

NEDBANK LIMITED

(Registration Number 1951/000009/06) (incorporated with limited liability in South Africa)

U.S.\$2,000,000,000 Euro Medium Term Note Programme

This Prospectus has been approved by the United Kingdom Financial Services Authority (the "FSA"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC (the "Prospectus Directive") and relevant implementing measures in the United Kingdom, as a base prospectus issued in compliance with Article 5.4 of the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of notes ("Notes") issued under the Euro Medium Term Note Programme (the "Programme") described in this Prospectus during the period of 12 months after the date hereof. Applications have been made for such Notes to be admitted during the period of 12 months after the date hereof to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange plc (the "London Stock Exchange") (the "Market"). The Market is a regulated market for the purposes of the Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with Nedbank Limited (the "Issuer" or the "Bank").

Notes to be issued under the Programme may comprise (i) unsubordinated Notes (the "Unsubordinated Notes"), (ii) Notes which are subordinated as described herein with a maturity date and with terms capable of qualifying the proceeds of such Notes as Dated Secondary Capital (as defined in "Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes") (the "Dated Tier 2 Notes") or Tertiary Capital (as defined in "Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes") (the "Tier 3 Notes" and, together with the Dated Tier 2 Notes, the "Dated Subordinated Notes"), (iii) Notes which are subordinated as described herein with no maturity date and with terms capable of qualifying the proceeds of such Notes as Undated Secondary Capital (the "Undated Tier 2 Notes" and, together with the Dated Tier 2 Notes, the "Tier 2 Notes") and (iv) Notes which are subordinated as described herein with no maturity date, ranking junior to the Tier 2 Notes and the Tier 3 Notes and with terms capable of qualifying the proceeds of such Notes as Primary Share Capital (as defined in "Terms and Conditions of the Tier 1 Notes") (the "Tier 1 Notes" and, together with the Tier 2 Notes and the Tier 3 Notes, the "Subordinated Notes"). The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933 (the "Securities Act") or any state securities laws, and are being offered and sold outside the United States in reliance on Regulation S under the Securities Act ("Regulation S") and in the United States only to "qualified institutional buyers" (in reliance on, and as defined by, Rule 144A under the Securities Act ("Rule 144A"), in each case in compliance with applicable securities laws. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

As described further in this Prospectus, as at the date of this Prospectus, prior written approval of the Exchange Control Department ("ExCon") of the South African Reserve Bank ("SARB") is required for the issuance of each Tranche of Notes issued under the Programme. Furthermore, the approval of the Registrar of Banks is further required in respect of the issue of Notes the proceeds of which are intended to qualify as Primary Share Capital, Dated Secondary Capital, Undated Secondary Capital or Tertiary Capital.

Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under "Risk Factors" below.

Arranger HSBC

Co-Arranger Nedbank Capital

Dealers

HSBC Nedbank Capital

Table of Contents

	Page
IMPORTANT NOTICES	3
RISK FACTORS	6
SUPPLEMENT TO THIS PROSPECTUS	17
KEY FEATURES OF THE PROGRAMME	18
FINAL TERMS AND DRAWDOWN PROSPECTUSES	24
FORMS OF THE NOTES	25
TERMS AND CONDITIONS OF THE UNSUBORDINATED, TIER 2 AND TIER 3	
NOTES	29
TERMS AND CONDITIONS OF THE TIER 1 NOTES	60
SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL	
FORM	85
DESCRIPTION OF NEDBANK LIMITED	88
THE BANKING SECTOR IN SOUTH AFRICA	131
EXCHANGE CONTROL	136
TAXATION	137
SUBSCRIPTION AND SALE	139
TRANSFER RESTRICTIONS	142
FORM OF FINAL TERMS OF THE UNSUBORDINATED, TIER 2 AND TIER 3	
NOTES	144
FORM OF FINAL TERMS OF THE TIER 1 NOTES	154
GENERAL INFORMATION	162
FINANCIAL STATEMENTS AND AUDITORS REPORTS	F-1

IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes" (the "Ordinary Conditions") or, as the case may be, "Terms and Conditions of the Tier 1 Notes" (the "Tier 1 Conditions", together with the Ordinary Conditions, the "Conditions") as amended and/or supplemented by a document specific to such Tranche called final terms (the "Final Terms") the forms of which are set out in "Form of Final Terms of the Unsubordinated, Tier 2 and Tier 3 Notes" and "Form of Final Terms of the Tier 1 Notes" or in a separate prospectus specific to such Tranche (the "Drawdown Prospectus") as described under "Final Terms and Drawdown Prospectuses" below. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise. This Prospectus must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms.

The Issuer has confirmed to the Dealers named under "Subscription and Sale" below that this Prospectus contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

Any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Prospectus as completed by the Final Terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus. Neither the delivery of this Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Prospectus is true subsequent to the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Prospectus or any Final Terms and other offering material relating to the Notes, see "Subscription and Sale". In particular, Notes have not been and will not be registered under the Securities Act. Unless otherwise specified in a Final Terms or Drawdown Prospectus, each series of Notes will initially be privately placed exclusively with persons reasonably believed by the Dealers to be qualified institutional buyers within the meaning of Rule 144A or in other transactions exempt from registration in accordance with Regulation S. After their initial private placement, Notes may be resold to qualified institutional buyers in a transaction satisfying the requirements of Rule 144A or in transactions exempt from registration in accordance with Regulation S.

Neither this Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed U.S.\$2,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into U.S. dollars at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "Subscription and Sale".

Certain information included herein relating to the banking industry has been reproduced from information published by the SARB and the SA Financial Sector Forum. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and able to ascertain from information published by the SARB or the SA Financial Sector Forum, as the case may be, no facts have been omitted which would render the reproduced inaccurate or misleading.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

In this Prospectus, unless otherwise specified, references to a "Member State" are references to a Member State of the European Economic Area, references to "South Africa" are references to the Republic of South Africa, references to "U.S.\$", "U.S. dollars" or "dollars" are to United States dollars, references to "€", "EUR" or "euro" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended and references to "ZAR", "R" or "Rand" are to South African rand.

For ease of information, certain financial information relating to the Issuer included herein has been presented as translated into U.S. Dollars at the U.S. Dollar/Rand official rates of exchange deemed appropriate by the Issuer. Unless otherwise specified, such rates were applicable as of the end of the relevant specified period(s). Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted into U.S. Dollars at that or any other rate.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

AVAILABLE INFORMATION

The Issuer has agreed that, for so long as any Notes issued by it are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, it will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Exchange Act of 1934 (the "Exchange Act") nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

RISK FACTORS

The Issuer believes that the factors outlined below may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below. The value of the Notes could decline due to any of these risks, and investors may lose some or all of their investment.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it, or which it may not currently be able to anticipate. Accordingly, the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus to reach their own views prior to making any investment decision.

