenue to gross income	52,00	53,90	34,80	30,00
Efficiency ratio**	74,50	72,50	49,60	47,40
Effective tax rate**	20,90	18,30	26,40	24,70
Staff complement (actual)	21 103	24 205	4 074	4 651

\* Restated as per note 3.

\*\* Excluding foreign currency translation losses.

\*\*\* Derivatives are reported and managed on a net basis within Nedbank Capital and Nedbank Corporate. However, the gross-up for derivatives is disclosed in Capital Management and Central Funding.

	Nedbank Capital		Imperial Bank	
	2004 Rbn	2003* Rbn	2004 Rbn	2003* Rbn
<b>Average balance sheet</b>				
Cash and short-term funds	6	6		
Other short-term securities	7	11		
Government and other securities	13	10		
Derivative instruments***				
Mortgage loans			4	4
Leases and instalment debtors			10	6
Loans and overdrafts	27	21	1	
Other assets	8	20		
<b>Total assets</b>	<b>61</b>	<b>68</b>	<b>15</b>	<b>10</b>
<b>Total interest earning assets</b>	<b>54</b>	<b>60</b>	<b>14</b>	<b>10</b>
Current and savings accounts	1	1		
Deposit and other accounts	57	64	13	9
Long-term debt			1	
Derivative instruments***				
Allocated capital	3	3	1	1
<b>Total liabilities</b>	<b>61</b>	<b>68</b>	<b>15</b>	<b>10</b>
<b>Income statement</b>	<b>Rm</b>	<b>Rm</b>	<b>Rm</b>	<b>Rm</b>
Net interest income	931	585	619	575
Non-interest revenue	1 509	1 720	217	211
Foreign currency translation losses				
Gross operating income	2 440	2 305	836	786
Impairment of advances	65	182	245	232
Income after impairment of advances	2 375	2 123	591	554
Operating expenses	1 090	902	402	339
Fees to alliance partners	19	36		
Merger expenses		27		
Recovery programme expenses	52			
Profit from operations	1 214	1 158	189	215
Attributable earnings of associates and joint ventures				
Profit before taxation	1 214	1 158	189	215
Taxation	334	321	24	(17)
Profit after taxation	880	837	165	232
Minority interest income attributable to:				
– ordinary shareholders	2		82	116
– preference shareholders				
<b>Headline earnings</b>	<b>878</b>	<b>837</b>	<b>83</b>	<b>116</b>
<b>Selected ratios</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Return on average assets	1,44	1,23	0,55	1,16
Return on average equity	30,87	33,42	11,33	16,70
Interest margin	1,71	0,97	4,47	5,53
Impairments to net interest income	7,00	31,10	39,60	40,40
Non-interest revenue to gross income	61,80	74,60	26,00	26,80
Efficiency ratio**	47,60	41,90	48,10	43,10
Effective tax rate**	27,50	27,70	12,80	(7,90)
Staff complement (actual)	602	853	753	643

\* Restated as per note 3.

\*\* Excluding foreign currency translation losses.

\*\*\* Derivatives are reported and managed on a net basis within Nedbank Capital and Nedbank Corporate. However, the gross-up for derivatives is disclosed in Capital Management and Central Funding.

	Nedbank Retail		Shared Services	
	2004 Rbn	2003* Rbn	2004 Rbn	2003* Rbn
<b>Average balance sheet</b>				
Cash and short-term funds	1	1	1	1
Other short-term securities	3	3		
Government and other securities				
Derivative instruments***				
Mortgage loans	49	43		
Leases and instalment debtors	6	5		
Loans and overdrafts	12	12		
Other assets	5	9	9	10
<b>Total assets</b>	<b>76</b>	<b>73</b>	<b>10</b>	<b>11</b>
<b>Total interest earning assets</b>	<b>69</b>	<b>64</b>	<b>1</b>	<b>2</b>
Current and savings accounts	26	24		
Deposit and other accounts	45	44	9	10
Long-term debt				
Derivative instruments***				
Allocated capital	5	5	1	1
<b>Total liabilities</b>	<b>76</b>	<b>73</b>	<b>10</b>	<b>11</b>
<b>Income statement</b>	<b>Rm</b>	<b>Rm</b>	<b>Rm</b>	<b>Rm</b>
Net interest income	3 816	3 672	(375)	(536)
Non-interest revenue	3 846	3 473	571	397
Foreign currency translation losses				
Gross operating income	7 662	7 145	196	(139)
Impairment of advances	930	937	25	(2)
Income after impairment of advances	6 732	6 208	171	(137)
Operating expenses	5 742	5 562	1 102	843
Fees to alliance partners	51	(32)		
Merger expenses	17	91	198	267
Recovery programme expenses	79		134	
Profit/(Loss) from operations	843	587	(1 263)	(1 247)
Attributable earnings of associates and joint ventures	10	18	103	109
Profit/(Loss) before taxation	853	605	(1 160)	(1 138)
Taxation	194	135	(411)	(23)
Profit/(Loss) after taxation	659	470	(749)	(1 115)
Minority interest income attributable to:				
– ordinary shareholders	18	15	2	1
– preference shareholders				
<b>Headline earnings</b>	<b>641</b>	<b>455</b>	<b>(751)</b>	<b>(1 116)</b>
<b>Selected ratios</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Return on average assets	0,84	0,62		
Return on average equity	12,79	9,74		
Interest margin	5,56	5,78		
Impairments to net interest income	24,40	25,50		
Non-interest revenue to gross income	50,20	48,60		
Efficiency ratio**	76,90	78,70		
Effective tax rate**	22,70	22,30		
Staff complement (actual)	6 696	7 263	8 959	10 762

\* Restated as per note 3.

\*\* Excluding foreign currency translation losses.

\*\*\* Derivatives are reported and managed on a net basis within Nedbank Capital and Nedbank Corporate. However, the gross-up for derivatives is disclosed in Capital Management and Central Funding.

	Capital Management and Central Funding		Eliminations	
	2004 Rbn	2003* Rbn	2004 Rbn	2003* Rbn
<b>Average balance sheet</b>				
Cash and short-term funds	4	4		
Other short-term securities				
Government and other securities	5		1	
Derivative instruments***	26	28		
Mortgage loans				
Leases and instalment debtors				
Loans and overdrafts	4	5		
Other assets		4	(21)	(20)
<b>Total assets</b>	<b>39</b>	<b>41</b>	<b>(20)</b>	<b>(20)</b>
Total interest-earning assets	9	3	(22)	(22)
Current and savings accounts				
Deposit and other accounts	6	5	(19)	(18)
Long-term debt	8	7		
Derivative instruments***	24	28		
Allocated capital	1	1	(1)	(2)
<b>Total liabilities</b>	<b>39</b>	<b>41</b>	<b>(20)</b>	<b>(20)</b>
<b>Income statement</b>				
	Rm	Rm	Rm	Rm
Net interest income	(1 485)	(1 489)		
Non-interest revenue	274	780	(388)	(342)
Foreign currency translation losses	(372)	(1 416)		
Gross operating income	(1 583)	(2 125)	(388)	(342)
Impairment of advances	(115)	150		
Income after impairment of advances	(1 468)	(2 275)	(388)	(342)
Operating expenses	149	297	(388)	(342)
Fees to alliance partners				
Merger expenses		2		
Recovery programme expenses				
(Loss) from operations	(1 617)	(2 574)	–	–
Attributable earnings of associates and joint ventures	1			
(Loss) before taxation	(1 616)	(2 574)	–	–
Taxation	(333)	(629)		
(Loss) after taxation	(1 283)	(1 945)	–	–
Minority interest income attributable to:				
– ordinary shareholders	4			
– preference shareholders	229	133		
<b>Headline earnings</b>	<b>(1 516)</b>	<b>(2 078)</b>	<b>–</b>	<b>–</b>
<b>Selected ratios</b>				
	%	%	%	%
Return on average assets				
Return on average equity				
Interest margin				
Impairments to net interest income				
Non-interest revenue to gross income				
Efficiency ratio**				
Effective tax rate**				
Staff complement (Actual)	19	33		

\* Restated as per note 3.

\*\* Excluding foreign currency translation losses.

\*\*\* Derivatives are reported and managed on a net basis within Nedbank Capital and Nedbank Corporate. However, the gross-up for derivatives is disclosed in Capital Management and Central Funding.



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## RESTATED REVIEWED HISTORICAL FINANCIAL INFORMATION IN TERMS OF IFRS

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'NEDCOR LIMITED

(Incorporated in the Republic of South Africa)

Registration number: 1966/010630/06

JSE share code: NED ISIN: ZAE000004875

('Nedcor')

### 1. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Restatement of financial information for the year ended 31 December 2004 and the six months ended 30 June 2004 under International Financial Reporting Standards ('IFRS').

### 2. INTRODUCTION

For the year ended 31 December 2004 the Nedcor group ('the group') prepared its financial statements under South African Statements of Generally Accepted Accounting Practice ('SA GAAP') as effective at that date. In accordance with the JSE Securities Exchange South Africa ('JSE') Listings Requirements the group will be required to prepare its consolidated financial statements in accordance with IFRS (and revised SA GAAP effective for financial periods commencing on or after 1 January 2005) for the year ending 31 December 2005. IFRS refers to the application of International Accounting Standards ('IAS') and IFRS.

This requirement applies to financial reporting for all listed companies for financial reporting periods beginning on or after 1 January 2005 and, consequently, Nedcor's first published IFRS results will be its interim results for the six months ending 30 June 2005. The group's first published financial statements under IFRS will be for the year ending 31 December 2005. As the group publishes comparative information for one year in its financial statements, the date for transition to IFRS is 1 January 2004, which represents the start of the earliest period of comparative information presented.

In order to explain how Nedcor's reported performance and financial position are impacted by IFRS, the group has restated information previously published under SA GAAP to the equivalent basis under IFRS. This restatement follows the guidelines set out in IFRS 1, First-time Adoption of International Financial Reporting Standards ('IFRS 1').

The effect of IFRS, in particular the changes to the accounting treatment for goodwill, which is no longer amortised, and share-based payments (including the BEE deal), which are now expensed through the income statement, make Nedcor's published 2007 targets more challenging. These targets will be revisited during the annual budgeting and three-year forecasting process, which takes place in the second half of the year.

The adoption of IFRS has resulted in certain income statement adjustments that may not be repeated in future reporting periods. It is important to note that this financial information has been prepared in accordance with IFRS statements that are expected to be effective at 31 December 2005. These are subject to ongoing review and possible amendment by interpretive guidance from the International Accounting Standards Board ('IASB') and may therefore be subject to change. It should further be noted that the ultimate presentation, and income statement and balance sheet captions, could also change.

Old Mutual plc, Nedcor's ultimate holding company, is required to prepare its financial statements in accordance with IFRS as endorsed by the European Union ('EU'). The EU has not endorsed the full version of IAS 39, Financial Instruments: Recognition and Measurement ('IAS 39') and it has instead endorsed a 'carved out' version. The 'carve out' requires financial liabilities previously designated as fair value through profit or loss to be valued on an amortised cost basis. The 'carve out' does not apply to the South African reported information and Nedcor has retained the fair value designation for local reporting, but reports to Old Mutual plc in line with the 'carve out'.

### 3. BASIS OF PREPARATION

The group has prepared the consolidated preliminary balance sheet at 31 December 2004 and the consolidated preliminary income statement for the year then ended, in accordance with IFRS ('the preliminary financial information') to establish the financial position and results of operations of the group necessary to provide the comparative information expected to be included in the group's first set of IFRS financial statements for the year ending 31 December 2005.

The board acknowledges its responsibility for the preparation of the preliminary financial information which has been prepared in accordance with IFRS and policies expected to be adopted when the board prepares the group's first set of IFRS financial statements for the year ending 31 December 2005. The board has approved the preliminary financial information.

The preliminary financial information does not reflect any changes in respect of any possible amendments to IAS 39 that restrict the use of the fair value option. Proposals to restrict the fair value option are being considered by the IASB and Nedcor will continue to monitor industry developments in this area. There have been no material adjustments to the cash flow statement in respect of cash utilised by operating activities before taxation, cash flows from investment activities and cash flows from financing activities as a result of the adoption of IFRS.

#### 4. TRANSITIONAL ARRANGEMENTS

The date of transition to IFRS for the group is 1 January 2004 and therefore as required by IFRS 1, the group's opening balance sheet at 1 January 2004 has been restated to reflect all existing IFRS statements expected to be applicable at 31 December 2005. However, IFRS 1 allows a number of exemptions to this retrospective application principle upon adoption of IFRS. The group has adopted the following transitional arrangements on a consistent basis with its ultimate holding company, Old Mutual plc:

- Cumulative translation differences: the group has elected that the cumulative translation differences for foreign operations are deemed to be zero at the date of transition.
- Business combinations: the group has elected not to retrospectively apply the requirements of IFRS 3, Business Combinations ('IFRS 3') for business combinations that occurred prior to 31 March 2004 and consequently no adjustment has been made for historical business combinations.
- Property, plant and equipment: the group has elected to measure individual items of property, plant and equipment at fair value at the date of transition to IFRS, hence fair value is deemed to be cost at that date.
- Employee benefits: the group has elected to recognise all cumulative actuarial gains and losses on defined benefit post-retirement schemes in equity at the date of transition.
- Share-based payments: the group has elected not to apply the provisions of IFRS 2, Share-based Payments ('IFRS 2') to equity-settled awards granted on or before 7 November 2002, or to awards granted after the date but which had vested prior to 1 January 2005.

The group has not elected to apply the exemption within IFRS 1 that allows comparative information presented in the first year of adoption of IFRS not to comply with IAS 32, Financial Instruments: Disclosure and Presentation ('IAS 32') and IAS 39. Where estimates have previously been made under SA GAAP, consistent estimates (after adjustments to reflect any difference in accounting policies) have been made for the same date on transition to IFRS.

#### 5. MATERIAL ADJUSTMENTS

The basis of the material adjustments, net of the associated tax impact, as shown in the tables for Reconciliation of assets, liabilities and equity, Reconciliation of income statement and Reconciliation of changes in shareholders' equity are noted below:

##### **Note 1: Credit impairment**

Previously the group calculated its impairment losses on loans and advances on an 'expected loss' basis. Credit impairments were calculated using historical data and trends. The discount rate used to calculate the recoverable amount included an allowance for a credit spread.

Under IFRS the group has moved to an 'incurred loss' basis. Impairment losses are incurred only if there is objective evidence of impairment as a result of one or more past events that have occurred since initial recognition. IFRS also allows for the creation of a credit impairment for incurred but not reported ('IBNR') losses in order to provide for latent losses in a portfolio of loans that have not yet been individually evidenced. The discount rate used to calculate the recoverable amount now excludes any allowance for a credit spread.

##### **Note 2: Revenue recognition and deferred acquisition costs**

Previously fees charged and certain related acquisition costs for originating loans were recognised immediately in the income statement.

In accordance with IFRS, fees charged for loans are recognised as revenue as the services are provided. Initial fees, which relate to the future provision of services, are deferred and amortised over the anticipated period in which the services will be provided.

Similarly costs that are directly attributable to securing a loan are deferred as an asset and amortised as the related revenue is recognised.

##### **Note 3: Goodwill**

Previously, the group recognised acquired goodwill at cost and amortised it on a straight-line basis over its expected useful life. Goodwill was subject to review for indications of impairment and any impairment losses were recognised in the income statement.

IFRS requires that goodwill is not amortised but is subject to impairment reviews, both annually and when there are indications that the carrying value may not be recoverable. Negative goodwill is no longer recognised on the balance sheet but in the income statement as it arises.

The 2004 goodwill amortisation previously recognised in the income statement has been reversed, resulting in a corresponding increase in equity. All goodwill has been tested for impairment at 1 January 2004, 30 June 2004, and 31 December 2004 in accordance with IFRS with no further impairment being recognised on transition. Negative goodwill that was previously held on the balance sheet at the transition date was released to reserves.

#### **Note 4: Foreign exchange**

Previously the group classified the assets and liabilities of all foreign subsidiaries and branches as either foreign entities or integrated operations. The foreign currency adjustments arising from the translation of foreign entities were recognised directly in equity, in the Foreign Currency Translation Reserve ('FCTR'), while those of the integrated operations were recognised in the income statement.

IFRS requires the group to determine the 'functional currency' for all entities and the distinction between foreign entities and integrated operations has been removed. An entity, which has a non-Rand functional currency, is translated at the closing exchange rate and the differences arising are reported directly to equity, whilst all other entities classified as having a rand functional currency report foreign currency translation differences in the income statement.

The group has elected to apply the exemption afforded to it by IFRS 1 and reset the balance of the FCTR to zero at the date of transition to IFRS.

#### **Note 5: Share-based payments**

The group grants share options to employees under employee share incentive schemes. Other than costs incurred in administering the schemes, which were expensed as incurred, the schemes did not result in any expense to the group, other than a dilution in earnings per share when the shares were issued.

In accordance with the requirements of IFRS, the group has recognised an expense in the income statement, with a corresponding credit to equity, representing the fair value of outstanding employee share options with regard to its equity settled schemes. The fair value at the date of granting the options is charged to income over the relevant option vesting periods, adjusted to reflect actual and expected levels of vesting.