References below to the "Conditions", in relation to Unsubordinated Notes, Tier 2 Notes and Tier 3 Notes, shall mean the "Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes" set out below and, in relation to Tier 1 Notes shall mean the "Terms and Conditions of the Tier 1 Notes" set out below and references to a numbered "Condition" shall be to the relevant Condition under the relevant Terms and Conditions set out below. Capitalised terms used herein and not otherwise defined shall bear the meanings ascribed to them in the Conditions.

Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme Risks relating to the Bank

Risk Management

The Bank, in common with other banks in South Africa and elsewhere, is exposed to commercial and market risks in its ordinary course of business, the most significant of which are credit risk, market risk, liquidity risk, interest rate risk and operational risk. Credit risk is the risk of loss due to non-performance of a counterparty in respect of any financial or performance obligation due to deterioration in the financial status of the counterparty. Market risk is the risk of loss on trading instruments and portfolios due to changes in market prices and rates. Liquidity risk is the inability to discharge funding or trading obligations which fall due at market related prices. Interest rate risk is defined as the sensitivity of the balance sheet and income statement to unexpected, adverse movements of interest rates. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Whilst the Bank believes that it has implemented appropriate policies, systems and processes to control and mitigate these risks, investors should note that any failure to control these risks adequately could have an adverse effect on the financial condition and reputation of the Bank (see "Risk Management" below).

Concentration Risk

The Bank's business is significantly focused on the South African markets and therefore faces a geographic concentration risk. Any adverse changes affecting the South African economy are likely to have an adverse impact on the Bank's loan portfolio and, as a result, on its financial condition and results of its operations.

Liquidity Risk

The Bank, in common with other banks in South Africa, is very reliant on wholesale funding rather than retail deposits, due to the low savings rate within South Africa and the impact of certain exchange controls in South Africa which limit the ability of depositors to make deposits outside South Africa (see "Sources of Finances" and "Exchange Controls" below). Although the Bank believes that its level of access to domestic and international inter-bank and capital markets and its liquidity risk management policy allow and will continue to allow the Bank to meet its short-term and long-term liquidity needs, any maturity mismatches may have a material adverse effect on its financial condition and results of operations. Furthermore, there can be no assurance that the Bank will be successful in obtaining additional sources of funds on acceptable terms or at all.

Sources of deposits and other funding

Due to certain exchange controls in South Africa, individuals and corporates are restricted from making deposits outside of South Africa. This has lead to large deposits in the banks in South Africa being made by corporates and in particular by the local South African fund managers. The principle South African fund managers are the largest depositors in the South African banking market, making deposits on behalf of their customers to benefit from higher interest rates available to wholesale depositors. The Bank, in line with other South African banks, obtains a large percentage of its deposits from such fund managers. Further legislation in South Africa restricts the exposure that the fund managers can have to an individual bank, so the fund managers are required to spread their deposits amongst the banks. There is a risk that if such exchange controls were relaxed (see "Exchange Controls" below), some or all of these deposits would move outside of South Africa.

Global liquidity needs have recently increased following the banking crisis in international markets. This has reduced the Bank's ability to raise longer-term funding via securitisation and subordinated debt issues due to contagion into the South African capital markets. The result is that these funds have to be raised in the money market which has reduced the Bank's ability to diversify funding sources and has adversely affected the lengthening of the Bank's funding profile. The shorter-term fund raising adversely impacts the Bank's liquidity profile, financial condition and results of its operations.

Competitive Landscape

The Bank is subject to significant competition from other major banks operating in South Africa, including competitors that may have greater financial and other resources, and, in certain markets, from international banks. Many of these banks operating in the Bank's markets compete for substantially the same customers as the Bank. Competition may increase in some or all of the Bank's principle markets and may have an adverse effect on its financial condition and results of operations.

Risk of increases in loan impairments, particularly retail loans

The performance of the Bank is significantly influenced by the performance of the economy in South Africa, which in turn is influenced by global economic factors, such as the price of oil and the downturn in the US economy. Any further deterioration in the global economic markets could result in a general reduction in business activity and a consequent loss of income for the Bank. A reduction in business activity or a downturn in the economic environment in South Africa could also cause a higher incidence of impairments and trading losses in the Bank's lending, trading and other portfolios (particularly in relation to retail loans) which could have an adverse effect on its financial condition and results of operations. This is a sector-wide risk that is not isolated to the Bank.

The Bank may be vulnerable to the failure of its systems and breaches of its security systems

The Bank relies on the proper functioning of its systems which may fail as a result of hardware or software failure or power or telecommunications failure. The occurrence of such a failure may not be adequately covered by its business resumption and disaster recovery planning. Any significant degradation, failure or lack of the Bank's information systems or any other systems in the trading process could therefore cause it to fail to complete transactions on a timely basis, could have an adverse effect on its business, results of operations and financial condition or could give rise to adverse regulatory and reputational consequences for the Bank's business.

The secure storage, use and transmission of confidential information is a critical element of the Bank's operations. The Bank's networks and systems may be vulnerable to unauthorised access and other security problems. The Bank cannot be certain that its existing security measures will prevent breaches including break-ins, viruses or disruptions. Persons that circumvent the security measures could use the Bank's or its client's confidential information wrongfully which could expose it to a risk of loss, adverse regulatory consequences or litigation.

The Bank's future success will depend in part on its ability to respond to changing technologies and demands of the market place. The Bank's failure to upgrade its information and communications systems on a time or cost-effective basis could have an adverse effect on its business, financial condition and/or operating results and could damage its relationship with its clients and counterparties.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Bank will be unable to comply with its obligations as a company with securities admitted to the Offical List or as a supervised firm regulated by the FSA.

The Issuer may be unable to recruit, retain and motivate key personnel

The Bank's performance is dependent on the talents and efforts of key personnel, some of whom may have been employed by the Bank for a substantial period of time and have developed with the business. The Bank's continued ability to compete effectively and further develop its businesses also depends on its ability to attract new employees. In relation to the development and training of new staff, the Bank is reliant on the continued development of the educational sector within South Africa, including access to facilities and educational programmes by its future employees. The Bank has implemented programmes to attract new employees and equip them with appropriate skills.

Terrorist acts and other acts of war could have a negative impact on the business

Terrorist acts, and other acts of war or hostility and responses to those acts, may create economic and political uncertainties, which could have a negative impact on South Africa, and international economic conditions generally, and more specifically on the business and results of operations of the Bank in ways that cannot be predicted.

Risks Relating to the Notes

The Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such an investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

There is no active trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications have been made for the Notes issued under the Programme to be admitted to listing on the Official List of the FSA and to trading on the Market, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

Exchange rate risks

The Issuer will pay principal and interest on the Notes in the Specified Currency (as defined in the Final Terms). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

The Notes may be redeemed prior to maturity

Unless in the case of any particular Tranche of Notes the relevant Final Terms specify otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of South Africa or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Notes the relevant Final Terms specify that the Notes are redeemable at the Issuer's option in certain other circumstances, the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes. Any redemption of Subordinated Notes prior to their Maturity Date (if any) requires the prior written approval of the Registrar of Banks.

As the Global Note Certificates are held by or on behalf of Euroclear and Clearstream, Luxembourg andlor DTC, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

Notes issued under the Programme may be represented by one or more Global Note Certificates. Such Global Note Certificates will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg and/or a nominee of The Depository Trust Company ("DTC"). Except in the circumstances described in the relevant Global Note Certificate, investors will not be entitled to receive Individual Note Certificates. Euroclear and Clearstream, Luxembourg and/or DTC, as the case may be, will maintain records of the beneficial interests in the Global Note Certificates.

While the Notes are represented by one or more Global Note Certificates, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and/or DTC, as the case may be. While the Notes are represented by one or more Global Note Certificates the Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the common depositary for Euroclear and Clearstream, Luxembourg and/or DTC, as the case may be, for distribution to their account holders. A holder of a beneficial interest in a Global Note Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg and/or DTC, as the case may be, to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Note Certificates.

Holders of beneficial interests in the Global Note Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg and/or DTC, as the case may be, to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Note Certificates will not have a direct right under the Global Note Certificates to take enforcement action against the Issuer in the event of a default under the relevant Notes but will have to rely upon their rights under the Deed of Covenant (defined below).

Credit Rating

Tranches of Notes issued under the Programme may be rated or unrated. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes issued under the Programme.

EU Savings Directive and Other Withholding Tax Obligations

If, pursuant to the European Council Directive 2003/48/EC on the taxation of savings income (see "Taxation – European Union Savings Directive" below), a payment in respect of a Note were to be made by or collected through a person in a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to such Note as a result of the imposition of such withholding tax (see Condition 14 (Taxation) of the Ordinary Conditions and Condition 14 (Taxation) of the Tier 1 Conditions). The Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to such Directive (see Condition 18(b) of the Ordinary Conditions and Condition 18(b) of the Tier 1 Conditions).

There may be other occasions in other jurisdictions in which an amount of, or in respect of, tax is required to be withheld from a payment in respect of any Note and in respect of which neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to such Note as set out in Condition 14 (Taxation) of the Ordinary Conditions and Condition 14 (Taxation) of the Tier 1 Conditions.

Risks related to the structure of the particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to re-invest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index-Linked and Dual Currency Notes

The Issuer may issue Notes the terms of which provide for interest or principal payable in respect of such Note to be determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "Relevant Factor"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- no interest may be payable on such Notes;
- payments of principal or interest on such Notes may occur at a different time or in a different currency than expected;
- the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and

• the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Modification and waivers and substitution

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Change of law

The Notes are governed by, and will be construed in accordance with, English law in effect as at the date of this Prospectus, save that the provisions of Conditions 5 (Status), 7(a) (Deferral of interest on the Undated Tier 2 Notes), 7(d) (Deferral of Principal and Interest on Tier 3 Notes), 12(a)(ii) (Scheduled redemption) and 12(e) (Redemption of Subordinated Notes) of the Ordinary Conditions and Conditions 5 (Status), 6(a) (Non payment of interest) 12(a) (No maturity date) and 12(e) (Conditions to Redemption) of the Tier 1 Conditions are governed by, and will be construed in accordance with, South African law. No assurance can be given as to the impact of any possible judicial decision or change to English or South African law or administrative practice in either such jurisdiction after the date of this Prospectus.

Risks relating to the Subordinated Notes

Notes may be subordinated to most of the Issuer's liabilities

The payment obligations of the Issuer under Subordinated Notes will rank behind Unsubordinated Notes and in particular the payment obligations of the Issuer under (a) Tier 1 Notes will rank behind Unsubordinated Notes, Tier 3 Notes and Tier 2 Notes, (b) Undated Tier 2 Notes will rank behind Unsubordinated Notes, Dated Tier 2 Notes and Tier 3 Notes and (c) Tier 3 Notes and Dated Tier 2 Notes will rank behind Unsubordinated Notes. See Condition 5 (Status) in respect of Tier 1 Notes

and Conditions 5(b) (Status of Tier 3 Notes and Dated Tier 2 Notes) and 5(c) (Status of Undated Tier 2 Notes) in respect of the Tier 2 and Tier 3 Notes for a full description of subordination and the payment obligations of the Issuer under Subordinated Notes.

With regard to any Subordinated Notes, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation, administration or wound-up, the Issuer will be required to pay or discharge the claims of Depositors, Senior Creditors (each as defined, in relation to Tier 1 Notes, in Condition 2 (Interpretation) of the Tier 1 Conditions and, in relation to Tier 2 Notes and Tier 3 Notes, in Condition 2 (Interpretation) of the Ordinary Conditions) and (other than in the case of Tier 3 Notes and Dated Tier 2 Notes) the holders of Subordinated Debt (as defined, in relation to Tier 1 Notes, in Condition 2 (Interpretation) of the Tier 1 Conditions and, in relation to Tier 2 Notes and Tier 3 Notes, in Condition 2 (Interpretation) of the Ordinary Conditions) in full before it can make any payments in respect of such Subordinated Notes. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under such Subordinated Notes.

No Limitation On Issuing Securities

There is no restriction on the amount of securities or indebtedness which the Issuer may issue or incur which rank senior to or *pari passu* with the relevant Subordinated Notes. The issue of any such securities or indebtedness may reduce the amount recoverable by Holders of Subordinated Notes on either a winding-up, liquidation or administration of the Issuer.

Winding-up, liquidation and administration

If the Issuer is wound-up or put into liquidation or administration, voluntarily or involuntarily, holders of Subordinated Notes will not be entitled to any payments of the Subordinated Notes until the claims of Depositors, Senior Creditors and (other than in the case of Tier 3 Notes and Dated Tier 2 Notes) holders of Subordinated Debt (each as defined, in relation to Tier 1 Notes, in Condition 2 (Interpretation) of the Tier 1 Conditions and, in relation to the Tier 2 Notes and the Tier 3 Notes, in Condition 2 (Interpretation) of the Ordinary Conditions) which are admissible in any such winding-up, liquidation or administration have been paid or discharged in full. If the Issuer does not have sufficient assets at the time of winding-up, liquidation or administration to satisfy those claims, holders of Subordinated Notes will not receive any payment on the Subordinated Notes. There is no limitation on the ability to issue debt securities in the future that would rank equal or senior in winding-up, liquidation or administration to the Subordinated Notes.

Capital Regulations

In order for the proceeds of the issuance of Subordinated Notes to qualify as Primary Share Capital, Undated Secondary Capital, Dated Secondary Capital or Tertiary Capital, as the case may be, the Notes must comply with the applicable Capital Regulations and such Additional Conditions (if any) as are prescribed by the Registrar of Banks in respect of any Tranche of Subordinated Notes.

Risks relating to the Tier 1 Notes and Undated Tier 2 Notes

Election not to pay interest on the Tier 1 Notes

The Issuer may elect not to pay any Interest Amount on the Tier 1 Notes, as more particularly described in Condition 6(a) (Non payment of interest) of the Tier 1 Conditions. The Issuer shall also be obliged not to pay interest in the limited circumstances described in Condition 6(b) (Compulsory payment of interest) and Condition 5(c) (Solvency Condition) of the Tier 1 Conditions.