#### **Note 6: Post-employment benefits**

Previously the group elected to use the corridor method for the recognition of actuarial gains and losses. Only cumulative actuarial gains or losses in excess of 10% of the surplus or deficit in the fund were amortised in the income statement. Cumulative gains or losses inside this corridor were carried on the balance sheet and recognised over the expected remaining working lives of the employees.

Under IFRS 1 the group has applied the option to eliminate its pension fund corridor against opening retained income at the date of transition. The asset has been eliminated and the adjustment taken to retained earnings at 1 January 2004. Future actuarial gains or losses will continue to be recognised using the corridor method.

#### **Note 7: Property, plant and equipment**

Previously property, plant and equipment were measured at cost less accumulated depreciation and impairment losses. Under IFRS, equipment, (principally computer equipment, motor vehicles, fixtures and furniture), is still stated at cost less accumulated depreciation and impairment losses.

Owner-occupied property has been recognised at revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation and accumulated impairment losses. Increases in valuation of the properties are taken to a revaluation reserve. This revaluation reserve is amortised over the remaining useful life of the property. Land is not depreciated.

Investment properties are stated at revalued amounts, being fair value at the date of revaluation less accumulated impairment losses. Increases or decreases in valuation are recognised in the income statement and investment properties are not depreciated.

## **6. REVIEW OPINION**

This restatement of financial information for the year ended 31 December 2004 and the six months ended 30 June 2004 has been reviewed by the group's auditors, KPMG Inc and Deloitte & Touche, and their review opinion is available for inspection at the group's registered office. Their report includes an emphasis of matter that the scope of their review did not include the presentation and disclosure aspects of IFRS and was limited to the recognition and measurement criteria of IFRS only. They further note that amendments to the interpretive guidance issued by the IASB, between the date of this announcement and the finalisation of the financial statements for the year ending 31 December 2005, may result in changes to the restatements published.

Sandton  
3 May 2005

## Financial highlights

		Reviewed As reported under IFRS		Reviewed As previously reported at	
		31 December 2004	30 June 2004	31 December 2004	30 June 2004
<b>Share statistics</b>					
Number of shares in issue	m	394,2	392,9	394,2	392,9
Weighted average number shares	m	360,9	327,8	360,9	327,8
Fully diluted weighted average number of shares	m	361,8	330,1	361,8	330,1
Headline earnings per share	cents	483	245	401	153
Fully diluted headline earnings per share	cents	481	243	400	151
Attributable earnings per share	cents	423	247	270	116
Fully diluted attributable earnings per share	cents	422	245	269	115
Dividends declared per share	cents	120	44	120	44
Dividend cover	times	4.0	5.6	3.3	3.5
Net asset value per share (Investments at market value)	cents	4 692	4 499	4 590	4 444
Tangible net asset value per share (Investments at market value)	cents	3 400	3 162	3 357	3 132
<b>Key ratios</b>					
Return on ordinary shareholders' equity	%	11,0	11,7	9,2	7,3
Return on total assets	%	0,54	0,53	0,45	0,33
Net-interest income to interest earning assets	%	3,13	3,06	3,13	3,05
Non-interest revenue to total income	%	50,2	48,6	50,8	48,7
Impairments to total advances	%	2,9	3,2	2,9	3,3
Efficiency ratio	%	74,8	79,0	76,3	79,9

## Income statement

Prepared in accordance with IFRS	Reviewed For the year ended 31 December 2004 Rm	Reviewed For the six months ended 30 June 2004 Rm
	Interest and similar income	23 904
Interest expense and similar charges	16 322	8 149
Net interest income	7 582	3 595
Non-interest revenue	7 936	3 495
Foreign currency translation losses	(280)	(98)
Total income after foreign currency translation losses	15 238	6 992
Impairment losses on loans and advances	1 217	409
Income after impairment losses on loans and advances	14 021	6 583
Total expenses	11 404	5 524
Operating expenses	10 709	5 113
Fees due to alliance partners	70	83
Recovery programme expenses	379	234
Merger expenses	246	94
Profit from operations before non trading and capital items	2 617	1 059
Non-trading and capital items	(254)	(9)
Impairment of goodwill	(87)	(91)
(Loss)/Profit on sale of subsidiaries investments and property and equipment	(74)	137
Net impairment of investments, property and equipment and capitalised development costs	(93)	(55)
Profit from operations	2 363	1 050
Share of profits of associates and joint ventures	147	80
Profit before taxation	2 510	1 130
Taxation	668	159
Taxation on non-trading and capital items	(39)	(17)
Profit after taxation	1 881	988
Minority interest income attributable to ordinary shareholders	(125)	(68)
Minority interest income attributable to preference shareholders	(229)	(110)
Profit attributable to shareholders for the period	1 527	810
Headline earnings reconciliation		
Profit attributable to ordinary shareholders for the period	1 527	810
Less: Non-trading and capital items	(215)	8
Impairment of goodwill	(87)	(91)
(Loss)/Profit on sale of subsidiaries, investments and property and equipment	(74)	137
Net impairment of investments, property and equipment and capitalised development costs	(93)	(55)
Taxation on above items	39	17
Headline earnings	1 742	802
Headline earnings excluding foreign currency, translation losses	2 022	900

## Reconciliation of income statement

	Notes	Profit attributable to ordinary shareholders	
		Reviewed For the year ended 31 December 2004 Rm	Reviewed For the six months ended 30 June 2004 Rm
<b>As previously reported</b>		<b>974</b>	<b>380</b>
<i>Adjustments for:</i>			
Credit impairment	1	140	215
Revenue recognition and deferred acquisition costs	2	(31)	(14)
Goodwill	3	281	127
Foreign exchange	4	91	116
Share-based payments	5	(15)	(4)
Post-employment benefits	6	131	
Property, plant and equipment	7	(44)	(10)
<b>As reported under IFRS</b>		<b>1 527</b>	<b>810</b>

## Balance sheet

Prepared in accordance with IFRS	Reviewed 31 December 2004 Rm	Reviewed 30 June 2004 Rm	Reviewed 1 January 2004 Rm
<b>ASSETS</b>			
Cash and balances with central banks	10 050	11 809	12 227
Other short-term securities	16 310	9 549	10 610
Government and other securities	26 224	22 322	21 333
Derivative financial instruments	27 560	21 509	28 496
Loans and advances to customers	221 275	206 553	210 045
Other assets	6 816	8 391	6 669
Current taxation receivable	196	174	256
Investments in associate companies and joint ventures	1 089	1 464	1 627
Investment securities	6 565	8 167	8 940
Post-employment assets	992	506	529
Deferred taxation asset	1 169	1 245	3 146
Investment property	174	133	175
Property, plant and equipment	2 828	2 704	2 842
Non-current assets held for sale	48	13	13
Computer software and capitalised development costs	1 419	1 558	1 710
Goodwill	3 676	3 695	3 762
Customers' indebtedness for acceptances	1 509	1 009	835
<b>Total assets</b>	<b>327 900</b>	<b>300 801</b>	<b>313 215</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Share capital	394	393	275
Share premium	9 892	9 832	4 801
Reserves	8 211	7 452	6 466
Ordinary shareholders' equity	18 497	17 677	11 542
Minority shareholders' equity			
Attributable to preference shareholders	2 770	2 770	2 802
Attributable to ordinary shareholders	681	665	622
Shareholders' equity and minority interests	21 948	21 112	14 966
Derivative financial instruments	28 055	19 856	28 206
Amounts owed to depositors	254 299	236 618	238 404
Other liabilities	9 117	8 988	11 834
Deferred revenue	257	225	194
Current taxation liabilities	193	189	144
Deferred taxation liabilities	1 125	864	2 731
Post-employment liabilities	979	640	663
Investment contract liabilities	3 109	3 803	5 152
Long-term debt instruments	7 309	7 497	10 086
Liabilities under acceptances	1 509	1 009	835
<b>Total liabilities</b>	<b>305 952</b>	<b>279 689</b>	<b>298 249</b>
<b>Total shareholders' equity and liabilities</b>	<b>327 900</b>	<b>300 801</b>	<b>313 215</b>
Guarantees on behalf of customers excluded from assets	10 770	10 429	12 403

## Cash flow statement

	Reviewed For the year ended 31 December 2004 Rm	Reviewed For the six months ended 30 June 2004 Rm
Prepared in accordance with IFRS		
Cash and balances with central banks at beginning of period	12 227	12 227
Cash utilised by operating activities before taxation	(6 081)	(3 682)
Taxation paid	(835)	(285)
Cash flows from investment activities	2 836	1 228
Cash flows from financing activities	1 903	2 321
<b>Cash and balances with central banks at end of period</b>	<b>10 050</b>	<b>11 809</b>

## Reconciliation of assets, liabilities and equity

Reviewed	Notes	Assets		
		31 December 2004 Rm	30 June 2004 Rm	1 January 2004 Rm
As previously reported		327 238	300 353	313 113
<i>Adjustments for:</i>				
Credit impairment	1	107	185	(33)
Revenue recognition and deferred acquisition costs	2	81	69	59
Goodwill	3	281	127	
Share-based payments	5	18	8	7
Post-employment benefits	6	(45)	(176)	(176)
Property, plant and equipment	7	220	235	245
<b>As reported under IFRS</b>		<b>327 900</b>	<b>300 801</b>	<b>313 215</b>

## Reconciliation of assets, liabilities and equity

Reviewed	Notes	Liabilities		
		31 December 2004 Rm	30 June 2004 Rm	1 January 2004 Rm
As previously reported		305 652	279 421	298 012
<i>Adjustments for:</i>				
Credit impairment	1			
Revenue recognition and deferred acquisition costs	2	257	225	194
Goodwill	3			
Share-based payments	5			
Post-employment benefits	6	43	43	43
Property, plant and equipment	7			
<b>As reported under IFRS</b>		<b>305 952</b>	<b>279 689</b>	<b>298 249</b>

## Reconciliation of assets, liabilities and equity

Reviewed	Notes	Equity		
		31 December 2004 Rm	30 June 2004 Rm	1 January 2004 Rm
As previously reported		21 586	20 932	15 101
<i>Adjustments for:</i>				
Credit impairment	1	107	185	(33)
Revenue recognition and deferred acquisition costs	2	(176)	(156)	(135)
Goodwill	3	281	127	
Share-based payments	5	18	8	7
Post-employment benefits	6	(88)	(219)	(219)
Property, plant and equipment	7	220	235	245
<b>As reported under IFRS</b>		<b>21 948</b>	<b>21 112</b>	<b>14 966</b>

## Reconciliation of assets, liabilities and equity

Reviewed	Notes	Share capital 31 December 2004 Rm	Share premium 30 June 2004 Rm	Distributable reserves brought forward 1 January 2004 Rm
<b>As at 1 January 2004</b>				
As previously reported		275	4 801	6 667
<i>Adjustments for:</i>				
Credit impairment	1			(28)
Revenue recognition and deferred acquisition costs	2			(115)
Goodwill	3			(209)
Share-based payments	5			(2)
Post-employment benefits	6			(216)
Property, plant and equipment	7			(49)
<b>As reported under IFRS</b>		<b>275</b>	<b>4 801</b>	<b>6 048</b>
<b>As at 30 June 2004</b>				
As previously reported		393	9 832	6 667
<i>Adjustments for:</i>				
Credit impairment	1			(28)
Revenue recognition and deferred acquisition costs	2			(115)
Goodwill	3			(209)
Share-based payments	5			(2)
Post-employment benefits	6			(216)
Property, plant and equipment	7			(49)
<b>As reported under IFRS</b>		<b>393</b>	<b>9 832</b>	<b>6 048</b>
<b>As at 31 December 2004</b>				
As previously reported		394	9 892	6 667
<i>Adjustments for:</i>				
Credit impairment	1			(28)
Revenue recognition and deferred acquisition costs	2			(115)
Goodwill	3			(209)
Share-based payments	5			(2)
Post-employment benefits	6			(216)
Property, plant and equipment	7			(49)
<b>As reported under IFRS</b>		<b>394</b>	<b>9 892</b>	<b>6 048</b>



## Reconciliation of changes in shareholders' equity

Reviewed	Notes	Current Distributable reserve movements after dividends Rm	Share based payments reserve Rm	Property plant revaluation reserve Rm	Foreign Currency Translation Reserve Rm
<b>As at 1 January 2004</b>					
As previously reported					(209)
<i>Income statement movements:</i>					
Credit impairment	1				
Revenue recognition and deferred acquisition costs	2				
Goodwill	3				
Foreign Exchange	4				209
Share-based payments	5		9		
Post-employment benefits	6				
Property, plant and equipment	7			296	
<b>As reported under IFRS</b>			<b>9</b>	<b>296</b>	<b>-</b>
<b>As at 30 June 2004</b>					
As previously reported		(299)			(210)
<i>Income statement movements:</i>					
Credit impairment	1	215			
Revenue recognition and deferred acquisition costs	2	(14)			
Goodwill	3	127			
Foreign Exchange	4	116			93
Share-based payments	5	(4)	14		
Post-employment benefits	6				
Property, plant and equipment	7	(10)		296	
Transfer of reserves		13		(13)	
<b>As reported under IFRS</b>		<b>144</b>	<b>14</b>	<b>283</b>	<b>(117)</b>
<b>As at 31 December 2004</b>					
As previously reported		563			(266)
<i>Income statement movements:</i>					
Credit impairment	1	140			
Revenue recognition and deferred acquisition costs	2	(31)			
Goodwill	3	281			
Foreign Exchange	4	91			118
Share-based payments	5	(15)	35		
Post-employment benefits	6	131			
Property, plant and equipment	7	(44)		315	
Transfer of reserves		53		(53)	
<b>As reported under IFRS</b>		<b>1 169</b>	<b>35</b>	<b>262</b>	<b>(148)</b>

## Reconciliation of changes in shareholders' equity

Reviewed	Notes	Available for sale reserves Rm	Other Reserves Rm	Total Ordinary Shareholders' equity Rm	Preference Shareholders' equity Rm
<b>As at 1 January 2004</b>					
As previously reported			113	11 647	2 802
<i>Income statement movements:</i>					
Credit impairment	1			(28)	
Revenue recognition and deferred acquisition costs	2			(115)	
Goodwill	3				
Foreign Exchange	4				
Share-based payments	5			7	
Post-employment benefits	6			(216)	
Property, plant and equipment	7			247	
<b>As reported under IFRS</b>			<b>113</b>	<b>11 542</b>	<b>2 802</b>
<b>As at 30 June 2004</b>					
As previously reported		416	664	17 463	2 770
<i>Income statement movements:</i>					
Credit impairment	1			187	
Revenue recognition and deferred acquisition costs	2			(129)	
Goodwill	3			127	
Foreign Exchange	4				
Share-based payments	5			8	
Post-employment benefits	6			(216)	
Property, plant and equipment	7			237	
<b>As reported under IFRS</b>		<b>416</b>	<b>664</b>	<b>17 667</b>	<b>2 770</b>
<b>As at 31 December 2004</b>					
As previously reported		621	224	18 095	2 770
<i>Income statement movements:</i>					
Credit impairment	1			112	
Revenue recognition and deferred acquisition costs	2			(146)	
Goodwill	3			281	
Foreign Exchange	4				
Share-based payments	5			18	
Post-employment benefits	6			(85)	
Property, plant and equipment	7			222	
<b>As reported under IFRS</b>		<b>621</b>	<b>224</b>	<b>18 497</b>	<b>2 770</b>

## Reconciliation of changes in shareholders' equity

Reviewed	Notes	Minority shareholders' equity Rm	Total Rm
<b>As at 1 January 2004</b>			
As previously reported		652	15 101
<i>Income statement movements:</i>			
Credit impairment	1	(5)	(33)
Revenue recognition and deferred acquisition costs	2	(20)	(135)
Goodwill	3		
Foreign Exchange	4		
Share-based payments	5		7
Post-employment benefits	6	(3)	(219)
Property, plant and equipment	7	(2)	245
<b>As reported under IFRS</b>		<b>622</b>	<b>14 966</b>
<b>As at 30 June 2004</b>			
As previously reported		699	20 932
<i>Income statement movements:</i>			
Credit impairment	1	(2)	185
Revenue recognition and deferred acquisition costs	2	(27)	(156)
Goodwill	3		127
Foreign Exchange	4		
Share-based payments	5		8
Post-employment benefits	6	(3)	(219)
Property, plant and equipment	7	(2)	235
<b>As reported under IFRS</b>		<b>665</b>	<b>21 112</b>
<b>As at 31 December 2004</b>			
As previously reported		721	21 586
<i>Income statement movements:</i>			
Credit impairment	1	(5)	107
Revenue recognition and deferred acquisition costs	2	(30)	(176)
Goodwill	3		281
Foreign Exchange	4		
Share-based payments	5		18
Post-employment benefits	6	(3)	(88)
Property, plant and equipment	7	(2)	220
<b>As reported under IFRS</b>		<b>681</b>	<b>21 948</b>

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## INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF THE COMPANY

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'31 July 2005

The Directors  
Nedbank Group Limited  
135 Rivonia Road  
Sandown  
2196

Dear Sirs

### REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS' ON HISTORICAL FINANCIAL INFORMATION

#### INTRODUCTION

At your request and for the purposes of the prospectus to Nedbank Group Limited shareholders, to be dated on or about, 15 August 2005, we present our report on the historical financial information in respect of Nedbank Eyethu Ownership Plan, as set out in Annexure 1 of this Prospectus, in compliance with the Listings Requirements of the JSE Limited ('JSE') and the Companies Act.