If, on any Interest Payment Date, the Interest Amount in respect of any Tier 1 Notes has not been paid in full (following an election not to pay interest on such Tier 1 Notes in accordance with Condition 6(a) (Non payment of interest) of the Tier 1 Conditions) then from that Interest Payment Date, until the date on which the Issuer next pays in full the Interest Amount due and payable on any succeeding Interest Payment Date on all outstanding Tier 1 Notes, the Issuer shall not and it shall procure that no member of the Nedbank Group shall (a) declare or pay a distribution or dividend or pay any interest on Junior Securities or Parity Securities (other than (i) Mandatory Preference Shares or (ii) any dividend which has been declared on any Junior Securities or Parity Securities before the date of the Notice to Noteholders referred to in Condition 7(a) (Deferral of interest on the Undated Tier 2 Notes) or (iii) intra-group dividends (other than intra-group dividends in respect of (a) Non-Redeemable Non-Cumulative Preference Shares the proceeds of which qualify as Primary Share Capital and (b) Ordinary Shares the proceeds of which qualify as Primary Share Capital between wholly-owned Nedbank Group Subsidiaries and to Nedbank Group holding companies, which can be paid at any time) (b) redeem, purchase, reduce or otherwise acquire any

Junior Securities or Parity Securities or any securities of any of its Subsidiary undertakings benefiting from a guarantee from any member of the Nedbank Group ranking, as to the right of repayment of principal, or in the case of any such guarantee, as to the payment of sums under such guarantee, pari passu with or junior to the Tier 1 Notes.

Interest satisfied through the issue of Ordinary Shares

The Issuer can elect not to pay an Interest Amount on the Tier 1 Notes, as more particularly described in Condition 6(a) (Non payment of interest) of the Tier 1 Conditions. If the Issuer has elected to pay interest on an Interest Payment Date, the Issuer can further elect to satisfy the payment of such Interest Amount in full or in part through the issue of Ordinary Shares in the Issuer in accordance with the mechanism more particularly described in Condition 10 (Interest Satisfied via Issue of Shares Mechanism) of the Tier 1 Conditions. If the Issuer is unable to raise the necessary amount to satisfy the payment of the relevant Interest Amount in full on the relevant Interest Payment Date through the operation of the ISIS Mechanism due to (but not limited to) the occurrence of a Market Disruption Event, the Issuer can further elect not to pay the Shortfall Interest Amount, unless the Issuer is obliged to pay the Shortfall Interest Amount in accordance with Condition 6(b) (Compulsory payment of interest). A Noteholder will have no claim in respect of the non-payment of a Shortfall Interest Amount unless it is a Shortfall Interest Amount which the Issuer is obliged to pay in accordance with Condition 6(b) (Compulsory payment of interest) and accordingly such non-payment shall not constitute a default of the Issuer.

Election to defer payment of interest on Undated Tier 2 Notes

The Issuer may elect to defer payment of any interest on the Undated Tier 2 Notes, as more particularly described in Condition 7(a) (Deferral of interest on the Undated Tier 2 Notes) of the Ordinary Conditions. Arrears of Interest may be satisfied at any time at the election of the Issuer in whole or in part and on 14 days' notice to the Undated Tier 2 Noteholders, provided that all Arrears of Interest outstanding shall become due in full on a later date as more fully described in Condition 7(a) (Deferral of interest on the Undated Tier 2 Notes) of the Ordinary Conditions. If, on any Interest Payment Date, the Interest Amount in respect of any Undated Tier 2 Notes has not been paid in full (following an election to defer payment of interest on such Undated Tier 2 Notes) then, from that Interest Payment Date until the date on which the full amount of the Arrears of Interest has been received by the Undated Tier 2 Noteholders and no other Arrears of Interest remains unpaid, the Issuer shall not and it shall procure that no member of the Nedbank Group shall (a) declare or pay a distribution or dividend or pay any interest on Junior Securities or Parity Securities (other than (i) Mandatory Preference Shares or (ii) any dividend which has been declared on any Junior Securities or Parity Securities before the date of the Notice to Noteholders referred to in Condition 6(a) (Non payment of interest) or (iii) intra-group (other than intra-group dividends in respect of (a) Non-Redeemable Non-Cumulative Preference Shares the proceeds of which qualify as Primary Share Capital, (b) Ordinary Shares the proceeds of which qualify as Primary Share Capital and (c) hybrid-debt instruments (contemplated in Regulation 38(13) of the Regulations Relating to Banks) issued by the Issuer the proceeds of which qualify as Primary Share Capital) dividends between wholly-owned Nedbank Group Subsidiaries and to Group holding companies, which can be paid at any time) or (b) redeem, purchase, reduce or otherwise acquire any Junior Securities or Parity Securities or any securities of any of its Subsidiary undertakings benefiting from a guarantee from any member of the Nedbank Group ranking, as to the right of repayment of principal, or in the case of any such guarantee, as to the payment of sums under such guarantee, pari passu with or junior to the Undated Tier 2 Notes.

Any deferral of interest payments in respect of Undated Tier 2 Notes may have an adverse effect on the market price of such Undated Tier 2 Notes. In addition, as a result of the interest deferral provision of such Undated Tier 2 Notes, the market price of such Undated Tier 2 Notes may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's financial condition.

Solvency Condition

Payments in respect of the principal of and interest on the Tier 1 Notes are, in addition to the right of the Issuer to elect not to pay interest in accordance with Condition 6(a) (Non payment of interest) of the Tier 1 Conditions, conditional upon the Issuer being solvent at the time of payment by the Issuer. Payments in respect of the principal of and interest on the Undated Tier 2 Notes are, in addition to the right of the Issuer to defer payment of any interest in accordance with Condition 7(a)

(Deferral of interest on the Undated Tier 2 Notes) of the Ordinary Conditions, conditional upon the Issuer being solvent at the time of payment by the Issuer. No principal of or interest on the Tier 1 Notes or the Undated Tier 2 Notes, as the case may be, shall be due and payable in respect of the Tier 1 Notes or the Undated Tier 2 Notes, as the case may be, except to the extent that the Issuer could make such payment and still be solvent immediately thereafter.

The restrictions set out under "Election not to pay interest on the Tier 1 Notes" above (in the case of Tier 1 Notes) and the restrictions set out under "Election to defer payment of interest on Undated Tier 2 Notes" above (in the case of Undated Tier 2 Notes) also apply if any interest in respect of Tier 1 Notes or Undated Tier 2 Notes, as the case may be, is not paid in full due to the Issuer failing to satisfy the Solvency Condition.

Perpetual Securities and Redemption Risk

The Issuer is under no obligation to redeem, substitute or vary the Tier 1 Notes or to redeem the Undated Tier 2 Notes at any time other than in a winding-up or liquidation of the Issuer in which event the claims of the Tier 1 Noteholders against the Issuer will be subject to Condition 5(b) (Subordination) of the Tier 1 Conditions against the Issuer and the claims of the Undated Tier 2 Noteholders will be subject to Condition 5(c)(iii) (Subordination) of the Ordinary Conditions. Holders of Tier 1 Notes have no right to call for the redemption, substitution or variation of such Tier 1 Notes and holders of Undated Tier 2 Notes have no right to call for the redemption of such Undated Tier 2 Notes. The Tier 1 Notes and the Undated Tier 2 Notes can (with the prior written approval of the Registrar of Banks and in accordance with conditions approved by the Registrar of Banks) be redeemed in whole, but not in part, at the Early Redemption Amount (Tax) or Early Redemption Amount (Regulatory), as the case may be, plus accrued interest on the occurrence of a Tax Event or a Regulatory Event, as the case may be, as more particularly described in Condition 12(f) (Redemption for tax reasons) and Condition 12(c) (Redemption for regulatory reasons) of both the Tier 1 Conditions and the Ordinary Conditions. The Tier 1 Notes may, instead of being redeemed, be substituted or varied at the option of the Issuer (with approval of the Registrar of Banks) on the occurrence of a Tax Event or a Regulatory Event, as more particularly described in Condition 12(e) (Substitution or Variation instead of Redemption) of the Tier 1 Conditions. In addition, the Tier 1 Notes and the Undated Tier 2 Notes can be redeemed in whole, but not in part, on the First Optional Redemption Date and on any Interest Payment Date thereafter (in the case of Tier 1 Notes) at the Optional Redemption Amount or on the Optional Redemption Date (Call) (in the case of Undated Tier 2 Notes), at the Optional Redemption Amount (Call) plus accrued interest, at the option of the Issuer (with the prior written approval of the Registrar of Banks and in accordance with conditions approved by the Registrar of Banks), as more particularly described in Condition 12(d) (Redemption at the option of the Issuer) of the Tier 1 Conditions and Condition 12(d) (Redemption at the option of the Issuer) of the Ordinary Conditions.

Risks relating to the Tier 3 Notes

Deferral of payments on the Tier 3 Notes

Pursuant to the Capital Regulations applicable to Tier 3 Notes, if the Issuer's qualifying capital falls below or is likely to fall below the minimum amount prescribed by the Capital Regulations, the Registrar of Banks may require that interest and/or principal payments in respect of such Tier 3 Notes be deferred for such period of time and subject to such conditions (if any) as the Registrar of Banks may determine, as more fully described in Condition 7(d) (Deferral of Principal and Interest on Tier 3 Notes) of the Ordinary Conditions.

Any deferral of interest or principal payments in respect of Tier 3 Notes may have an adverse effect on the market price of such Tier 3 Notes. In addition, as a result of the interest and principal deferral provision of such Tier 3 Notes, the market price of such Tier 3 Notes may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's financial condition.

Risks relating to South Africa

Risk relating to Emerging Markets

South Africa is generally considered by international investors to be an emerging market. Investors in emerging markets such as South Africa should be aware that these markets are subject to greater risk

than more developed markets. These risks include economic instability as well as, in some cases, significant legal and political risks.

Economic instability in South Africa in the past and in other emerging market countries has been caused by many different factors, including the following:

- high interest rates;
- changes in currency values;
- high levels of inflation;
- exchange controls;
- wage and price controls;
- changes in economic or tax policies;
- the imposition of trade barriers; and
- internal security issues.

Any of these factors, as well as volatility in the markets for securities similar to the Notes, may adversely affect the value or liquidity of the Notes.

Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in developing markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved, and prospective investors are urged to consult with their own legal and financial advisors before making an investment in the Notes.

Investors should also note that developing markets, such as South Africa, are subject to rapid change and that the information set out in this Prospectus may become outdated relatively quickly.

Regulatory Environment

The Issuer is subject to government regulation in South Africa. Regulatory agencies have broad jurisdiction over many aspects of the Issuer's business, which may include capital adequacy, premium rates, marketing and selling practices, advertising, licensing agents, policy forms, terms of business and permitted investments.

Changes in government policy, legislation or regulatory interpretation applying to the financial services industry in the markets in which the Issuer operates may adversely affect the Issuer's product range, distribution channels, capital requirements and, consequently, reported results and financing requirements.

Exchange Controls

Since 1995, certain exchange controls in South Africa have been relaxed. The extent to which the South African Government (the "Government") may further relax such exchange controls cannot be predicted with certainty, although the Government has committed itself to a gradual approach of relaxation. Further relaxation, or abolition of exchange controls may precipitate a change in the capital flows to and from South Africa. If the net result of this were to cause large capital outflows, this could adversely affect the Issuer's business and it could have an adverse effect on the financial condition of the Issuer as a whole. In the event of the immediate abolition of exchange control there may be a sudden withdrawal of Rand from the South African market by investors. Because South Africa has a fully floating exchange rate and a flexible interest rate policy, this would result in a rapid depreciation of the Rand exchange rate which would serve to stem the flight and would also result in an increase in interest rates due to the depreciation of the Rand. Rand would be purchased in exchange for foreign currency and deposited in the Sterilisation Account of the SARB.

Risks relating to the Financial Markets

The investments, business, profitability and results of operations of the Issuer may be adversely affected as a result of the difficult conditions in the financial markets

Since the second half of 2007, disruption in the global credit markets, coupled with the re-pricing of credit risk and the deterioration of the housing markets in the United States and elsewhere, has created increasingly difficult conditions in the global financial markets. Among the sectors of the global credit markets that are experiencing particular difficulty due to the current crisis are the markets associated with sub-prime mortgage backed securities, asset backed securities, collateralised debt obligations, leveraged finance and complex structured securities. These conditions have resulted

in historically high volatility, less liquidity or no liquidity, widening of credit spreads and a lack of price transparency in certain markets.

More recently, these conditions have resulted in the failures of a number of financial institutions in the United States, Europe and Asia and unprecedented action by governmental authorities and central banks around the world. It is difficult to predict how long these conditions will exist. These conditions may be exacerbated by persisting volatility in the financial sector and the capital markets, or concerns about, or a default by, one or more institutions, which could lead to significant market-wide liquidity problems, losses or defaults by other institutions.

This global financial crisis is leading to a significant slowdown in growth in first world economies which is having a knock-on effect on emerging market economies including South Africa. The recent decline in world commodity prices will also have an adverse impact on the South African economy.

The local South African economic environment continued to deteriorate during the third quarter of 2008, particularly on the consumer front. The prime lending rate remained unchanged, but longer-term interest rates fell by approximately two per cent. over the quarter. Food prices have started to stabilise and, importantly, oil prices have declined, which could be favourable for South African interest and inflation rates. However, the high volatility and rapid deterioration in the value of the Rand against major currencies in October 2008 could impact negatively on inflation and interest rates.