#### RESPONSIBILITY

The compilation, contents and presentation of the circular are the responsibility of the company's directors. Our responsibility is to express an audit opinion on the historical financial information for the years ended 31 December 2001, 2002, 2003 and 2004 prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP) and a review opinion on the financial information for the year ended 31 December 2004 prepared in accordance with International Financial Reporting Standard (IFRS), which has been included as Annexure 1 of this Prospectus.

#### SCOPE

We have audited the financial information, prepared in accordance with SA GAAP of Nedbank Group Limited (formerly Nedcor Limited) for the years ended 31 December 2001, 2002, 2003 and 2004, and reviewed the financial information prepared in accordance with IFRS for the year ended 31 December 2004.

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the historical financial information relating to the years ended 31 December 2001, 2002, 2003 and 2004 are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures of the abovementioned historical financial information. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall historical financial information presentation.

We believe that our audit provides a reasonable basis for our audit opinion.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This standard requires that we plan and perform the review to obtain moderate assurance that the historical IFRS financial information for the year ended 31 December 2004, is free of material misstatement. A review is limited primarily to enquiries of company personnel and analytical procedures applied to financial data and this provides less assurance than an audit. We have not performed an audit of the above-mentioned historical financial information and, accordingly, we do not express an audit opinion thereon.

#### Audit opinion

In our opinion, the historical financial information of Nedbank Group Limited presents fairly, in all material respects, the financial position for the years ended 31 December 2001, 2002, 2003 and 2004 and the results of the operations and cash flows in accordance with South African Statements of Generally Accepted Accounting Practice and the JSE Limited Listings Requirements.

**Review opinion**

Based on our review, nothing has come to our attention that causes us to believe that the historical IFRS financial information of Nedcor Group Limited for the year ended 31 December 2004, is not fairly presented, in all material respects, in accordance with International Financial Reporting Standards and the JSE Limited Listings Requirements.

**CONSENT**

We consent to the inclusion of this report, which will form part of the prospectus to shareholders of Nedbank Group Limited, to be issued on or about 15 August 2005, in the form and context in which it appears.

Yours faithfully

**KPMG Inc**  
Johannesburg  
*Chartered Accountants*  
*Registered Accountants and Auditors*

**Deloitte & Touche**  
Johannesburg  
*Chartered Accountants(SA)*  
*Registered Accountants and Auditors'*

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# UNAUDITED TRADING STATEMENT OF THE COMPANY RELEASED ON 5 MAY 2005

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'NEDCOR LIMITED  
(Incorporated in the Republic of South Africa)  
Registration number: 1966/010630/06  
JSE share code: NED ISIN: ZAE000004875  
(‘Nedcor’ or ‘the group’)

## NEDCOR LIMITED – TRADING STATEMENT

### 1. OVERVIEW

The directors are pleased to report that the unaudited trading results for the three months to 31 March 2005 (‘the period’) are in line with management expectations.

Compared to the quarter ended 31 March 2004, net interest income (‘NII’) increased by 22,6% to R2,0 billion. Non-interest revenue (‘NIR’), which increased by 5,0% to R1,7 billion, is slightly behind internal forecasts, but this was offset by lower than expected expenditure levels.

Average total assets increased by 8% to R324 billion and average interest earning assets increased 8% to R265 billion. Residential home loan and credit card balances increased by 10,7% and 9,5%, respectively over the same period. This loan growth continued to be lower than market growth rates, although the rate of market share loss in residential home loans, in particular, has decreased over the period. The structural and strategic actions taken in 2004 continue to impact performance positively.

Nedcor is reporting in accordance with the International Financial Reporting Standards (‘IFRS’) with effect from 1 January 2005. The group’s 2004 results, as noted in an announcement on SENS on 3 May 2005, have been restated to reflect the impact of reporting under IFRS. The major impact of IFRS relates to the accounting treatment of share options, goodwill, foreign exchange gains/losses, revenue recognition and impairments.

### 2. PERFORMANCE FOR THE PERIOD

Movements in key income statement items include:

- NII continues to benefit from the improved funding profile and hedging strategies. Margin (based on average interest-earning assets) has improved from 2,8% for the three months ended March 2004 to 3,1% for the period. This can be ascribed to:
  - the uplift created from the rights offer cash received in May 2004;
  - reduced funding drag as a result of the banking book being relatively interest neutral following the hedging strategy;
  - income on the proceeds from the sale of non-core investments;
  - the repatriation of certain foreign capital during 2004; and
  - increased trading revenue reflected in NII.

This improvement in margin was negatively impacted by the 1% reduction in the taxation rate for companies which resulted in a R54 million reduction in margin arising from the IAS 12 (previously AC 102) treatment of structured finance deals. This debit is offset by a corresponding credit in the taxation line and reverses over time.

- NIR is marginally higher than the corresponding period in 2004, as referred to above. Trading revenue increased by approximately 8%, although NIR was negatively impacted as a higher proportion was reflected in NII than the corresponding period. The Nedbank Capital pipeline of potential transactions remains strong.
- Total impairments amounted to R441 million for the period. Credit quality continues to benefit from the strong economic conditions and the impairment charge is expected to decrease from these levels for the remainder of the period.
- Total expenses for the period totalled R2,5 billion and show no growth over last year. The cost to income ratio (excluding foreign translation gains/losses) has improved to below 70,0% from 77,6% in the comparative period last year. This improvement can be attributed to lower staff costs following the retrenchment programme in 2004, improved efficiencies across most areas of the group, a timing delay in some recovery expenditure and the growth in gross operating income.
- Income growth is well ahead of expense growth.
- The taxation rate for companies has been reduced from 30% to 29%. While tax on earnings decreases as a result, the revaluation of the deferred taxation asset to take account of the corporate taxation rate decrease has had a negative effect of approximately R90 million in the first quarter. Notwithstanding the benefit of the R54 million adjustment referred to above, this has resulted in the taxation rate being marginally higher than management’s expectations.
- Headline earnings and ROE are in line with expectations.

### 3. OTHER OPERATIONAL HIGHLIGHTS

Nedbank Retail is starting to benefit from the turnaround strategy implemented during 2004. The Peoples Bank integration is progressing according to plan and is scheduled to be completed by the end of 2005. Staff morale continues to be a key focus of management. Morale is improving following the staff roadshows by management during the period and frequent staff communication as well as the normalisation of bonuses which were paid in March. Strategic initiatives implemented through the Recovery Programme are having a positive effect on the group and the implementation of the three-year plan is progressing well. Nedcor's broad-based black economic empowerment (BEE) transaction was announced on 19 April 2005. The deal will be implemented in late July or early August, subject to regulatory and shareholder approval.

### 4. EARNINGS FORECASTS – SIX MONTHS TO 30 JUNE 2005

Assuming exchange rates remain at current levels, the directors expect headline earnings per share for the six months to 30 June 2005 to be between 15% and 30% higher than the IFRS restated 245 cents per share reported for the first half of 2004. Headline earnings for the six months to 30 June 2005 are expected to be between 38% and 56% higher than the R802 million restated results under IFRS for the first half of 2004.

Based on the forecast range of headline earnings per share above, attributable earnings per share for the six months to 30 June 2005 is estimated to be between 16% and 31% greater than the IFRS restated 247 cents per share reported for the first half of 2004.

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

Sandton  
5 May 2005'

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## UNAUDITED TRADING STATEMENT OF THE COMPANY RELEASED ON 21 JULY 2005

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'NEDBANK GROUP LIMITED  
(formerly *Nedcor Limited*)  
(Incorporated in the Republic of South Africa)  
Registration number: 1966/010630/06  
JSE share code: NED ISIN: ZAE000004875  
("Nedbank Group" or "the group")

### TRADING STATEMENT AND REVISED FORECASTS

Nedbank Group advised shareholders in a trading statement released on 5 May 2005 that, assuming exchange rates remained at the levels prevailing at the time, forecasts for the six months to 30 June 2005 would be as follows:

- headline earnings per share was forecast to be between 15% and 30% higher than the IFRS restated 245 cents per share reported for the first half of 2004;
- headline earnings were forecast to be between 38% and 56% higher than the R802 million restated results under IFRS for the first half of 2004; and
- attributable earnings per share was forecast to be between 16% and 31% higher than the IFRS restated 247 cents per share reported for the first half of 2004.

Nedbank Group has revised these forecasts mainly as a result of the following factors:

- the 11% decline in the value of the Rand, which weakened from its level of R5,97:US\$1,00 on 5 May 2005 to R6,67:US\$1,00 on 30 June 2005, resulting in foreign exchange translation gains of approximately R165 million, which is R70 million higher than expected;
- a lower than expected impairment expense; and
- the deferral of approximately R40 million (after tax) of recovery programme expenses to the second half of the year.

The revised forecasts for the six months to 30 June 2005 are as follows:

- headline earnings per share will be between 40% and 50% higher than the IFRS restated 245 cents per share reported for the first half of 2004;
- headline earnings are expected to be between 68% and 80% higher than the R802 million restated results under IFRS for the first half of 2004; and
- attributable earnings per share is estimated to be between 39% and 49% higher than the IFRS restated 247 cents per share reported for the first half of 2004.

These revised forecasts have not been audited or reviewed by the group's auditors.

Nedbank Group's results for the six months to 30 June 2005 will be released on SENS at approximately 08:00 on Thursday, 4 August 2005.

Sandton  
21 July 2005'



## UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE COMPANY

### INTRODUCTION

The unaudited pro forma income statement and balance sheet, which are the responsibility of the Company directors, are presented for illustrative purposes only, to provide information about how the BEE Transaction might have affected the income statement and balance sheet of the Company for the year ended 31 December 2004, had the BEE Transaction been effective on 1 January 2004 for income statement purposes and 31 December 2004 for balance sheet purposes.

The unaudited pro forma income statement and balance sheet have been prepared taking into account the effects of the entire Nedbank Group BEE Transaction, of which the Nedbank Eyethu Ownership Plan is but one component.

The accounting treatments adopted may require the BEE Transaction to be accounted for in a manner different to its legal substance and form. It is important to note that the financial information has been prepared in accordance with IFRS statements that are expected to be effective at 31 December 2005. These are subject to ongoing review and possible amendment by interpretive guidance from the International Accounting Standards Board and may therefore change. In particular, interpretive guidance relating to IFRS 2 and BEE transactions are still subject to change and changes could result in the actual accounting treatment being significantly different to the treatment adopted in this Prospectus as set out below. The IFRS 2 charge in respect of the Broad-based Scheme has been written-off in full in the first year and amounts to R107 million. The IFRS 2 charge for the remaining schemes have been amortised based on the vesting conditions implicit in each scheme, this being four to six years in the case of the remaining Employee Schemes, three years in respect of the Nedbank Eyethu Ownership Plan, six years in respect of the Corporate, Community and Non-executive director Schemes and 10 years in respect of the Black Business Partner Schemes.

Because of possible changes in accounting treatment which may arise from changes in interpretation of accounting standards and the nature of the pro forma income statement and balance sheet, the final effects on the Company's earnings after the BEE Transaction may differ from that disclosed in the pro forma statements.

### PRO FORMA INCOME STATEMENT:

The 'Before the BEE Transaction' column reflects the financial position of the Company on an IFRS basis for the year ended 31 December 2004 as announced on 3 May 2005. The 'After the BEE Transaction' column reflects the financial position of the Company, adjusted for the financial effects of the BEE Transaction based on the assumption that the BEE Transaction was implemented from 1 January 2004.

	Before the BEE Transaction Rm	Adjustments Rm	Notes Rm	After the BEE Transaction Rm
Interest income	23 904	39	1	23 943
Interest expense	16 322	(35)	2	16 357
Net interest income	7 582			7 585
Non-interest revenue	7 936			7 936
Foreign currency translation losses	(280)			(280)
Total income after foreign currency translation losses	15 238			15 241
Impairment of advances	1 217			1 217
Income after impairment of advances	14 021			14 024
Operating expenses	10 779	(289)	3	11 068
Recovery programme expenses	379			379
Merger expenses	246			246
Profit from operations before non trading and capital items	2 617			2 332
Non-trading and capital items	(254)			(254)
Profit from operations	2 363			2 078
Attributable earnings of associates and joint ventures	147			147
Profit before taxation	2 510			2 225
Taxation	668	53	4	615
Taxation on non-trading and capital items	(39)			(39)
Profit after taxation	1 881			1 649
Minority interest income attributable to ordinary shareholders	(125)			(125)
Minority interest income attributable to preference shareholders	(229)			(229)
<b>Income attributable to ordinary shareholders</b>	<b>1 527</b>			<b>1 295</b>

**PRO FORMA BALANCE SHEET:**

The 'Before the BEE Transaction' column reflects the financial position of the Company on an IFRS basis at 31 December 2004 as announced on 3 May 2005. The 'After the BEE Transaction' column reflects the financial position after the BEE Transaction based on the assumption that the BEE Transaction was implemented on 31 December 2004.

	Before the BEE Transaction Rm	Adjustments Rm	Notes Rm	After the BEE Transaction Rm
<b>ASSETS</b>				
Cash and short-term funds	10 050	504	5	10 554
Other short-term securities	16 310			16 310
Government and other securities	26 224			26 224
Derivative instruments	27 560			27 560
Advances	221 275			221 275
Sundry debtors	6 816			6 816
Deferred taxation assets	1 169	55	6	1 224
Current taxation prepaid	196			196
Investment in associate companies and joint ventures	1 089			1 089
Other investments	3 456			3 456
Insurance assets	3 109			3 109
Post employment assets	992			992
Investment property	174			174
Property and equipment	2 828			2 828
Non current asset held for sale	48			48
Computer software and capitalised development costs	1 419			1 419
Goodwill	3 676			3 676
Customers indebtedness for acceptance	1 509			1 509
<b>Total assets</b>	<b>327 900</b>			<b>328 459</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Ordinary share capital	394	93	7	487
Ordinary share premium	9 892	(48)	8	9 844
Reserves	8 211	38	9	8 249
Ordinary shareholders' equity	18 497			18 580
<i>Minority shareholders' equity attributable to:</i>				
Ordinary shareholders	681			681
Preference shareholders	2 770			2 770
Total shareholders' equity and minority shareholders' equity	21 948			22 031
<b>Liabilities</b>				
Deposits, current accounts and other liabilities	254 299	476	10	254 775
Sundry creditors	9 117			9 117
Derivative instruments	28 055			28 055
Deferred revenue	257			257
Deferred taxation liabilities	1 125			1 125
Current taxation liabilities	193			193
Post employment liability	979			979
Insurance funds	3 109			3 109
Long-term debt instruments	7 309			7 309
Liabilities under acceptances	1 509			1 509
<b>Total liabilities</b>	<b>305 952</b>			<b>306 428</b>
<b>Total shareholder's equity and liabilities</b>	<b>327 900</b>			<b>328 459</b>

## NOTES TO THE PRO FORMA INCOME STATEMENT AND BALANCE SHEET:

1. Notional interest of R39 million earned on the net proceeds of R567 million (being R531 million upfront payment made by Nedbank Eyethu Ownership Plan participants on three shares, the Par Value payment of R23 million made by the Retail, Corporate, Non-executive director and Community Trusts and the 2,5% deposit of R15 million made by the BRIMSTONE Trust and the WIPHOLD Trust) invested at the weighted average call rate for the period from 1 January 2004 to 31 December 2004 of 6,8%.
2. Notional interest of R35 million paid, made up of R9 million in dividends paid to Nedbank Eyethu Ownership Plan participants, R2,1 million interest charged by the relevant financial institute on the par value funding and R24 million interest accrued on the Capital Protection mechanism in the Nedbank Eyethu Ownership Plan.
3. Operating expenses of R289 million is made up of: R17 million in transaction costs not capitalised; R3 million in dividends distributed to the Community and Evergreen Trusts; R13 million paid to the Black Business Partners as an incentive fee; and R256 million being the estimated IFRS 2 charge for the first year.
4. Tax deduction of R9,6 million based on tax deductibility of interest paid (R2,12 million and tax of R0,64 million) (as detailed in Note 2 above), the transaction costs (R17,17 million and tax of R5,51 million) and incentive fee (R12,64 million and tax of R3,79 million) (as detailed in Notes 2 and 3 above), a tax deduction of R31,85 million as a result of the grant of R106,18 million and tax of R31,85 million made to the Employee Schemes and taxation payable of R11,6 million on interest income as detailed in Note 1 above.
5. Cash movement of R504 million based on the receipt of cash in the Nedbank Eyethu Ownership Plan of R531 million, less capitalised and non-capitalised transaction costs estimated at R65 million, plus the receipt of the R38 million from initial receipt of the deposit and the par value funding as detailed in Note 1 above.
6. Deferred tax of R55 million raised on the grant portion of Employee Schemes of R183 million.
7. Equity of R76 million raised on the Capital Protection mechanism and of R17 million raised on the deposit received from the Black Business Partner Trusts (the BRIMSTONE-Mtha Financial Services Trust and the WIPHOLD Financial Services Number Two Trust) and Aka-Nedbank Eyethu Trust.
8. Share premium is reduced by R48 million as a result of transaction costs capitalised.
9. Reserves reduced by R17 million of transaction costs not capitalised and increased by the tax deductibility of the grant portion on Employee Schemes of R55 million. This is a net increase in reserves of R38 million.
10. Liabilities increased by the present value of the cash received from Participants (to be potentially repaid by the Company in three years' time) of R455 million and the relevant financial institute loan on the par value funding of R21 million.