While the Issuer has no direct exposure to the foreign subprime market and related derivative instruments and while throughout this period Rand liquidity in South Africa has remained stable and the South African interbank market has operated normally, the developments outlined above could adversely affect the Issuer's investments, consolidated financial condition or results of operations in future periods. Furthermore, it is not possible to predict what structural and/or regulatory changes may result from the current market conditions or whether such changes may be materially adverse to the Issuer and its prospects.

If current market conditions and circumstances deteriorate further, or continue for protracted periods of time, this could lead to a decline in credit quality, amendments to asset prices, increases in defaults and non-performing debt and/or a worsening of general economic conditions in the markets in which the Issuer operates, all of which may materially adversely affect the Issuer's business, profitability and results of operations.

SUPPLEMENT TO THIS PROSPECTUS

If at any time during the duration of the Programme a significant new factor, material mistake or inaccuracy relating to information included in this Prospectus arises or is noted which is capable of affecting the assessment of any Notes which may be issued under the Programme whose inclusion is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the rights attaching to the Notes, the Issuer will prepare a supplement to this Prospectus.

KEY FEATURES OF THE PROGRAMME

The following overview of key features of the Programme does not purport to be complete and is qualified in its entirety by the remainder of this Prospectus. Words and expressions defined in the Conditions or elsewhere in this Prospectus have the same meanings in this overview of the key features of the Programme.

Issuer Nedbank Limited.

Risk Factors Investing in Notes issued under the Programme involves certain

risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under

"Risk Factors" above.

Arranger HSBC Bank plc.

Co-Arranger Nedbank Capital, a division of Nedbank Limited.

Dealers HSBC Bank plc, Nedbank Capital, a division of Nedbank Limited

and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a

particular Tranche of Notes.

Fiscal Agent The Bank of New York Mellon.

Registrar The Bank of New York (Luxembourg) S.A.

Final Terms or Drawdown

Notes issued under the Programme may be issued either (1)

Prospectus

Prospectus and associated Final Terms or (2)

pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Notes will be the Terms and Conditions of the Notes as supplemented, amended and/or replaced to the extent described in the relevant Final Terms or, as the case

may be the relevant Drawdown Prospectus.

Listing and Trading Applications have been made for Notes to be admitted during the

period of 12 months after the date hereof to listing on the Official List of the FSA and to trading on the Market. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer, subject in all cases to the Issuer obtaining the consent from ExCon and, in relation to the Notes the proceeds of which are intended to qualify as Primary

Share Capital, Dated Secondary Capital or Tertiary Capital, the Registrar of Banks, to the extent necessary.

Clearing Systems Euroclear Bank S.A./N.V. ("Euroclear"), Clearstream Banking,

société anonyme ("Clearstream, Luxembourg"), The Depository Trust Company ("DTC") and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant

Final Terms.

Issuance in Series

Initial Programme Amount Up to U.S.\$2,000,000,000 (or its equivalent in other currencies)

aggregate principal amount of Notes outstanding at any one time.

Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may

comprise Notes of different denominations.

Prior written approval of ExCon and, in respect of the issue of Notes the proceeds of which are intended to qualify as Primary Share Capital, Dated Secondary Capital, Undated Secondary Capital or Tertiary Capital, the Registrar of Banks is required for the issuance of each Tranche of Notes under the Programme. The prior approval of the Registrar of Banks is not required for the issuance of Unsubordinated Notes.

Forms of Notes

Notes may only be issued in registered form. Notes offered in the United States to qualified institutional buyers in reliance on Rule 144A will be represented by one or more Global Note Certificates (the "Rule 144A Global Note Certificates") and Notes offered outside the United States in reliance on Regulation S will be represented by one or more Global Notes (the "Regulation S Global Note Certificates" and together with the Rule 144A Global Note Certificates, the "Global Note Certificates").

Notes will bear a legend setting forth transfer restrictions and may not be transferred except in compliance with such transfer restrictions. Transfers of interests from a Rule 144A Global Note Certificate to a Regulation S Global Note Certificate are subject to certification requirements. Persons holding beneficial interests in the Global Note Certificates will be entitled or required, as the case may be, to receive physical delivery of individual note certificates ("Individual Note Certificates").

Interests in a Global Note Certificate will be exchangeable (free of charge), in whole but not in part, for Individual Note Certificates without receipts, interest coupons or talons attached only in the limited circumstances described under "Summary of Provisions Relating to the Notes While in Global Form".

Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.

Notes may be issued on a subordinated or unsubordinated basis, as specified in the relevant Final Terms.

The Unsubordinated Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 6 (Negative Pledge) of the Ordinary Conditions) unsecured obligations of the Issuer, all as described in Condition 5(a) (Status – Status of the Unsubordinated Notes) of the Ordinary Conditions and the relevant Final Terms.

The Tier 3 Notes and the Dated Tier 2 Notes constitute direct, unsecured and, in accordance with Condition 5(b)(iii) (Subordination) of the Ordinary Conditions, subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and (save for those that have been accorded by law preferential rights) at least *pari passu* with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) *pari passu* with the Tier 3 Notes and the Dated Tier 2 Notes.

The Undated Tier 2 Notes constitute direct, unsecured and, in accordance with Condition 5(c)(iii) (Subordination) of the Ordinary Conditions, subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and (save for those that have been accorded by law preferential rights) at least

Currencies

Status of the Notes

Status of the Unsubordinated Notes

Status of the Tier 3 Notes and the Dated Tier 2 Notes

Status of the Undated Tier 2 Notes

pari passu with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) pari passu with the Undated Tier 2 Notes.

Status of the Tier 1 Notes

Tier 1 Notes constitute direct, unsecured and, in accordance with Condition 5(b) (Subordination) of the Tier 1 Conditions, subordinated obligations of the Issuer and rank pari passu without any preference among themselves. Tier 1 Notes rank pari passu with all subordinated debt issued by the Issuer the proceeds of which qualify as Primary Share Capital and all Non-Redeemable Non-Cumulative Preference Shares issued by the Issuer the proceeds of which qualify as Primary Share Capital and are senior in respect of the rights and claims of the holders of Ordinary Shares.

Subordinated Notes and Capital Regulations

In order for the proceeds of the issue of a Tranche of Subordinated Notes to qualify as Primary Share Capital, Dated Secondary Capital, Undated Secondary Capital or Tertiary Capital, as the case may be, Subordinated Notes must comply with the applicable Capital Regulations (including such Additional Conditions (if any) as are prescribed by the Registrar of Banks in respect of that Tranche of Subordinated Notes). The Issuer will specify in the relevant Final Terms whether any issue of Notes is an issue of Tier 1 Notes, the proceeds of which are intended to qualify as Primary Share Capital, Undated Tier 2 Notes, the proceeds of which are intended to qualify as Undated Secondary Capital, Dated Tier 2 Notes, the proceeds of which are intended to qualify as Dated Secondary Capital or Tier 3 Notes, the proceeds of which are intended to qualify as Tertiary Capital. The Additional Conditions (if any) prescribed by the Registrar of Banks in respect of Subordinated Notes will be specified in the applicable Final Terms, a Drawdown Prospectus or a supplement to this Prospectus.