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## REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS' ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE COMPANY (25)

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'The Directors  
Nedbank Group Limited  
135 Rivonia Road  
Sandown  
Sandton  
2195  
31 July 2005

Dear Sir

### INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE NEDBANK GROUP LIMITED ('NEDBANK GROUP')

We have performed our limited assurance engagement in respect of the unaudited pro forma before and after balance sheet and income statement (collectively, 'the pro forma financial information') of Nedbank Group Limited ('Nedbank Group') set out in paragraph 7.3 and Annexure 6 of the Nedbank Eyethu Ownership Plan Prospectus to be dated 15 August 2005 issued in connection with the BEE Transaction that is the subject of this Prospectus. The pro forma financial information has been prepared in accordance with the requirements of the JSE Limited ('the JSE') Listings Requirements, for illustrative purposes only, to provide information about how the BEE Transaction might have affected the reported historical financial information presented, had the corporate action been undertaken at the commencement of the period or at the date of the pro forma balance sheet being reported on.

### DIRECTORS' RESPONSIBILITIES

The directors are responsible for the compilation, contents and presentation of the pro forma financial information contained in the Prospectus and for the financial information from which it has been prepared. Their responsibility includes determining that: the pro forma financial information has been properly compiled on the basis stated; the basis is consistent with the accounting policies of Nedbank Group; and the pro forma adjustments are appropriate for the purposes of the pro forma financial information disclosed in terms of the JSE Listings Requirements.

### REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express our limited assurance conclusion on the pro forma financial information included in the Nedbank Group Prospectus to shareholders. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and the *Revised Guide on Pro Forma Financial Information* issued by SAICA.

This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

### SOURCES OF INFORMATION AND WORK PERFORMED

Our procedures, consisted primarily of comparing the unadjusted financial information with the source documents, considering the pro forma adjustments in light of the accounting policies of the issuer, considering the evidence supporting the pro forma adjustments and discussing the pro forma financial information with the directors of Nedbank Group, in respect of the corporate actions that are the subject of this Prospectus.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of Nedbank Group and other information from various public, financial and industry sources.

Whilst our work performed has involved an analysis of the historical published reviewed financial information, and other information provided to us, our assurance engagement does not constitute, an audit or review of any of the underlying financial information conducted in accordance with *International Standards on Auditing* or *International Standards on Review Engagements* and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement the evidence – gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained, than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

## **CONCLUSION**

Based on our examination of the evidence obtained, nothing has come to our attention, that causes us to believe that:

- the pro forma financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of the Nedbank Group; and
- the adjustments are not appropriate for the purposes of the pro forma financial information as disclosed in terms of the JSE Listings Requirements.

### **KPMG Inc**

*Registered Accountants and Auditors  
Chartered Accountants (SA)*

### **Deloitte & Touche**

*Registered Accountants and Auditors  
Chartered Accountants (SA)*

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## THE COMPANY'S CORPORATE GOVERNANCE PRACTICES

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### 1. GENERAL

The Company endorses the King Code and has developed a comprehensive implementation and monitoring plan to meet its requirements and recommendations. The implementation plan also incorporates the corporate governance requirements of the Regulations to the Banks Act and the recommendations of the Myburgh Report. The plan has been approved by the Board and its implementation is facilitated by the governance team and monitored by the Directors' Affairs Committee. The Company is in substantial compliance with the King Code and at 31 December 2004 50% of the Board comprised independent non-executive directors.

### 2. AREAS OF NON-COMPLIANCE

The only areas of non-compliance with the King Code, which the Board is satisfied does not impair the governance integrity or perceptions of it, are as follows:

- the Chairman of the Group Transformation and Sustainability Committee, Lot Ndlovu, is a non-executive director, but not an independent director as defined by the King Code;
- the non-executive chairman and chairman of the Directors' Affairs Committee, Warren Clewlow, is a non-executive director, but not independent, as defined by the King Code, by virtue of the fact that he also serves on the board of the Company's holding company, Old Mutual plc, although he does not represent the interests of Old Mutual plc on the Company's Board; and
- the chairman of the Risk Committee, Michael Katz, is a non-executive, but not an independent director, as defined by the King Code.

### 3. APPOINTMENTS TO THE BOARD

Board appointments are conducted in a formal and transparent manner, in line with the Board appointment policy, by the Board as a whole, assisted by the Company's Directors' Affairs Committee. Any appointments to the Board are made taking into account the need for ensuring that the Board provides a diverse range of skills, knowledge and expertise, the necessity of achieving a balance between skills and expertise and the professional and industry knowledge necessary to meet the Company's strategic objectives, as well as the need for ensuring demographic representivity.

### 4. DIVISION OF RESPONSIBILITY

The Company conducts an annual evaluation of its Board, its sub-committees and individual directors and is confident that this process would raise concerns should any particular individual have too much influence.

The non-executive directors all have a high degree of integrity and credibility, and the strong independent composition of the Board provides for objective input into the decision-making process, thereby ensuring no one director holds unfettered decision-making powers. The directors come from diverse backgrounds and bring to the board a wide range of experience in commerce and banking. The directors have access to management whenever required.

In addition, it is unlikely that any director could have undue influence on a board such as the Company, which has 16 directors, with the majority being non-executive and each having significant experience in carrying out the fiduciary responsibilities of a director. The Group constantly reviews its governance practices in line with best practice and is highly receptive to engage with both institutional and private shareholders.

In line with the requirements of a myriad of best-practice codes the roles of Chairman and Chief Executive are separated. The Board is led by Chairman, Mr W A M Clewlow, and the executive management of the Company is the responsibility of the Chief Executive, Mr T A Boardman.

### 5. NEDBANK GROUP AUDIT COMMITTEE

The functions of the Nedbank Group Audit Committee are primarily to assist the Board in its evaluation and review of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied within a bank in the day-to-day management of its business, and to introduce measures to enhance the credibility and objectivity of financial statements and reports prepared with reference to the affairs of a banking group. The Group Audit Committee has satisfied its objectives for the year in accordance with its terms of reference. Meetings are held at least quarterly and 12 meetings were held during 2004.

A policy, in line with that of Old Mutual plc, regarding the provision of non-audit services by the Company's auditors, is in place. This process is structured between management and the external auditors to ensure that the guidelines, requiring approval by the Chief Financial Officer, Chief Executive or Audit Committee, depending on the amount of fees involved, are adhered to and monitored by the Audit Committee and Old Mutual plc Audit Committee on a six-monthly basis.

The Nedbank Group Audit Committee, which is composed of a majority of independent non-executive directors, is chaired by Mr R G Cottrell and includes Messrs C J W Ball, B E Davison, R M Head, J B Magwaza, M E Mkwanazi and J V F Roberts as members.

#### **6. NEDBANK GROUP REMUNERATION COMMITTEE**

The committee is authorised to approve the aggregate of adjustments to the remuneration of employees below executive director and divisional director level. Adjustments to the total remuneration of members of EXCO are individually approved by the Remuneration Committee. Adjustments to executive directors' total remuneration are individually approved by the Board following recommendations made by the Remuneration Committee. This committee is also charged with the supervision of the Nedbank Group employee incentive scheme and is involved in executive officer succession policy. The Remuneration Committee considers remuneration in its totality in an integrated and holistic manner, thereby assisting the Board in discharging its corporate governance duties related to remuneration strategy, structure and costs. The committee is required to meet at least four times a year and met five times in 2004.

The Remuneration Committee, which is composed of a majority of independent non-executive directors, is chaired by Mr J B Magwaza and includes Professor B de L Figaji and Messrs C J W Ball, C M L Savage and J H Sutcliffe as members.

#### **7. NEDBANK GROUP RISK COMMITTEE**

In terms of the South African Banks Act, No. 94 of 1990, as amended, a risk committee is required to assist a board of directors in evaluating the adequacy and efficiency of risk policies, procedures, practices and controls, identifying the build-up and concentration of risk, developing risk mitigation techniques, ensuring formal risk assessment, identifying and monitoring key risks, facilitating and promoting communication through reporting structures and ensuring the establishment of an independent risk management function and other related functions. The Nedbank Group Risk Committee's primary focus is therefore the monitoring across the Group of the management and assessment of risk, including market and trading risks, financial instruments (derivatives) usage, Asset and Liability Management Division (ALM) risks, the Nedbank Group Asset and Liability and Executive Risk Committee (Group ALCO) process and functions, intra-group investment exposures and risks related to the underwriting of share issues. The Nedbank Group Risk Committee meets at least quarterly.

The Nedbank Group Risk Committee, which is composed of a majority of independent non-executive directors, is chaired by Professor M M Katz and includes Messrs C J W Ball, R G Cottrell, N Dennis, R M Head, M L Ndlovu and C M L Savage as members, as well as G F Richardson as a permanent invitee.

#### **8. NEDBANK GROUP DIRECTORS' AFFAIRS COMMITTEE**

The primary role of the Nedbank Group Directors' Affairs Committee is to consider, monitor and report to the board on strategic risk, reputational and compliance risk, compliance with the King Code and the corporate governance provisions of the Banks Act and the regulations issued thereunder, as well as to act as a nomination committee. The Nedbank Group Directors' Affairs Committee meets at least quarterly and met eight times in 2004.

The Nedbank Group Directors' Affairs Committee, which consists of non-executive directors (half of whom are independent) is chaired by Mr W A M Clewlow and includes Messrs C J W Ball, R G Cottrell, M M Katz, J B Magwaza, M E Mkwanazi, M L Ndlovu and J H Sutcliffe as members.

#### **9. NEDBANK GROUP CREDIT COMMITTEE**

The primary role of the Nedbank Group Credit Committee is to approve credit policies and philosophy, set credit limits and guidelines, confirm that procedures are in place to manage and control credit risk, approve the adequacy of interim and year-end provisions and ensure that the quality of the Group's credit portfolio is in accordance with these requirements by monitoring various credit risk information, processes and disclosure. This primary role is a monitoring function. An important secondary role of this committee is the approval of advances above sanctioned and regulatory authority levels.

The Nedbank Group Credit Committee is chaired by independent non-executive director Mr C J W Ball and consists of Professors M M Katz and B de L Figaji and Mr M L Ndlovu. The Chief Executive and Chief Financial Officer, and the heads of Group Risk, and Credit Risk are members for the purposes of approvals of large exposures only.

#### **10. NEDBANK GROUP FINANCE OVERSIGHT COMMITTEE**

As of 1 March 2004 the Company established the Finance Oversight Committee under the chairmanship of C J W Ball. The mandate of this committee is to ensure that the Group's accounting and control systems meet the highest standards. The Finance Oversight Committee's objective is to act primarily as a Board discussion forum to ensure that the Company's risk universe, spectrum of activities, organisational structure and management methodologies are appropriate and effective.

The Nedbank Group Finance Oversight Committee also consists of non-executive directors, Professor M M Katz and Messrs R G Cottrell, M E Mkwanazi and J V F Roberts.

#### **11. NEDBANK GROUP TRANSFORMATION AND SUSTAINABILITY COMMITTEE**

The Nedbank Group Transformation and Sustainability Committee is charged to assist the Board in discharging its responsibility to ensure the Company pro-actively addresses the requirements/recommendations for integrated sustainability reporting as laid out in King II and the Global Reporting Initiative, an international multi-shareholder process whose mission is to develop guidelines for sustainability reporting, as well as to give the needed attention at Board level to the FSC, BEE, transformation and social and environmental responsibility issues.

The Nedbank Group Transformation and Sustainability Committee is chaired by Mr M L Ndlovu and also consists of non-executive directors, Professors M M Katz and B de L Figaji and Messrs J B Magwaza, C J W Ball and B E Davison.

#### **12. BOARD STRATEGIC INNOVATION MANAGEMENT COMMITTEE ('Board SIMCO')**

The Board SIMCO has the broad responsibility to monitor all issues pertaining to information technology, both operational and strategic, in as much as these may impact the business strategy, financial, performance, risk profile and information technology strategy of the Company. This committee aims to ensure alignment of the prioritisation and magnitude of IT development spend, and investment with overall strategy and direction of the Company.

The Board SIMCO, which consists entirely of non-executive directors, the majority of whom are independent, is chaired by Mr M E Mkwanazi and consists of Professor M M Katz and Messrs N Dennis, C J W Ball and C M L Savage.



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## EXTRACTS FROM THE ARTICLES OF ASSOCIATION

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### 1. GENERAL

The Company is a public company with limited liability registered pursuant to the Companies Act. Companies are regulated generally by the Companies Act and specifically by their constitutional documents that consist of a memorandum of association and articles of association. The Company operates in conformity with its constitutional documents. Since its shares are listed on the JSE, it must also comply with JSE Limited Listings Requirements.

This section summarises the material provisions of the Companies Act, the Company's memorandum of association and articles of association and JSE Limited Listings Requirements.

### 2. OBJECT, CAPACITY AND POWERS

The Company's principal objective (as recorded in the memorandum of association) is to invest in banking companies and financial service companies. Pursuant to the Companies Act, the capacity of any company includes unlimited objects ancillary to its main object. To obtain its main object and its ancillary objects, a company has plenary powers, including certain common powers listed in Schedule 2 to the Companies Act. A company may, however, in its memorandum of association exclude any of these powers. The Company's memorandum of association does not contain any such exclusion.

Pursuant to the Companies Act, certain powers of a company may only be exercised by its shareholders (as opposed to its directors). Examples include an alteration of a company's memorandum of association and articles of association and a resolution to dispose of the whole or substantially the whole of the undertaking or assets of the company. Save as aforesaid, the division of powers between the shareholders and directors of a company is regulated by the company's articles of association.

The Company's articles of association provide that its directors may exercise all their powers save to the extent to which any particular power has been reserved for the shareholders pursuant either to the Companies Act or to the articles of association themselves. In particular, the directors have unlimited borrowing powers.

In relation to the powers reserved for the shareholders of the company, the Companies Act provides that certain of those powers may only be exercised by the adoption of a special resolution. A special resolution is a resolution adopted by at least 75% of the votes cast at a general meeting at which a quorum of shareholders is present. A quorum for the adoption of the special resolution is made up of members who between them hold no less than one-quarter of the votes exercisable by all members at the general meeting of the company.

The Companies Act prohibits companies from entering into certain transactions. Included in these prohibited transactions is a giving of financial assistance by a company for the purpose of the acquisition or subscription of shares in the company or its holding company.

A company may pay commission to any person in return for their subscription of shares in the company. In addition, a company may pay commission to a person for procuring any such subscriptions. The company's articles of association must, however, provide the payment of such commission and the commission may not exceed 10% of the subscription price of the applicable shares or any lesser rate fixed by the company's articles of association. The Company's articles of association authorised it to pay such commission and limit the amount thereof to 10% of the issued price of the applicable shares. The Companies Act provides that if a company agrees to pay commission in respect of any subscription for any of its shares it must disclose the amount of that commission in writing to the Registrar of Companies prior to payment thereof.

### 3. SHARE CAPITAL

The Company's authorised share capital consists of R600 million, divided into 600 million ordinary shares of R1,00 each.

Pursuant to the Companies Act, the directors of a company do not have the power to allot or issue shares of the company without the prior approval of the company in a general meeting. Such approval may take the form of a general authority or a specific authority in respect of any particular allotment or issue of shares. A general authority lapses at the company's next annual general meeting (except if it is renewed at such meeting). At the Company's last annual general meeting held on 4 May 2005, Ordinary Shareholders adopted a general authority placing its unissued shares under the control of its directors until the next annual general meeting, subject to the issuing of shares granted under that authority being limited to the Company's existing contractual obligations to issue shares, any scrip dividend and/or capitalisation share awards and shares required to be issued for the purpose of carrying out the terms of the various Company's share incentive schemes.

The Companies Act compels a company to maintain a register of its members. Share certificates issued by a company (and signed by two of its directors or by one director and one officer duly authorised thereto by the directors) constitutes *prima facie* evidence of the title of the applicable members to the applicable shares. Shares in respect of which share certificates have been issued may be transferred by means of a security transfer form or a broker's transfer form.

Trading in uncertificated securities is regulated by the Companies Act and by the South African Custody and Administration of Securities Act, 1992. Pursuant to these Acts, each participant (a depository institution accepted by a central securities depository as a participant in terms of the Custody and Administration of Securities Act, 1992) is obliged to maintain a sub-register of a company's members whose shares are held in uncertificated form (and that sub-register forms part of the company's registers of members). Uncertificated securities are transferred by means of entries effected by the applicable participant in the sub-register maintained by it.

Pursuant to section 140A of the Companies Act, if the securities of any company are registered in the name of a person who is not the beneficial holder of those shares (such person being a 'nominee shareholder') the nominee shareholder is obliged to disclose to the company, at the end of each quarter commencing on 30 June 1999, the identity of each person on whose behalf the nominee shareholder holds the applicable securities. In addition, any company may require any registered holder of its securities to confirm or deny, within 14 days of receipt of written notice, that he or she is a nominee shareholder (and if he or she is, to disclose the identity of the beneficial holder of the applicable securities). A company may also require such disclosure from a person whom it reasonably believes to hold a beneficial interest in its securities. Any failure by any person to comply with any of the aforesaid requirements is an offence.

If so authorised by its articles of association a company may repurchase its shares. Any such repurchase must be authorised by the shareholders by means of special resolution and the aforesaid authorisation may take the form of a general approval or a specific approval. A general approval lapses at the company's next annual general meeting. The Company's articles of association permit it to repurchase its shares. At the Company's last annual general meeting, Ordinary Shareholders adopted a special resolution which confers a general authority on its directors to repurchase shares. The authority is limited to the repurchase of a maximum of 20% of a class of its issued share capital in any financial year and the repurchase may not be made at a price higher than 10% above the weighted-average of the market value for the securities for the five business days immediately preceding any such repurchase (being the day on which the transaction is agreed).

JSE Limited Listings Requirements contain restrictions on the repurchase of shares by a listed company and those restrictions are more onerous than restrictions contained in the Companies Act. The special resolution adopted by Company shareholders at the annual general meeting complies with JSE Limited Listings Requirements.

A contract concluded by a company to repurchase its own shares is enforceable against it. The Companies Act provides, however, that a company may not make payment for a share repurchase if there are reasonable grounds for believing either that the company would, after such payment, be unable to pay its debts as and when they become due or that after such payment the consolidated liabilities of the company will exceed its consolidated assets fairly valued (solvency and liquidity tests). If, by virtue of the aforesaid restrictions, a company is unable to pay for its shares repurchased by it, the claims of the selling shareholders against the company are postponed until the company is lawfully able to make payment. On liquidation the claims of the selling shareholders rank subordinate to the company's other creditors.

The directors of a company who allow a company to make payment for a share repurchase contrary to the above provisions are, jointly and severally, liable to restore the amounts so paid to the company.

The Companies Act also allows a company, if authorised by its articles of association to do so, to make payments to its shareholders either in cash or in specie. Section 90 of the Companies Act provides for solvency and liquidity tests to be satisfied before a payment may be made to shareholders in their capacity as such. Such a payment may not be made if there are reasonable grounds for believing either that after such payment the company will be unable to pay its debts as and when they become due for payment or that, after such payment, the consolidated liabilities of the company will exceed its consolidated assets, fairly valued. If a payment is made to a shareholder contrary to the aforementioned restrictions, the shareholder is liable to the company for repayment of the amount received by him or her. The Company's articles of association permit it to make payments to its shareholders from time to time (including the payment of dividends).

If so authorised by its articles of association, a company may increase its authorised share capital, consolidate and divide any shares issued by it, convert par value shares into no par value shares and vice versa and cancel unissued shares. The Company's articles of association permit it to do any of these by special resolution.

#### 4. MEETINGS AND VOTING

Pursuant to the Companies Act, each company is obliged to hold an annual general meeting not more than nine months after the end of each of its financial years, each such meeting to be held no more than 15 months after the date of the last preceding annual general meeting. The Company's articles of association permit it to hold annual general meetings at such times as prescribed in the Companies Act. Except if a special resolution would be proposed at a general meeting, general meetings must be convened on 14 calendar days' notice to shareholders. If a special resolution would be proposed at a general meeting, such meeting must be convened on 21 clear calendar days' notice and the notice convening the meeting must set out details of the special resolution which will be proposed, the reason for such proposal and the effect of the special resolution, if adopted. With regard to general meetings at which a special resolution would be proposed, shorter notice periods are allowed, but provided they are consented to by a majority of the members of the company having a right to vote at a meeting and who hold a minimum of 95% of the total voting rights of all the members of the company.

The directors of a company must, pursuant to the Companies Act, call a general meeting if they are required to do so either by 100 members of the company or by members holding together at least 5% of the issued and outstanding share capital of the company or members holding between them at least 5% of the votes exercisable at a general meeting of the company. Any director who is knowingly party to a failure to convene a general meeting in the aforementioned circumstances is guilty of an offence.

The Company's articles of association permit members to attend general meetings in person or represented by proxy. A proxy need not be a holder of ordinary shares and may vote on a poll and a show of hands.

Except if a special resolution will be proposed at a general meeting, the quorum for a general meeting of Company shareholders is three members personally present. If the quorum is not present within half an hour from the time appointed for the meeting it will stand adjourned to the same day in the next week, at the same time or place or, if that day is a public holiday, Saturday or Sunday, to the next succeeding day which is not a public holiday, Saturday or Sunday or to such other day, time and place as the directors may appoint. If at such adjourned meeting a quorum is not present within 10 minutes from the time appointed for the meeting, the shareholders present in person, and represented by proxy, shall be a quorum.

At a general meeting of any company, voting is determined on a show of hands (with each shareholder present in person or represented by proxy entitled to one vote) unless a poll is determined either by at least five shareholders having the right to vote at such meeting or by shareholders who between them hold at least 10% of a total voting rights of all the shareholders having a right to vote at the meeting. A company may impose restrictions on the voting rights of certain classes of shares. Each company shareholder present in person or by proxy has one vote on a vote by a show of hands and, on a vote by a poll, each shareholder or his or her proxy will 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 or her bears to the aggregate amount of the nominal value of all the shares issued by the company.

## **5. DIVIDENDS**

Pursuant to the Company's articles of association, its directors or shareholders in general meeting may annually declare a dividend, provided that the shareholders in general meeting may not declare a larger dividend than a dividend declared by the directors. The directors may from time to time pay interim dividends to the shareholders.

Dividends unclaimed for a period of 12 years from their declaration may be forfeited by the directors for the benefit of the Company.

Dividends are paid to Company shareholders recorded in the register of shareholders as such at a date subsequent to the declaration or the date of the confirmation of the dividend or payment, whichever is the later. The Company's directors are entitled to grant shareholders the right to elect to receive scrip dividends in lieu of cash dividends or a cash dividend in lieu of capitalisation or bonus shares.

## **6. DIRECTORS**

Pursuant to the Company's articles of association, it must, at all times have at least four directors and a maximum of 25. At each of its annual general meetings one-third of the directors then in office must retire and the directors who must retire in each year are those who have been in office for a period of three years since their last election. However, retiring directors are eligible for re-election. If any director has been appointed as the managing director and this person is one of the Company's employees, his or her employment contract may not exceed three years.

In terms of the Company's articles of association, the directors have the power at any time to appoint any person as a director, either to fill a casual vacancy or as an addition to the Board. There is no shareholding qualification for directors unless otherwise determined by the shareholders in general meeting. The shareholders may, by ordinary resolution, remove any director before the expiration of his or her period of office and elect another person in his or her stead. Further, the shareholders may in general meeting increase the number of directors and, at the same meeting, appoint persons to fill the seats created. Upon directors retiring from office, the shareholders may, in general meeting, appoint persons to replace the retiring directors or any other vacancies at that time.

The directors are, pursuant to the Companies Act, obliged to ensure that the Company maintains such accounting records as are necessary to represent fairly the state of its affairs and business. These accounting records must be maintained at the Company's registered office (or such other place as its directors see fit) and are available for inspection by its directors at all times. Annual consolidated financial statements, consisting of at least a balance sheet, an income statement, a cash flow statement and a report by directors and auditors, must be tabled at each annual general meeting.

The Company's articles of association provide that a director shall retire upon reaching the retirement age determined from time to time by the Board. If the office of the retiring director is not filled during an election meeting, the retiring director may, if he or she is willing to do so, continue to act as a director until the dissolution of the annual general meeting in the following year.

A director will cease to hold office if:

- the director's employment contract with the Company is terminated; or
- the director becomes insolvent, or assigns his or her estate for the benefit of creditors, or suspends payment or files a petition for the liquidation of his or her affairs, or compounds generally with creditors; or
- the director becomes of unsound mind; or

- the director is absent from meetings of the directors for six consecutive months without leave of the directors and is not represented at any such meetings by an alternate director and the directors resolve that the office be vacated; or
- the Company resolves to remove the director from office; or
- one month, or earlier, with the permission of the directors earlier, after the director has given notice in writing of his or her intention to resign; or
- the director is disqualified to hold office in terms of the Companies Act; or
- the director is removed from office by a resolution passed by the affirmative vote of two-thirds in number of the co-directors.

The Company's directors have the power to nominate another person to act as an alternate director during their absence or inability to act and the appointment remains effective only until the next following annual general meeting when that alternate director shall retire but shall be available for re-election.

Directors are obliged to disclose to the Company any interests they may have in contracts or proposed contracts. No director of the Company will be allowed to vote on a resolution in respect of any contract or arrangement in which such director has an interest. If the director does vote, the vote will not be counted, nor will that director be counted for the purpose of any resolution regarding the same in the quorum present at that particular meeting.

The remuneration payable by the Company to directors must be approved by the shareholders in general meeting. Any additional remuneration payable to directors for extra services performed must be determined by a disinterested quorum of directors.

In the conduct of the affairs of the Company, each director is obliged to exercise such a degree of care and skill as may be reasonably expected from a person with the knowledge and experience of the applicable director. In addition, directors owe certain fiduciary duties to the Company and the content of such fiduciary duties may differ from the content of such fiduciary duties in other jurisdiction. In any proceedings against a director for negligence, default, breach of duty or breach of trust, a court may, if it is in the opinion that the director acted honestly and reasonably and that, having regard to all the circumstances of the case he or she ought fairly to be excused, relieve the director, either wholly or in part, from his or her liability on such terms as the court may think fit.

Pursuant to the Companies Act, a provision (whether contained in the articles of association of a company or in any other agreement) which purports to relieve a director of any liability which would otherwise attach to him or her by law arising out of any negligence, default, breach of duty or breach of trust on his or her part, is void. The Companies Act provides, however, that a company may indemnify a director against any liability incurred by him or her in defending any proceedings, whether civil or criminal, if judgment is given in his or her favour. The Company's articles of association contain such an indemnity in favour of its directors. The Company also indemnifies all of the directors against all costs, losses, charges, expenses or liabilities incurred by any director in execution of his or her office.

## **7. LIQUIDATION RIGHTS**

The Company may be wound-up by special resolution of a general meeting of its shareholders. If the Company is wound-up, the liquidator may with the sanction of a special resolution divide among the shareholders in specie any part of the assets of the Company, and may with the like sanction, vest any part of the assets of the Company in trustees of trusts formed for the benefit of the shareholders.

On the Company's winding-up, all issued shares will participate equally in all distributions of surplus assets remaining after payment of the costs of winding-up, the claims of all creditors and any amounts due to a holder of shares (if any) ranking in priority to these shares.

## **8. RESTRICTIONS AND PRE-EMPTIVE RIGHTS**

The Companies Act does not contain pre-emptive rights in favour of shareholders. However, the Company's articles of association provide that authorised but unissued shares shall first be offered to the existing shareholders pro rata to their shareholding in the Company, unless otherwise empowered by a general meeting of shareholders or issued for the acquisition of assets. In addition, the Company's articles of association provide that the shareholders may, in a general meeting, authorise the Company to issue new securities without observing the aforesaid rights of pre-emption.

JSE Limited Listings Requirements provide that if a company listed on the JSE intends to issue equity securities for cash, it must first offer those securities by rights issue to its existing equity shareholders. The existing shareholders may, however, waive the aforesaid rights of pre-emption and such waiver may either be specific or general. In either case, the waiver must be approved by a 75% majority of the votes cast at a general meeting duly called to approve the resolution regarding a waiver of the pre-emptive rights.

#### **9. NON-SOUTH AFRICAN SHAREHOLDERS**

There are no limitations in the Company's articles of association on the rights of non-South African shareholders to hold or exercise voting rights attaching to any of the Ordinary Shares.

#### **10. NOTICES**

Notices shall be served or delivered by the Company upon each shareholder through the post in a pre-paid letter, envelope or wrapper addressed to such person or shall be given via electronic communication to such person at an address notified for that purpose. Any notice given by the Company must be published or circulated in the manner required by the Companies Act and JSE Limited Listings Requirements. Shareholders are entitled to nominate a registered address in the United Kingdom.

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## SALIENT FEATURES OF SHARE INCENTIVE SCHEMES

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### 1. SHARE OPTION SCHEMES

It is widely recognised that there is a need to retain skilled employees, particularly those who are senior and whose efforts have a high degree of influence on the Company. The long-term element of remuneration for executive directors and management takes the form of share options. The amount of the long-term incentive awarded depends on the individual's most recent performance assessment, the affordability of allocations and the need to retain certain individuals in the organisation.

#### 1.1 Nedbank Group (2005) Share Option, Matched Share and Restricted Share Scheme

The Nedbank Group (2005) Share Option, Matched Share and Restricted Share Scheme were approved by shareholders at the 2005 Annual General Meeting. The Share Option and Matched Share schemes were implemented during May and June 2005. The Restricted Share Scheme may be utilised in future years (typically as a substitute for the Option Scheme) if and when the South African market moves towards this type of free, performance-linked award.

##### 1.1.1 *The Option Scheme*

The eligible employees for this scheme are all those members of staff who are at middle managerial level as contemplated in the FSC and who reach an acceptable level of personal performance, as determined by the Remuneration Committee on an annual basis.

The Option Scheme consists of a direct grant of options by the trustees to the eligible employees at a purchase price equal to volume weighted 20 days' average market value of the ordinary shares to which the option relates, as at the date of grant. The options are open for exercise by a participant from the vesting date, i.e. for a period of two years from the 3rd anniversary of the option date to the end of the option period. There is no staggered vesting i.e. if a participant has been granted 100 options, he or she can exercise all 100 options as from the 3rd anniversary of the option date. Performance measures can, in the discretion of the Board/Remuneration Committee be linked to the grant of the options and ratchet mechanisms attached to performance targets, i.e. lapsing of a portion of the options in the event of underperformance and an ability to exercise a higher number of options in the event of superior performance.

##### 1.1.2 *Termination*

- **Fault Termination:** Includes the termination of a participant's employment with a Nedbank Group employer by reason of the participant's resignation or dismissal by the Nedbank Group employer concerned but excludes any dismissal constituting a No Fault Termination as defined; provided that the Board may, in its sole discretion determine whether the termination of employment is to be classified as a no-fault termination rather than a Fault Termination for purposes of these rules. The participant shall forfeit his or her unvested share options and share grants with immediate effect. The participant shall have six months to exercise vested options.
- **No Fault Termination:** Includes the termination of a participant's employment with a Nedbank Group employer by reason of the participant's retirement (including early retirement), death, permanent disability, permanent incapacity or retrenchment (including voluntary retrenchment), provided that, for the purposes of these rules, the terms 'retirement', 'permanent disability' and 'permanent incapacity', respectively, shall have the meaning ascribed to those terms in the Company's pension or provident fund rules and regulations.

##### 1.1.3 *The Matched Scheme*

The eligible employees (being potentially all employees designated for participation by the Remuneration Committee having regard to the bonus threshold, if any) will be invited to participate up to the maximum contribution in respect of their net after-tax bonus. This participant's contribution will be paid over to the trustees who will, in turn, pool the funds received from all such participants and pay the aggregate of the participants' contributions to the broker to purchase shares. The shares designated to a particular participant will be known as the 'Participant's Portfolio'. Each Participant's Portfolio will be matched, in the form of the matched shares, by the Company after a period of three years, provided that:

- the pre-determined Nedbank Group performance target is met; and
- the participant is still in the employ of the Nedbank Group at that time.

The Matched Award will consist of the same number of shares as is in the Participant's Portfolio at the vesting date. In the event that the performance condition has not been met but the participant is still in the employ of the Nedbank Group, the Matched Award will be 50% of the number of shares then constituting the Participant's Portfolio. A participant is free to dispose of his or her shares at any time prior to or after the vesting date (albeit through the broker who will have control of the shares constituting the collective portfolios), but will receive a reduced number of Matched Shares to the extent that he or she disposes of his or her Participant's Portfolio.

As retention is a primary driver of the Matched Scheme, the termination of an employee's employment for any reason prior to the vesting date will negate the Company's obligation to award the Matched Shares.

#### **1.1.4 The Restricted Share Scheme**

This Scheme operates on the basis of a (free) award of shares to eligible employees, subject to certain pre-determined Nedbank Group performance conditions to be met over a period of three years or by the end of the three-year period. There will also be a restriction on encumbrance or disposal of the shares for this period (until the vesting date).

It is envisaged that provided that the pre-determined performance conditions are met, the restrictions on the shares would be lifted on the vesting date (3rd anniversary of the issue date) and it would be possible for the participant to deal freely with the Shares constituting the award from that point onwards.

#### **1.1.5 Termination**

Employees within three years of normal retirement date will not be eligible for an annual allocation, unless specifically approved by the Remuneration Committee.

#### **1.1.6 Termination before the vesting date**

If a participant is granted an award in terms of the Restricted Share Scheme and before the vesting date, the employment of such participant by an employer terminates:

- by reason of a Fault Termination, the participant shall forfeit all rights to such Restricted Shares; or
- by reason of a No Fault Termination, the participant shall be regarded as remaining in the employ of the Nedbank Group and entitled to take delivery of the shares, provided that the Remuneration Committee may determine, in its sole discretion (which discretion shall be exercised by no later than the termination date), that the participant shall not be so entitled.