Issue Price

Notes may be issued at any price and on a fully paid basis, as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

Maturities

Notes may be issued with any maturity date or Notes may be issued with no maturity date, subject, in relation to Subordinated Notes, to such minimum maturities as may be required from time to time by the applicable Capital Regulations and, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Subject to the applicable Capital Regulations (i) Tier 1 Notes will be issued without a maturity date; (ii) Undated Tier 2 Notes will be issued without a maturity date; (iii) Dated Tier 2 Notes will have a minimum maturity of five years and one day; and (iv) Tier 3 Notes will have a minimum maturity of two years and one day.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in

other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer.

Redemption

Subject as described in "Maturities" above, Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the Final Terms. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms. For so long as the Capital Regulations so require, Tier 1 Notes and Undated Tier 2 Notes may be redeemed only at the option of the Issuer and then only with the prior written approval of the Registrar of Banks or otherwise than in accordance with the conditions (if any) imposed by the Registrar of Banks in writing. Dated Tier 2 Notes and Tier 3 Notes may be redeemed prior to the Maturity Date only at the option of the Issuer and then only with the prior written approval of the Registrar of Banks or otherwise than in accordance with the conditions (if any) imposed by the Registrar of Banks. The approval of the Registrar of Banks is not required to redeem any Dated Tier 2 Note or any Tier 3 Note on its Maturity Date.

There is no fixed redemption date for Undated Tier 2 Notes or Tier 1 Notes and the Issuer may only redeem them in accordance with the terms indicated in the relevant Final Terms.

Subject as described in "Redemption" above, Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) with, in the case of Subordinated Notes, the prior written approval of the Registrar of Banks and in accordance with the conditions (if any) approved by the Registrar of Banks in writing, and/or the Noteholders to the extent (if at all) specified in the relevant Final Terms.

Except as described in "Optional Redemption" above, and subject as described in "Redemption" above, early redemption will only be permitted for tax reasons as described in Condition 12(b) (Redemption for tax reasons) of the Ordinary Conditions and Condition 12(b) (Redemption for tax reasons) of the Tier 1 Conditions.

Except as described in "Optional Redemption" and "Tax Redemption" above, early redemption of the Subordinated Notes in whole (but not in part) is permitted at the option of the Issuer if a Regulatory Event occurs and while it is continuing as described in Condition 12(c) (Redemption for regulatory reasons) of the Ordinary Conditions and Condition 12(c) (Redemption for regulatory reasons) of the Tier 1 Conditions.

Notes may be interest-bearing or non-interest bearing. Tier 1 Notes, Tier 2 Notes and Tier 3 Notes must be interest-bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or, except in the case of the Tier 1 Notes, be indexlinked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.

The Issuer may elect not to pay, and in certain circumstances is not obliged to pay, interest on Tier 1 Notes as more fully set out in Condition 6(a) (Non payment of interest) of the Tier 1 Conditions.

The Issuer may elect to defer, and in certain circumstances is not obliged to pay, interest on Undated Tier 2 Notes as more fully set out in Condition 7(a) (Deferral of interest on the Undated Tier 2 Notes) of the Ordinary Conditions.

Optional Redemption

Tax Redemption

Redemption for Regulatory Reasons

Interest

The Issuer will be obliged to defer the payment of interest on the Tier 3 Notes if required by the Registrar of Banks if the Issuer's qualifying capital falls below or is likely to fall below the minimum amount required by the Capital Regulations as more fully described in Condition 7(d) (Deferral of Principal and Interest on Tier 3 Notes) of the Ordinary Conditions.

No Notes may be issued under the Programme (a) where such Notes are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in circumstances which require the publication of a prospectus under the Prospectus Directive, with a minimum denomination of less than EUR50,000 (or its equivalent in another currency at the Issue Date of such Notes), or (b) which carry the right to acquire shares (or transferable securities equivalent to shares) issued by the Issuer or by any entity to whose group the Issuer belongs. Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. See also "Maturities" above.

Unsubordinated Notes will have the benefit of a negative pledge as described in Condition 6 (Negative Pledge) of the Ordinary Conditions.

Unsubordinated Notes will have the benefit of a cross default as described in Condition 15 (Events of Default) of the Ordinary Conditions.

All payments in respect of Notes will be made free and clear of withholding taxes of South Africa, unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 14 (Taxation) of the Ordinary Conditions and Condition 14 (Taxation) of the Tier 1 Conditions) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.

English law, except Conditions 5 (Status), 7(a) (Deferral of interest on the Undated Tier 2 Notes), 7(d) (Deferral of Principal and Interest on Tier 3 Notes), 12(a)(ii) (Scheduled redemption) and 12(e) (Redemption of Subordinated Notes) of the Ordinary Conditions and Conditions 5 (Status), 6(a) (Non payment of interest), 12(a) (No maturity date) and 12(e) (Conditions to Redemption) of the Tier 1 Conditions which will be governed by, and construed in accordance with South African law.

In the case of Global Notes, individual investors' rights against the Issuer will be governed by a Deed of Covenant (the "Deed of Covenant") dated 12 December 2008, a copy of which will be available for inspection at the specified office of the Fiscal Agent.

Each Tranche of Notes may be rated or unrated. Where applicable, the ratings of the Notes will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The Notes have not been registered under the Securities Act and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United

Denominations

Negative Pledge

Cross Default

Taxation

Governing Law

Enforcement of Notes in Global Form

Ratings

Selling and Transfer Restrictions

States of America, the European Economic Area, the United Kingdom and South Africa, see "Subscription and Sale" and "Transfer Restrictions" below.

FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression "necessary information" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme the Issuer has endeavoured to include in this Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Prospectus or any supplement hereto and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus. Such information will be contained in the relevant Final Terms unless any of such information constitutes a significant new factor relating to the information contained in this Prospectus in which case such information, together with all of the other necessary information in relation to the relevant series of Notes, will be contained in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, supplement this Prospectus and must be read in conjunction with this Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

Each Drawdown Prospectus will be constituted either (1) by a single document containing the necessary information relating to the Issuer and the relevant Notes or (2) by a registration document (the "Registration Document") containing the necessary information relating to the Issuer, a securities note (the "Securities Note") containing the necessary information relating to the relevant Notes and, if necessary, a summary note. In addition, if the Drawdown Prospectus is constituted by a Registration Document and a Securities Note, any significant new factor, material mistake or inaccuracy relating to the information included in the Registration Document which arises or is noted between the date of the Registration Document and the date of the Securities Note which is capable of affecting the assessment of the relevant Notes will be included in the Securities Note.

FORMS OF THE NOTES

Each Tranche of Notes will initially be represented by one or more Global Note Certificates. Global Note Certificates will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg and/or a nominee of DTC, as the case may be, and registered in the name of a nominee of such common depositary and/or of DTC. Persons holding beneficial interests in a Global Note will be entitled or required, as the case may be, under the circumstances set out in the Global Certificate, to receive physical delivery of Individual Note Certificates in fully registered form.

Payments of principal, interest and any other amount in respect of the Global Note Certificates will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 2(a) (Definitions) of the Ordinary Conditions and Condition 2(a) (Definitions) of the Tier 1 Conditions) as the registered holder of the Global Note Certificate. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Note Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Individual Note Certificates will, in the absence or provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 13(f) (Record Date) of the Ordinary Conditions and Condition 13(f) (Record Date) of the Tier 1 Conditions) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Global Note Certificate will be exchangeable (free of charge), in whole but not in part, for Individual Note Certificates without receipts, interest coupons or talons attached only upon the occurrence of certain exchange events as set out in the Global Certificates. The Issuer will promptly give notice to Noteholders in accordance with Condition 20 (Further Issues) of the Ordinary Conditions or Condition 20 (Further Issues) of the Tier 1 Conditions if an exchange event occurs as set out in the Global Certificate. In the event of the occurrence of an exchange event as set out in the Global Certificate, Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, (acting on the instructions of any holder of an interest in such Global Note Certificate) may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Notes represented by an Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes" or "Terms and Conditions of the Tier 1 Notes" as the case may be below and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Notes represented by a Global Note Certificate will differ from those terms and conditions which would apply to the Note were it in individual form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

United States legends

Each Tranche of Notes to be sold in the United States to qualified institutional buyers will bear legends to the effect set forth in "Transfer Restrictions".

Legend to appear on Tier 1 Notes Certificates

The Global Note Certificate and the Individual Note Certificates representing Tier 1 Notes will bear a legend to the following effect:

"The proceeds obtained through the issue of the Notes represented by this Certificate qualify as capital for the issuing bank in terms of the provisions of the South African Banks Act, 1990 (the "Banks Act"). Any direct or indirect acquisition of the Notes represented by this Certificate by a bank or controlling company, as defined in the Banks Act, or by a non-bank subsidiary of a bank or controlling company, shall be regarded as a deduction against the capital of the acquiring bank or controlling company in question, in an amount equal to the book value of the said investment in the Notes represented by this Certificate.

The Notes represented by this Certificate constitute direct, unsecured and, in accordance with Condition 5(b) (Subordination) of the "Terms and Conditions of the Tier 1 Notes", subordinated obligations of the Issuer and rank pari passu without any preference amongst themselves. The Notes represented by this Certificate rank pari passu with all subordinated debt issued by the Issuer the proceeds of which subordinated debt qualify as "primary share capital" (as defined in the Banks Act) and all Non-Redeemable Non-Cumulative Preference Shares issued by the Issuer the proceeds of which qualify as "primary share capital" as defined in the Banks Act. The Notes represented by this Certificate rank senior only to the ordinary shares in the issued share capital of the Issuer.

If the Issuer is wound-up or put into liquidation or administration, voluntarily or involuntarily, the claims of the Holders of the Notes represented by this Certificate shall be subordinated to the claims of Depositors, Senior Creditors and holders of Subordinated Debt (each as defined, in relation to Tier 1 Notes, in Condition 2 (Interpretation) of the "Terms and Conditions of the Tier 1 Notes"). In any such event, no amount shall be payable to any Holder of the Notes represented by this Certificate entitled to be paid amounts due under the Notes represented by this Certificate until the claims of Depositors, Senior Creditors and holders of Subordinated Debt which are admissible in any such winding-up, liquidation or administration have been paid or discharged in full, as set out more fully in Condition 5 (Status) of the "Terms and Conditions of the Tier 1 Notes".

The Notes represented by this Certificate may be redeemed only at the option of the Issuer and with prior written approval of the Registrar of Banks.

The Registrar of Banks has approved the issue of the Notes represented by this Certificate in terms of the Banks Act (as read with Regulation 38(13) of the "Regulations Relating to Banks" promulgated under the Banks Act) and for the proceeds thereof to rank as "primary share capital" as defined in the Banks Act.

The Notes represented by this Certificate have no Maturity Date."

Legend to appear on Undated Tier 2 Notes Certificates

The Global Note Certificate and the Individual Note Certificates representing Undated Tier 2 Notes will bear legend to the following effect:

"The proceeds obtained through the issue of the Notes represented by this Certificate qualify as capital for the issuing bank in terms of the provisions of the South African Banks Act, 1990 (the "Banks Act"). Any direct or indirect acquisition of the Notes represented by this Certificate by a bank or controlling company, as defined in the Banks Act, or by a non-bank subsidiary of a bank or controlling company, shall be regarded as a deduction against the capital of the acquiring bank or controlling company in question, in an amount equal to the book value of the said investment in the Notes represented by this Certificate.

The Notes represented by this Certificate constitute direct, unsecured and, in accordance with Condition 5(c) (iii) (Subordination) of the "Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes", subordinated obligations of the Issuer and rank pari passu without any preference amongst themselves and (save for those that have been accorded by law preferential rights) at least pari passu with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) pari passu with the Undated Tier 2 Notes.

If the Issuer is wound-up or put into liquidation or administration, voluntarily or involuntarily, the claims of the Holders of the Notes represented by this Certificate shall be subordinated to the claims of Depositors, Senior Creditors and holders of Subordinated Debt (each as defined, in relation to Undated Tier 2 Notes, in Condition 2 (Interpretation) of the "Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes"). In any such event, no amount shall be payable to any Holder of the Notes represented by this Certificate entitled to be paid amounts due under the Notes represented by this Certificate until the claims of Depositors, Senior Creditors and holders of Subordinated Debt which are admissible in any such winding-up, administration or liquidation have been paid or discharged in full, as set out more fully in Condition 5(c) (Status of the Undated Tier 2 Notes) of the "Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes".

The Notes represented by this Certificate may be redeemed only at the option of the Issuer and with prior written approval of the Registrar of Banks.

The Registrar of Banks has approved the issue of the Notes represented by this Certificate in terms of the Banks Act (as read with Regulation 38(14)(a) of the "Regulations Relating to Banks" promulgated under the Banks Act) and for the proceeds thereof to rank as "secondary capital" as defined in the Banks Act.

The Notes represented by this Certificate have no Maturity Date."

Legend to appear on Dated Tier 2 Notes Certificates

The Global Note Certificate and the Individual Note Certificates representing Dated Tier 2 Notes will bear a legend to the following effect:

"The proceeds obtained through the issue of the Notes represented by this Certificate qualify as capital for the issuing bank in terms of the provisions of the South African Banks Act, 1990 (the "Banks Act"). Any direct or indirect acquisition of the Notes represented by this Certificate by a bank or controlling company, as defined in the Banks Act, or by a non-bank subsidiary of a bank or controlling company, shall be regarded as a deduction against the capital of the acquiring bank or controlling company in question, in an amount equal to the book value of the said investment in the Notes represented by this Certificate.

The