Notwithstanding anything to the contrary contained in this clause, if a participant's employment with an employer terminates for any reason whatsoever at a time when (whether known or unknown to the employer or the trustees) such participant was, or had been, guilty of conduct which would entitle, or would have entitled, the employer concerned, to terminate his or her employment on the grounds of his or her dishonest and/or fraudulent and/or grossly negligent conduct or any other similar ground, such participant's employment shall be deemed to have been terminated by reason of a Fault Termination.

#### **1.1.7 Benefits of the Schemes for Participants**

The participants are incentivised to remain in the employ of the Nedbank Group, to achieve the pre-determined performance targets and to grow the value of the Ordinary Shares as much as possible for the benefit of the Nedbank Group and the shareholders. The extent of the benefit to the participants will directly correlate with the growth in the value of Ordinary Shares. The Option Scheme is designed to incentivise and promote wealth creation for the eligible employees. The Matched Scheme is designed to encourage retention and to reward loyal performance. The Restricted Share Scheme is to encourage retention and drive performance.

All three Schemes are designed to obviate the need for participants to provide substantial financial outlay or obtain financial assistance. The participants would also only have a tax exposure at a point where they would be free to deal in the shares and accordingly access the necessary cash flow to pay the applicable taxes.

## **1.2 The Nedcor Group (1994) Employee Incentive Scheme**

The Nedcor Group (1994) Employee Incentive Scheme will continue to operate in respect of all allocations made up to and including 30 April 2005. No further allocations will be made under the 1994 Scheme which are accordingly due to finally close in 2010. The provisions of the 'old' section 8A of the Income Tax Act will continue to apply to these historic allocations.

The salient details of this scheme are as follows:

#### **1.2.1 On appointment and annual allocations**

Allocations of share options to newly appointed employees were not linked to performance-based conditions, only to time-based vesting criteria.

The granting of annual share options (based on job level, merit and performance) to existing eligible employees, was approved by the Remuneration Committee acting on recommendations from executive management and corporate performance targets applied to all annual allocations granted since 2001.

#### **1.2.2 Vesting criteria**

The performance-based vesting criteria effective from the 2001 annual allocations are as follows:

- if the increase in compound headline earnings per share growth (excluding translation gains/losses and extraordinary items) in the performance period (three to four years) is equal to the compound rate of inflation (CPI) plus 4% per annum, 50% of any allocation will vest;

- if the increase in compound headline earnings per share growth (excluding translation gains/losses and extraordinary items) in the performance period (three to four years) is equal to the compound rate of inflation (CPI) plus 5% per annum, 75% of any allocation will vest; and
- if the increase in compound headline earnings per share growth (excluding translation gains/losses and extraordinary items) in the performance period (three to four years) is equal to the compound rate of inflation (CPI) plus 6% per annum, 100% of any allocation will vest.

Fifty percent of the options granted will vest after three years from the date of grant and the balance after four years from the date of grant.

For example, if an allocation of 2 000 options were made on 1 April 2001, vesting will be as follows in 2004:

50% of 2 000 options = 1 000 options will vest subject to:

- compound headline earnings per share growth from FY 2000-2003, equal to CPI + 4%: only 500 options will vest and the balance will lapse;
- compound headline earnings per share growth from FY 2000-2003, equal to CPI + 5%: only 750 options will vest and the balance will lapse; and
- compound headline earnings per share growth from FY 2000-2003, equal to CPI + 6%: 1 000 options will vest (100% of the 50% which will fall due).

In 2005, in respect of the balance of the options (1 000), the vesting criteria will be as above, except that the financial results will be determined from the year ended 31 December 2000 to the year ended 31 December 2004.

Since 1996, all options granted under this scheme have to be exercised within a period of six years from the date of grant.

### **1.2.3 Issue price**

The issue price for all options granted under this scheme, was calculated as the ruling price of the ordinary shares on the JSE on the trading day immediately preceding the date of grant. Where the date of issue fell over a weekend, it reverted to the following Monday with the issue price being the ruling price of the ordinary shares on the JSE on the Friday preceding the Monday.

### **1.2.4 Termination of employment**

Employees within three years of normal retirement date will not be eligible for an annual allocation, unless specifically approved by the Remuneration Committee.

In the event that a participant's employment with the Nedbank Group terminates:

- as a result of his or her death, redundancy or retirement by superannuation or because of ill-health or for any other reason approved by the Board, such participant or such participant's executors shall be entitled to exercise all their outstanding options (i.e. both vested and those exercisable in future) within 18 months of termination, while the performance-based vesting criteria in respect of annual options will no longer apply; or
- for any reason other than those set forth above, or for any other reason approved by the Board, such participant shall be entitled within a period of 180 days from termination of employment to exercise all options considered vested at the time of termination and the agreement in respect of the remaining unvested options shall then be cancelled.

At 31 May 2005 there were approximately 20,8 million Nedbank share options outstanding of which 8,7 million options were linked to the achievement of the corporate financial performance targets.



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**PRINCIPAL IMMOVABLE PROPERTY OWNED OR LEASED BY THE COMPANY  
OR ITS SUBSIDIARIES**

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Establishment and location	Principal activity	Freehold/ Leasehold	Area (square metres)
Lynton Hall, Sandton	Housing technology division	Leasehold	2 434
320 West Street, Durban	Housing the Call Centre	Leasehold	5 068
115 West Street, Sandton	Housing technology division	Leasehold	6 962
12 Fredman Drive, Sandton	Housing various operating divisions in the Group	Leasehold	4 528
Nedbank Centre, Durban	Housing various operating divisions in the Group	Leasehold	10 173
Union Club, Durban	Housing various operating divisions in the Group	Leasehold	4 410
Braampark, Johannesburg	Housing various operating divisions in the Group	Leasehold	34 098
Clifton Place, Durban	Occupied by divisions in the Group	Leasehold	5 939
100 Main Street, Johannesburg	Housing various operating divisions in the Group	Leasehold	23 725
Killarney, 1 Newton Ave, Killarney	Occupied by divisions in the Group	Leasehold <sup>(1)</sup>	16 416
V&A Waterfront, Cape Town	Housing various operating divisions in the Group	Leasehold <sup>(2)</sup>	25 328
135 Rivonia Road, Sandton	Head office building	Freehold	61 853
105 West Street, Sandton	Housing technology division	Freehold	21 588
Nedcor Park, Selby, Johannesburg	Housing various operating divisions in the Group	Freehold	15 747
Kingsmead, 90 Ordnance Road, Durban	KZN Regional office	Freehold	26 106
Foreshore building, Cape Town	Western Cape Regional Office	Freehold	15 949
Breda building, Paarl	Housing mainly technology division	Freehold	9 356

(1) Monthly rental payable is R1 577 000. Lease expires 31 October 2013 and the Company has an option to renew for a further five years.

(2) Monthly rental payable is R2 261 000. Lease expires 14 October 2031 and the Company has an option to renew for a further 69 years, in periods of 10 years at a time.

## MATERIAL SUBSIDIARIES OR BUSINESS ASSETS ACQUIRED OR DISPOSED OF (6(e)(ii))

Details of material acquisitions or disposals of properties, subsidiaries or business assets in the preceding two years, or proposed acquisitions or disposals of properties, subsidiaries or business assets are set out below.

An overview of the disposals of the Company during the financial year ended 31 December 2004 is set out below:

– Offshore subsidiaries sold include:

Subsidiary	Proceeds Rm	Book value Rm	Profit/(Loss) Rm
Chiswell Associates	244	104	140
BoE life International	62	149	(87)
BoE International Fund Services and BoE International Fund Managers	44	23	21
Stenham Group	238	318	(80)
<b>Total</b>	<b>588</b>	<b>594</b>	<b>(6)</b>

– Local investments and subsidiaries disposed of include:

Investment/Subsidiary	Proceeds Rm	Book value Rm	Profit/(Loss) Rm
Century City – vacant land	82	80	2
NUEP*	38	17	21
Edward Nathan & Friedland	50	70	(20)
Endowment policies	1 252	1 280	(28)
Other	17	13	4
<b>Total</b>	<b>1 439</b>	<b>1 460</b>	<b>(21)</b>

\*Following the partial sale and restructuring of Net1 Applied Technology Holdings (Aplitec) into Net1 UEPS Technologies (NUEP) the Company has reduced its shareholding in this group from 25% to 15%.

### 1. CENTURY CITY (PROPRIETARY) LIMITED

In March 2004 Nedbank's wholly-owned subsidiary, Century City (Proprietary) Limited, entered into an agreement in terms of which the Rabie Group acquired the property owning, construction and development business of Century City (Proprietary) Limited for a consideration of R118 million. In terms of the agreement, the Rabie Group acquired all the undeveloped land and associated development rights at Century City.

Nedbank have retained options to participate in specific future development projects in a joint venture with the Rabie Group and will be afforded opportunities to finance future developments.

### 2. CANAL WALK LIMITED

In July 2003 Canal Walk Limited, a subsidiary of Nedbank, sold the Canal Walk Shopping Centre ('the business') for a cash consideration of R1,16 billion (inclusive of VAT at a rate of zero per cent) to a consortium comprising Hyprop Investments Limited and Ellerine Bros (Proprietary) Limited. The consideration was paid on registration of transfer of the property on which the business is conducted into the name of the purchaser. Hyprop had sufficient facilities available to fund the purchase consideration.

Canal Walk Shopping Centre which is located in the developing Century City precinct comprises 121 000 square metres of retail and 10 000 square metres of offices, making it the largest shopping centre in the Western Cape and one of the largest in the Republic South Africa. Completed in October 2000, its major tenants include Edgars, Woolworths, Pick 'n Pay, Checkers, Stuttafords and Game.

### 3. CHISWELL ASSOCIATES LIMITED

Chiswell Associates Limited ('Chiswell') was acquired by BoE in 1998. Until the date of its disposal, Chiswell formed part of the international investment operations of Nedcor Wealth Management. In March 2004 Nedbank Group Limited entered into an agreement to sell Chiswell to Sarasin Investment Management Limited for GBP20,9 million.

The proceeds from the sale of Chiswell, which were in excess of the Group's carrying value, were repatriated to the Republic of South Africa during 2004.

### 4. EDWARD NATHAN & FRIEDLAND (PROPRIETARY) LIMITED

Edward Nathan & Friedland ('ENF'), acquired by the Group in October 1999, was sold, with effect from 31 October 2004, for a cash consideration of R50 million to ENF directors. In addition to the purchase price of R50 million, the available cash in ENF of R33 million was paid back to Nedbank in part settlement of the ENF loan account. The overall effect of the sale of ENF was a loss to the Nedbank group of R20 million in 2004.

Neither the Company nor its subsidiaries provided funding or warranties for the acquisition by the directors of ENF. Professor Michael Katz is one of the directors of ENF. He undertook to remain with ENF and furthermore remains Vice-Chairman and a non-executive director of the Company's Board.

### 5. BoE INTERNATIONAL

Nedbank sold its offshore fund administration and management business in the Isle of Man to Bank of Bermuda (Isle of Man) Limited, which is owned by HSBC, with effect from 14 September 2004.

Nedbank received GBP2,55 million for the sale of the entire share capital of BoE International Fund Services Limited and BoE International Fund Managers Limited, in addition to a pre-sale dividend of GBP1,375 million. This resulted in a net capital profit on sale of approximately GBP1 million after costs.

At the date of disposal, the business administered 50 funds with approximately GBP1,2 billion of assets under administration and employed 17 staff.

### 6. CAPITAL ONE

The alliance relationships with Capital One no longer fitted either companies overall business strategies. In September 2004, Nedbank acquired Capital One's interest in the alliance for a net settlement of R170 million. Nedbank had been operating two alliances with Capital One. The first alliance covered micro lending activities under the Peoples Bank brand. Nedbank is now in a position to assume control of the micro lending businesses and integrate them into its existing operations. The second alliance relates to the management of the American Express card business which is operated by Nedbank under licence from American Express Limited. Nedbank believes that it will be more effective to operate Nedbank's Visa/MasterCard business with the American Express business within the same business unit.

The effective date of the termination of the alliances is 1 July 2004 and the Capital One management remained in place until 30 September 2004 to allow for an efficient hand-over of the business.

Since 31 December 2004, agreements have been entered into to sell the following interests:

#### 1. ESTABLISHED INVESTMENTS (PROPRIETARY) LIMITED ('EI')

EI is the ultimate holding company of Premier Foods Limited. An agreement was entered into, subject to Competition Commission approval, on 26 April 2005 with the Fabcos Group ('Fabcos'), in terms of which Fabcos would acquire Nedbank's 45% subsidiary in EI. The net effect of this transaction, if implemented, will be that Nedbank receives R545 million and is able to release pre-tax profits of approximately R150 million.

#### 2. CAPE THEME PARKS ('CTP')

Agreements were entered into on 27 June 2005 in terms of which Nedbank will, subject to Competition Commission approval, sell its shares in CTP to the Rabie Group for a consideration of R39 million. As part of this transaction, the Ratanga land sale agreement, which is part of the agreement referred to in paragraph 1 above, was cancelled. The net profit on this transaction will be approximately R4 million.

The Nedbank Group reduced its office space needs and disposed of 17 buildings for R93,8 million at a profit of R20,0 million during the 2004 financial year. A further six buildings were disposed of in the six months to 30 June 2005 for R16,2 million at a profit of R4,8 million.

## SUBSIDIARIES OF THE COMPANY (6(e)(i))

	Group		Company		Effective holding %	Book value of investment	Net indebtedness	Date of incorporation	Place of incorporation	Registration number	Listed on JSE	Main business	Date became a subsidiary
	Issued capital	31 Dec 2004	31 Dec 2003	31 Dec 2004									
<b>Banking</b>													
Nedbank Namibia (formerly the Commercial Bank of Namibia Ltd)	16	16	93	93			1973	Windhoek	73/04561	Yes	Banking	11/9/2003	
Nedbank Malawi Ltd	10	12	91	91			1/3/1976	Malawi	1669	No	Investment	1/7/1999	
Fairbairn Private Bank (Jersey) Ltd (formerly Gerrard Private Bank Ltd)	4	5	70	70			21/3/1994	Jersey	58094	No	Banking and Investment	31/5/2001	
Imperial Bank Ltd	3	3	50	50			23/11/1995	SA	1995/012484/07	No	Banking Services	31/7/2001	
Nedbank (Lesotho) Ltd	20	20	100	100			8/9/1992	Lesotho	92/191	No	Banking Services	1/1/1997	
Nedbank Ltd	27	27	100	100	14 642	10 744	2/1/1951	SA	1951/000009/06	Yes	Bank and Bank holding	2/1/1951	
Nedbank (Swaziland) Ltd	12	12	67	67			16/4/1974	Swaziland	39/1974	No but listed on Swaziland Stock Exchange	Banking Services	1/1/1997	
Nedcor Asia Ltd (Hong Kong)	132	156	100	100			17/7/1984	Hong Kong	09141431-000-07-02-4	No	Investment	17/6/1984	
Peoples Mortgage Ltd (formerly Peoples Bank Ltd)	45	45	100	100			15/2/1994	SA	1994/000929/06	No	Operate a money lending business	16/10/2000	
SBM Nedcor Holdings Ltd (Mauritius)	*	*	80	79			18/6/1998	Mauritius	19947/3809	No	Investment	18/6/1998	
<b>Trust and participation bond administration</b>													
Fairbairn Trust Company Ltd (Guernsey)	1	1	100	100			14/12/1990	Guernsey	23460	No	Trust Company	12/3/2002	
Nedcor Collective Investments Ltd	6	6	100	100			6/2/1997	SA	1997/001569/06	No	Management company of unit trusts	22/12/1988	
BoE Trust Ltd (formerly Syfrets Trust)	1	1	100	100			14/1/1919	SA	1919/001785/06	No	To act as executors, administrators, curators, trustees, secretaries, managers of estates	14/1/1919	

	Group				Company									
	Issued capital 31 Dec 2004 Rm	31 Dec 2003 Rm	Effective holding 31 Dec 2004 %	31 Dec 2003 %	Book value of investment 31 Dec 2004 Rm	31 Dec 2003 Rm	Net indebtedness 31 Dec 2004 Rm	31 Dec 2003 Rm	Date of incorporation	Place of incorporation	Registration number	Listed on JSE Yes/No	Main business	Date became a subsidiary
Syfrets Securities Ltd	1	1	100	100	3				22/3/1963	SA	1963/ 001497/06	No	Member of the JSE	31/12/2003
Syfrets Securities Nominees Ltd	*	*	99	99					13/10/1966	SA	1966/ 009632/07	No	Registered holder of securities or bonds	31/12/2003
FTNIB Management Company Ltd	2	2	100	100	18	18			27/2/1987	SA	1987/ 000804/06	No	Management of unit trusts in securities	1/1/2003
<b>Other companies</b>														
BoE Holdings Ltd	2	2	100	100					24/10/1978	SA	1978/ 004127/06	No	Holding company	2/10/2003
BoE International Holdings Ltd (Isle of Man)	*	*	100	100		37			26/6/1998	Isle of Man	91887C	No	Investment Holding	1/1/2003
NedLife Assurance Company Ltd	15	15	50	100					17/2/1993	SA	1993/ 001022/06	No	Long-term insurance	1/1/2003
BoE Ltd	11	11	100	100	7 064	7 064	(527)	61	17/7/1987	SA	1987/ 003281/06	No	Investment holding	2/7/2002
BoE Management Ltd	*	*	100	100					15/3/1951	SA	1951/ 000847/06	No	Investment	1/1/2003
Cape of Good Hope Financial Services Ltd	6	6	100	100	3	(6)	135		3/1/1958	SA	1958/ 000018/06	No	Financial Services and all related activities	1/10/1992
BoE (Pty) Ltd	1	1	50	50					20/6/1997	SA	1997/ 009637/07	No	Portfolio Managers	7/2/2001
BoE Clocktower Nominees Ltd (formerly FTNIB Nominees)	1	1	100	100	2	2			20/6/1997	SA	1997/ 009591/07	No	Investment holding nominee company	1/1/2003
Dr Holsboer Benefit Fund	100								6/11/1967	SA		No	Trust	1967
Lion Match Factory (Pty) Ltd (formerly Fasic Africa (Pty) Ltd)	*	*	82						11/5/1998	SA	1998/ 008912/07	No	Manufacturing	18/12/2003
Nedbank Africa Investments Ltd (Mauritius)	*	*	100	100					6/3/1998	Mauritius	19328-3570	No	Investment	31/10/2004
Nedurope Ltd (Isle of Man)	1 295	1 524	100	100	60	(22)			25/9/1972	Luxembourg	107382C	No	Investment holding	25/9/1972
Nedcor (SA) Insurance Company Ltd	*	*	100	100	5	5			7/4/2000	SA	2000/ 006691/06	No	Conducting business and providing services in insurance	28/9/2000
Nedcor Group Insurance Company Ltd (Isle of Man)	10	10	100	100					3/7/1996	Isle of Man	79813C	No	Insurance business	3/7/1996

	Group				Company				Date of incorporation	Place of incorporation	Registration number	Listed on JSE Yes/No	Main business	Date became a subsidiary
	Issued capital 31 Dec 2003 Rm	Effective holding 31 Dec 2003 %	Book value of investment 31 Dec 2003 Rm	Net indebtedness 31 Dec 2003 Rm	31 Dec 2004 Rm	31 Dec 2003 Rm	31 Dec 2004 Rm	31 Dec 2003 Rm						
Nedcor Insurance Company Ltd	*	100	33	32		23/5/2000	SA	2000/009681/06	No	Underwriting of short-term insurance	31/10/2000			
Nedcor Investment Holdings 101 Ltd	17	100	779	779	(1 983)	26/7/1963	SA	1963/003972/06	No	Group holding	1/10/1973			
Nedcor Investment 102 Ltd	6	100				28/10/1955	SA	1955/003181/06	No	Investment	30/9/2003			
Nedcor Investments Ltd	27	100				10/6/1950	SA	1950/038692/06	No	Investment holding company	13/7/1998			
Nedcor Securities (Pty) Ltd	32	100				14/11/1995	SA	1995/012240/07	No	Buying and selling of securities	31/7/2000			
Nedcor Trade Services Ltd (Mauritius)	3	100				25/6/1998	Mauritius	20425/4243	No	Financial Services	25/6/1998			
Nedinsurance Company Ltd	5	100	49	49	(49)	26/2/1993	SA	1993/001021/06	No	Underwriting of short-term insurance	1/1/2003			
Taquantia Securities (Pty) Ltd	*	100				30/10/1995	SA	1995/011650/07	No	Conduct business of a stockbroker	26/8/2004			
Tando AG (Switzerland)	172	100	216	256		6/11/2005	Switzerland	CH-170.3.025.649-1	No	Card Processing Services	6/11/2002			
The Board of Executors 1838	*	100			(39)	22/8/1838	SA	IT 171859	No	To provide financial and advisory services	1/1/2003			
Other companies	*	100		9	(13)									
			22 871	18 958	(6 842)									

\* Less than R1 million.

## DIRECTORS' REMUNERATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 1. EXECUTIVE DIRECTORS' REMUNERATION

The Company's executive directors' remuneration for the financial year ended 31 December 2004 is set out below:

Name	Basic salary <sup>(6)</sup> R'000	Retirement fund contributions R'000	Guaranteed remuneration R'000	Performance bonus R'000	Special payment R'000	Material benefits <sup>(7)</sup> R'000	Termination package R'000	Total R'000	2004 on 2003 change %
M W T Brown <sup>(5)</sup>	751	108	859 <sup>(5)</sup>	2 500	1 250 <sup>(1)</sup>	605	–	5 214	–
T A Boardman	2 762	238	3 000	4 650	–	1 632	–	9 282	285
S G Morris <sup>(2)</sup>	674	128	802	–	–	–	1 327	2 129	14
I J Botha <sup>(2)</sup>	760	92	852	–	–	–	1 254	2 106	6
D G S Muller <sup>(3)</sup>	608	116	724	–	–	–	–	724	(65)
M L Ndlovu	1 517	289	1 806	1 800	–	–	–	3 606	105
B J S Hore <sup>(3)</sup>	593	113	706	–	–	–	–	706	(64)
M M Katz <sup>(4)</sup>	2 403	458	2 861	–	–	–	–	2 861	(5)
<b>Total</b>	<b>10 068</b>	<b>1 542</b>	<b>11 610</b>	<b>8 950</b>	<b>1 250</b>	<b>2 237</b>	<b>2 581</b>	<b>26 628</b>	<b>22<sup>(8)</sup></b>

#### Notes:

- (1) Special payment refers to a retention payment of R1,25 million (pre-tax) awarded in January 2004 and paid on 20 December 2004.
- (2) S G Morris and I J Botha left the organisation on early retirement on 31 May 2004 and their termination packages were calculated on the basis of service and leave accrual.
- (3) D G S Muller and B J S Hore stepped down as Board members on 6 May 2004, but remained as members of the Group EXCO. Remuneration is reported on for the period in which they were executive directors.
- (4) M M Katz was an executive director of Edward Nathan (Proprietary) Limited until 7 December 2004, but amounts pertain to period 1 January 2004 to 31 October 2004, since Edward Nathan (Proprietary) Limited was no longer a subsidiary of the Company subsequent to this. He is currently still a non-executive director of the Company.
- (5) M W T Brown's guaranteed remuneration runs from the date of his appointment as Chief Financial Officer, which is 17 June 2004. Performance bonus and special payment refer to the full bonus accrued in the financial year.
- (6) Basic salary includes contributions to the medical aid and group life, as well as the company car/car allowance structured into the package. No additional benefits are offered to executive directors.
- (7) Refers to relocation costs incurred following the appointments.
- (8) Refers to total remuneration cost in respect of executive directors in service. Different directors were in service year-on-year.

## 2. NON-EXECUTIVE DIRECTORS' REMUNERATION

The Company's non-executive directors' remuneration for the financial year ended 31 December 2004 is set out below:

Name	Board meeting fees R'000	Committee fees R'000	Total R'000
C J W Ball	110	405 <sup>(2)</sup>	515
W A M Clewlow	–	–	1 505
B E Davison	110	75	185
N Dennis	110	61	171
B de L Figaji	110	121	231
M J Levett <sup>(1)</sup>	110	40	150
C F Liebenberg	–	–	1 413
J B Magwaza	110	179	289
M E Mkwanazi	110	179	289
P F Nhleko	110	27	137
T H Nyasulu	110	162	272
J V F Roberts <sup>(1)</sup>	110	150	260
J H Sutcliffe <sup>(1)</sup>	110	90	200
C M L Savage	110	102	212
R G Cottrell	110	268	378
<b>Total</b>	<b>1 430</b>	<b>1 859</b>	<b>6 207</b>

### Notes:

(1) Fees for Messrs Roberts, Sutcliffe and Levett are paid to Old Mutual (South Africa) Limited.

(2) Includes back payments of chairman's fees of R16 667 for the period 10 June 2003 to 31 December 2003.



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## OTHER DIRECTORSHIPS OR PARTNERSHIPS HELD BY THE COMPANY'S DIRECTORS

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The names of all companies and partnerships of which the directors of the Company are or have been either directors or partners of during the past five years.

### 1. W A M CLEWLOW

#### *Current directorships and partnerships*

AAD Investments (Pty) Limited, Barloworld Australia (Pty) Limited, Barloworld Limited, Cygnet Limited, Lanes Limited, Nedbank Group Limited, Nedbank Limited, Old Mutual Group Achievements Limited, Old Mutual Life Assurance Co. (SA) Limited, Old Mutual Life Holdings (South Africa) Limited, Old Mutual plc, Old Mutual South Africa Share Trust (trustee), OMGA Onversion Trust (trustee), OMIOPT Share Trust (trustee), Plascon (Pty) Limited, Pretoria Portland Cement Co. Limited, Robor Industrial (Pty) Limited, Rustenberg Wines (Pty) Limited, Sasol Limited, Samantha Investments plc, The Association of Marketers, The Hiltonian Society (member), WAMC Farming (Pty) Limited and WAMC Investments (Pty) Limited.

#### *Past directorships and partnerships*

Barloworld Botswana (Pty) Limited, Barloworld Coatings (Pty) Limited, Barloworld Equipment (Pty) Limited, Barloworld Motor (Pty) Limited, Barloworld plc, Barloworld Robor (Pty) Limited, Barlow International plc, Barlow Materials Handling International Limited, Barlow Motor Investments (Pty) Limited, Barlow Scientific Group Limited, Barlow UK Investments plc, Barlow's Tractor Company (Pty) Limited, Comparex Holdings Limited, Iscor Limited, State President's Economic Advisory Council and Martex Investments (Pty) Limited.

### 2. M M KATZ

#### *Current directorships and partnerships*

2003 ICC Cricket World Cup (South Africa), Antares Nominees Number 1 (Pty) Limited, Edward Nathan & Friedland (Pty) Limited, ENF Corporate Governance Advisory Services (Pty) Limited, ENF Sponsors (Pty) Limited, Nampak Limited, National Housing Finance Corporation Limited, Nedbank Limited, Nedbank Group Limited, New Africa Investments Limited, South Africa 2010 Bid Company (Pty) Limited, South African Institute of Business Ethics Limited, Commission of Inquiry into the Tax System of South Africa and The Donald Gordon Medical Centre (Pty) Limited.

#### *Past directorships and partnerships*

Africa Israel Investments Limited, Amalgamated Appliances Holdings Limited, Hunt Leuchars & Hepburn Holdings Limited, Huntcor Limited, Inner City Housing Upgrading Trust, Kerzfam Investments (Pty) Limited, Kerzner Cape Properties (Pty) Limited, Kerzner Family Holdings (Pty) Limited, Kerzner Holdings (Pty) Limited, Kerzner Hotels (Pty) Limited, Kerzner Properties (Hout Bay) (Pty) Limited, Kerzner Securities (Pty) Limited, Nedcor Investment 102 Limited, Nedcor Investment Holdings 101 Limited, Nineteen Sandhurst Estate (Pty) Limited, Twenty Sandhurst Estate (Pty) Limited, Twenty Two Sandhurst Estate (Pty) Limited, Twenty-One Sandhurst Estate (Pty) Limited and Women's Development Businesses Limited.

### 3. M L NDLOVU

#### *Current directorships and partnerships*

Africa Milestone Investments Limited, Bonganjalo Accommodation cc (member), Banking Adjudicator, Business Trust, Community Growth Management Company Limited, Deloitte & Touche Multicultural Development Programme, Environmental and Infrastructure Development Trust, Independent Commission for the Remuneration of Public Office Bearers, Khuluma Cellular 084, Kwa Maduke Farm cc (member), Lafarge South Africa (Pty) Limited, Multicultural Development Programme (Deloitte & Touche), Mutual & Federal Insurance Company Limited, NAMPAC Limited, Ndlovu's Energy and Fuels cc (member), Nedbank Group Limited, Nedbank Limited, Nestlife Assurance Corporation Limited, OTIS Elevator Company Limited, Peoples Bank, St. Anthony's Centre, Technikon Witwatersrand Council (member and vice chair), The Office of the Banking Adjudicator (commissioner) and The South African National Roads Agency Limited, Vunguza Investments.

#### *Past directorships and partnerships*

Africa Milestone Investments Limited, African Renaissance Holdings Limited, Akani Leisure Investments (Pty) Limited, Black Economic Empowerment Commission (commissioner), Black Management Forum Investment Company (Pty) Limited, Black Management Forum, Banks Appeal Board, Business Trust (Job Creation) (trustee), Credit Guarantee Insurance Corporation of Africa Limited, Clarkebury Educational Institution, He'Atid Leadership Programme, Midrand Graduate Institute (Patron), Milpark Business School (Patron),

Millennium Entertainment Group Africa Ltd (previously CAN), Mpumalanga Provincial Government Tender Board (Second), Msele NedVentures Limited, National Defence Liaison Council, National Engagement for Ethics Development, New Africa Investment Limited, Presidential Review Commission (PRC), Rainstar Investment Holdings (Pty) Ltd, Servcon Housing, Smart Centre Holdings Limited, Nest Life Assurance Corporation Limited, Nest Life Funeral Administrators (Pty) Limited, The Economic and Employment Equity Monitor, Wits Business School Advisory Board and Worldwide African Investments Limited.

#### 4. T A BOARDMAN

*Current directorships and partnerships*

BoE International Holdings Limited, Nedbank Group Limited, Nedbank Limited, and Northwind Investments (Proprietary) Limited.

*Past directorships and partnerships*

Bluechip Nominees (Pty) Limited, BoE Asset Management Limited, BoE Corporation Limited, BoE Holdings Limited, BoE International Asset Management (IOM) Limited, BoE International Fund Managers Limited, BoE International Fund Services Limited, BoE International Portfolio Services Limited, BoE Investment Administrators (Pty) Limited, BoE Investment Bank Limited, BoE Investment Management Limited, BoE Investment No. 1 Limited, BoE Life Limited, BoE Management Limited, BoE Preferred Investments Limited, BoE Risk Management No. 2 Limited, BoE Securities (Pty) Limited, BoE Securities Holdings (Pty) Limited, BoE Selections Limited, BoE Trust Co Limited, BoE Unit Trust Management Company Limited, Cheetah International Money Brokers Limited, Corporate Nominees (Pty) limited, Evad (Pty) Limited, Maarb (Pty) Limited, Mortgage Securities 101 (Pty) Limited, NBS Boland Group Limited, NOAJ (Pty) Limited, Parmil Investments (Pty) Limited, Reblis (Pty) Limited, Sixco (Pty) Limited, TERB (Pty) Limited, The Board of Executors, Banking Council, Boardmans, Sam Newman Limited and The Board of Executors Nominees (Pty) Limited.

#### 5. C J W BALL

*Current directorships and partnerships*

Nedbank Group Limited, Nedbank Limited and Imperial Bank Limited.

*Past directorships and partnerships*

BoE Bank Limited, BoE Holdings Limited, BoE Limited, BoE Management Limited, Canal Walk Limited, Century City Limited, P G Bison Limited, Cape Town 2004 Olympic Bid, Premier Foods Limited and National Cereal Holdings (Proprietary) Limited.

#### 6. M W T BROWN

*Current directorships and partnerships*

Nedbank Group Limited and BoE Bank Limited.

*Past directorships and partnerships*

BoE Limited.

#### 7. R G COTTRELL

*Current directorships and partnerships*

Accounting Standards Board (schedule 3A national public entity), African Oxygen Limited, Glenrand MIB Limited, Holbeck Estate Shareblock (Pty) Limited, Imperial Bank Limited, Kitrigil Properties (Pty) Limited, Munich Reinsurance Company of Africa Limited, Nedbank Group Limited, Nedbank Limited, Nedcor Collective Investment Limited, Share Transactions Totally Electronic Limited, The Body Corporate of the Dunkeld Square Building and University of Zululand Foundation.

*Past directorships and partnerships*

Nedcor Investment Holdings 101 Limited and Nedcor Investment 102 Limited, Saldanha Steel (Pty) Limited, Coopers & Lybrand, Policy Board for Financial Services and Regulation and Financial Services Board (Executive Officer).

#### 8. B E DAVISON

*Current directorships and partnerships*

Anglo American Corporation of South Africa Limited, Anglo Platinum Limited, Anglo American plc, Anglo South Africa (Pty) Limited, Anglo South Africa Capital (Pty) Limited, Boart Longyear Limited, Kumba Resources Limited, Lebowa Platinum Mines Limited, Nedbank Group Limited, Nedbank Limited, Potgietersrust Platinums Limited, Precious Metals Refiners (Pty) Limited, Rustenburg Platinum Mines Limited, Samancor Limited and The Tongaat Hulett Group Limited.

*Past directorships and partnerships*

Anglo Platinum Limited, Anglo Platinum Management Services (Pty) Limited, Anglovaal Mining Limited, Brakspruit Platinum (Pty) Limited, Dithaba Platinum (Pty) Limited, Dwaalkop Prospecting Company (Pty) Limited, EL Ramsden Bleskop (Pty) Limited, Eland Platinum Mining Company Limited, Highveld Steel and Vanadium Corporation Limited, Maandagshoek Platinum (Pty) Limited, Matthey Rustenburg Refiners (Pty) Limited, Messina Nickel Mining and Exploration Company of Africa (Pty) Limited, Micawber 146 (Pty) Limited, Modikwa Platinum Mine (Pty) Limited, Nedcor Investment Holdings 101 Limited, Nedcor Investment 102 Limited, Norbush Properties (Pty) Limited, Norsand Holdings (Pty) Limited, Northam Platinum Limited, Penultimate Holdings (Pty) Limited, PGM Brakspruit (Pty) Limited, Platinum Open Cast Services (Pty) Limited, Platinum Prospecting Company (Pty) Limited, PMT Precious Metals Trading AG, Pyramid Platinum Limited, Rustenburg Base Metals Refiners (Pty) Limited, Scaw Metals Limited and Transvaal Land Development Company (Pty) Limited.

**9. N DENNIS**

*Current directorships and partnerships*

Adcock Ingram Limited, Adcock Ingram Holdings (Pty) Limited, Barrett Burston Limited (United Kingdom), Barrett Burston Malting Co. (Pty) Limited (Australia), CAG 28 Incorporated, Canada Malting Co. Limited (Canada), Conagra 29 BV (Netherlands), Durban Confectionery Works (Pty) Limited, Empresas Carozzi S.A. (Chile), Hugh Baird & Sons Limited (United Kingdom), ICS Holdings Limited, Langeberg Holdings Limited, Malt Real Property (Pty) Limited (Australia), Nedbank Limited, Nedbank Group Limited, Oceana Group Limited, Ocfish Holding Company Limited, Sea Harvest Corporation (Pty) Limited, Sea Harvest Holdings (Pty) Limited, Tiger Brands Limited and Tiger Food Brands Limited.

*Past directorships and partnerships*

Albany Bakeries Limited, Astral Operations Limited, County Fair Foods (Pty) Limited, County Fair Holdings (Pty) Limited, Nedcor Investment Holdings 101 Limited, Nedcor Investment 102 Limited, Tiger Food Brands Intellectual Property Holdings Company (Pty) Limited, Tiger Foods Limited, Tiger Management Services Limited and Ulgrave Limited (United Kingdom).

**10. B DE LACY FIGAJI**

*Current directorships and partnerships*

Asset Educational Trust, Development Bank of South Africa, HHO Africa (Proprietary) Limited, I&J Limited, Marib Holdings, Peninsula Technikon, Council of Higher Education, PetroSA, Cape Lime (Proprietary) Limited, Nedbank Group Limited and Nedbank Limited.

*Past directorships and partnerships*

BoE Management Limited, BoE Holdings Limited, BoE Limited, Cape of Good Hope Financial Services Limited and Anglovaal Industries.

**11. R M HEAD**

*Current directorships and partnerships*

Mutual & Federal Insurance Company Limited, Nedbank Group Limited, Nedbank Limited and Old Mutual Financial Services (UK) plc.

*Past directorships and partnerships*

Smile.co.uk, Egg.com

**12. J B MAGWAZA**

*Current directorships and partnerships*

African Vanguard Investments Holdings Limited, Anglo American Corporation South Africa Limited, Development Bank of Southern Africa Limited, Dorbyl Limited, Entrepid Investment Holdings, Ithala Development Finance Corporation Limited, Moreland Estates (Pty) Limited, Motseng Marriott Property Services (Pty) Limited, Nedbank Group Limited, Nedbank Limited, Pamodzi Investment Holdings Limited, Peoples Bank, Rainbow Chicken Limited and The Tongaat-Hulett Group Limited.

*Past directorships and partnerships*

Tonga-Hulett Management Services (Pty) Limited, Corobrik (Pty) Limited, Khulani Holdings Limited, Indoni Yamanzi Investment Holdings Limited, Peoples Bank Limited and Tongaat-Hulett Sugar Limited.

### 13. M E MKWANAZI

#### *Current directorships and partnerships*

Business Against Crime South Africa, Erf 74 Saddlebrook Estates cc, Letseng Diamonds (Pty) Limited (chairman), Letseng Investment Holdings South Africa (Pty) Limited, Matodzi Investment Holdings (held through MLZZ Family Trust), Matodzi Resources Limited, Mkwanazi Investment Holdings (Pty) Limited, MLZZ Family Trust (trustee), Nedbank Group Limited, Nedbank Limited, Newsshelf 669 (Pty) Limited, Orlyfunt Holdings, South Africa America's Cup Challenger, Western Areas Limited (non executive chairman), Wild Rush Trading 8 (Pty) Limited and Witnigel Investments (Pty) Limited.

#### *Past directorships and partnerships*

Past directorships and partnerships of Alliance Air, Autopax Passenger Services (Pty) Limited, Freight Logistics International Inc., Freightdynamics Limited, Industrial Development Corporation, Kgorong Investment Holdings (Pty) Limited (shareholder), M-Cell Trust (trustee), Metrorail Limited, National Ports Authority of SA, Petronet Limited, Propnet Limited, SAA (Pty) Limited, Sesifikile Investment (Pty) Limited, South African Express Airways, South African Port Operations, Spoornet Limited, Transnet Foundation Trust (trustee), Transnet Limited, Transnet Pension Fund (trustee), Transnet Retirement Fund (trustee), Transnet Retirement Funds Property Trust (trustee), Transnet Second Defined Benefit Fund (trustee), Transtel Limited, Viamax (Pty) Limited and Victoria & Alfred Waterfront Properties (Pty) Limited.

### 14. J V F ROBERTS

#### *Current directorships and partnerships*

Commsale 2000 Limited, Old Mutual (KSH), Mutual & Federal Insurance Company Limited, Nedbank Group Limited, Nedbank Limited, Old Mutual (South Africa) Limited, Old Mutual (U.S.) Holdings, Inc., Old Mutual Asset Managers (Bermuda) Limited, Old Mutual Asset Managers Holdings (Bermuda) Limited, Old Mutual Business Services Limited, Old Mutual Fund Holdings (Bermuda) Limited, Old Mutual Global Assets Fund Limited, Old Mutual Group Limited, Old Mutual Group Services Limited, Old Mutual International Holdings Limited, Old Mutual Life Assurance Company (Bermuda) Limited, Old Mutual Life Assurance Company (South Africa) Limited, Old Mutual Life Holdings (South Africa) Limited, Old Mutual plc, Old Mutual U.S. Life Holdings, Inc. and OM Group (UK) Limited.

#### *Past directorships and partnerships*

Old Mutual Energy Assets Managers (Bermuda) Limited (Dissolved), Old Mutual Financial Services (UK) plc, Aquis (Embassy House) Limited, Aquis Estates Limited, Aquis Hotels Limited, Aquis Investments Limited (in members' voluntary liquidation), Aquis Securities plc, Athene Nominees Limited (in members' voluntary liquidation), Atlas Assurance Company Limited, Atlas Nominees Limited (in members' voluntary liquidation), AXA Direct Insurance Limited, AXA Direct Limited, AXA Finance UK plc, AXA General Insurance Limited, AXA Insurance plc, AXA Insurance UK plc, AXA Ireland Limited, AXA PMPA Insurance Limited, AXA Services Limited, AXA Shared Services Limited, AXA Sun Life Holdings Public Limited Company, AXA Sun Life Services plc, AXA-GRE Europe Investments Limited, Badra Nominees Limited (in members' voluntary liquidation), British American Securities Limited (in members' voluntary liquidation), Bruton Estates Limited, Bruton Property Holdings Limited.

Caledonian Insurance Company Limited, Canton Nominees Limited (in members' voluntary liquidation), Choices Nominees Limited (in members' voluntary liquidation), Cobalt Properties Limited, Compass Securities Limited, Corbeille Limited, Denplan Limited, Essex and Suffolk Company Limited (in members' voluntary liquidation), Foxhound Nominees Limited, G.P.R. Basinghall Limited, G.R.E. Farms (Lytham) Limited, G.R.E. Nominees Limited, G.R.E.A. Leasings Limited (in members' voluntary liquidation), Gemcopse Limited, Graywood Investments Limited, GRE (UK) Limited, GRE Holdings Limited, GRE Link Limited, GRE Linked Life Limited, GRE Nominee Shareholdings Limited, Guardian Direct Limited, Guardian Direct Services Limited (in members' voluntary liquidation), Guardian Eastern Insurance Company Limited, Guardian Financial Services Limited, Guardian Health Limited, Guardian Insurance Limited, Guardian Investment Holdings Limited, Guardian Leasing (No. 1) Limited, Guardian Leasings Limited, Guardian Life Limited (in members' voluntary liquidation), Guardian Mortgage Services Limited, Guardian Nominees Limited, Guardian Properties (Holdings) Limited, Guardian Properties Limited, Guardian Royal Exchange General Partners Limited, Guardian Royal Exchange International (Holdings) B.V., Guardian Royal Exchange plc, Guardian Royal Exchange Staff Pension Trustees, Guardian Services Limited, Holomode Limited, Kirkman House Nominees Limited (in members' voluntary liquidation), KRF Nominees Limited (in members' voluntary liquidation), Lynmead Nominees Limited (in members' voluntary liquidation), Magnet House Properties Limited, Majorstone Limited, Mardow Limited, Marketlaser Limited, New Brakol Properties Limited, Orion Personal Insurances Limited, PPP healthcare group plc, PPP healthcare limited, PPP lifetime care plc, PPP Pensions Trust Limited, PPP Trio Limited, RETBU Nominees Limited, Royal Exchange Trustee Nominees Limited, Royex Finance Company Limited (in members' voluntary liquidation), Royex Nominees Limited (in members' voluntary liquidation), Royex Surplus (No. 17) Limited, Royex Surplus (No. 18) Limited, Royex Surplus (No. 19) Limited, Saddlewell Limited (in members' voluntary liquidation), SI London Limited, St Helena Nominees Limited (in members' voluntary liquidation), State Nominees Limited (in members' voluntary liquidation), Sun Life and Provincial Holdings plc, Sun Life Assurance Society plc, Sun Life Corporation plc, Sun Life Holdings plc, Sun Life OLAC Limited, Sun Life Pensions Management Limited, Sun Life Unit Assurance Limited, Sunline Services Limited, The Aquis Property Company Limited, The City of Aberdeen Property and General Investment Trust Limited, The Metropolitan Trust Company Limited, The Royal Exchange Assurance, The State Assurance Company Limited, Tomwin Estates Limited, Tritongrange Limited (in members' voluntary liquidation), Valin Property Services (Athene) Limited, Valin Property Services (Bangor) Limited, Valin Property Services (Capitol Exchange) Limited, Valin Property Services (Covent Garden) Limited, Valin Property Services (Green Lanes) Limited, Valin Property Services (Holdings) Limited, Valin Property Services (Princes Square) Limited and Wirral Nominees Limited (in members' voluntary liquidation).

## 15. C M L SAVAGE

### *Current directorships and partnerships*

AECI Limited, Boco (Pty) Limited, Datatec Limited, Datatec International, Delta Motor Corporation (Pty) Limited, Harmony Gold Mining Company Limited, Hulett Aluminium (Pty) Limited, Kumba Resources Limited, Nedbank Group Limited, Nedbank Limited, The Tongaat Group Limited, The Tongaat-Hulett Group Limited and Tongaat-Hulett Management Services (Pty) Limited.

### *Past directorships and partnerships*

African Rainbow Minerals Limited, BoE Bank Holdings Limited, BoE Bank Limited and BoE Limited.

## 16. J H SUTCLIFFE

### *Current directorships and partnerships*

Fidelity and Guaranty Life Insurance Company, Flat G3 Valhalla (Pty) Limited, Nedbank Group Limited, Nedbank Limited, Old Mutual (South Africa) Limited, Old Mutual (U.S.) Holdings Inc., Old Mutual Group Achievements Limited, Old Mutual Life Assurance Company (South Africa) Limited, Old Mutual Life Holdings (South Africa) Limited, Old Mutual plc, Old Mutual U.S. Life Holdings, Inc. and OM Kotak Mahindra Life Insurance Company Limited.

### *Past directorships and partnerships*

Old Mutual Asset Managers (South Africa) (Pty) Limited, Old Mutual Unit Trusts Limited, Old Mutual Financial Services (UK) plc, Old Mutual International (Guernsey) Limited, Old Mutual Fund Managers (Guernsey) Limited, Omiopt Limited, TC Investments Limited, Investment Manager Selection Limited, Libtai Holdings (Jersey) Limited, Liberty International plc, Conduit Insurance Holdings Limited, Tai Investments Limited, Sandal Investments Limited, Tai Nominees Limited, Liberty International Holdings plc, Investment Solutions Limited, Hermes Assured Limited, Transol Investments Limited, LCP DC Link Limited, Runic Nominees Limited, The Bullfinch Company Limited, Transatlantic Holdings Limited, Liberty Life Assurance Limited, Edinburgh Portfolio Limited, Liberty International Financial Services plc, Liberty International Group Treasury Limited, Liberty International Asset Management Limited, United Business Services Limited, Global Edge Technologies (Pty) Limited, Gerrard Limited, Selestia Life & Pensions Limited and Prudential plc.

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**TRADING HISTORY OF ORDINARY SHARES ON THE JSE**


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The Ordinary Shares have been listed on the JSE since 20 August 1969.

The following table sets out the high, low and closing prices of the Ordinary Shares in cents and the total trading volume of the Ordinary Shares on the JSE on a yearly basis for the last three years:

Yearly	High	Low	Close	Volume
May 2003	13 600	8 450	9 100	153 252 024
May 2004	10 255	5 500	6 269	255 625 994
May 2005	8 320	5 240	7 580	216 815 233

Source: I-Net Bridge

The following table sets out the high, low and closing prices of the Ordinary Shares in cents and the total trading volume of the Ordinary Shares on the JSE on a quarterly basis for the periods indicated:

Quarterly	High	Low	Close	Volume
September 2002	12 700	9 500	9 940	31 683 509
December 2002	12 400	9 800	11 110	38 560 145
March 2003	11 850	8 700	8 800	42 100 942
June 2003	10 050	8 450	8 950	46 712 729
September 2003	10 255	6 700	6 920	59 328 591
December 2003	7 690	5 640	6 203	67 838 980
March 2004	7 125	5 500	6 390	70 565 138
June 2004	6 570	5 675	6 170	57 013 945
September 2004	6 200	5 240	5 950	61 649 714
December 2004	7 999	5 900	7 780	56 618 867
March 2005	8 320	6 700	7 520	42 108 062
June 2005	8 080	7 000	7 439	49 676 182

Source: I-Net Bridge

The following table sets out the high, low and closing prices of the Ordinary Shares in cents and the total trading volume of the Ordinary Shares on the JSE on a monthly basis for each of the last 12 months:

Monthly	High	Low	Close	Volume
July	6 200	5 550	5 975	11 493 256
August 2004	6 000	5 240	5 601	28 313 426
September 2004	5 960	5 610	5 950	21 843 032
October 2004	6 810	5 900	6 660	25 249 478
November 2004	7 620	6 500	7 600	22 544 412
December 2004	7 999	7 290	7 780	8 824 977
January 2005	7 770	6 700	7 280	9 426 416
February 2005	8 070	6 910	8 002	15 008 015
March 2005	8 320	7 255	7 520	17 673 631
April 2005	7 850	7 000	7 500	12 157 620
May 2005	7 840	7 390	7 580	26 822 881
June 2005	8 080	7 351	7 439	10 695 681

Source: I-Net Bridge

The following table sets out the high, low and closing prices of the Ordinary Shares in cents and the total trading volume of the Ordinary Shares on the JSE on a daily basis for each of the 30 days preceding the Last Practicable Date:

Daily	High	Low	Close	Volume
14 June 2005	6 420	6 340	6 400	289 166
15 June 2005	6 405	6 350	6 390	906 305
17 June 2005	6 460	6 390	6 420	886 440
20 June 2005	8 080	7 959	8 020	271 759
21 June 2005	8 050	7 900	7 910	381 842
22 June 2005	7 940	7 840	7 890	270 902
23 June 2005	7 884	7 740	7 740	950 190
24 June 2005	7 700	7 500	7 575	806 609
27 June 2005	7 575	7 500	7 575	660 304
28 June 2005	7 625	7 500	7 550	770 275
29 June 2005	7 650	7 500	7 500	1 052 463
30 June 2005	7 537	7 351	7 439	832 678
1 July 2005	7 500	7 344	7 344	631 913
4 July 2005	7 435	7 359	7 398	190 414
5 July 2005	7 600	7 390	7 415	250 893
6 July 2005	7 541	7 461	7 530	458 023
7 July 2005	7 650	7 400	7 625	619 100
8 July 2005	7 650	7 550	7 650	199 734
11 July 2005	7 689	7 600	7 655	404 244
12 July 2005	7 850	7 650	7 830	417 716
13 July 2005	8 105	7 799	8 105	324 035
14 July 2005	8 250	7 900	8 249	1 117 248
15 July 2005	8 425	8 150	8 270	605 219
18 July 2005	8 450	8 100	8 450	252 627
19 July 2005	8 449	8 300	8 449	178 451
20 July 2005	8 430	8 235	8 430	802 952
21 July 2005	8 405	8 260	8 300	2 263 800
22 July 2005	8 505	8 300	8 350	341 932
25 July 2005	8 420	8 265	8 400	239 194
26 July 2005	8 450	8 365	8 410	621 894

Source: I-Net Bridge

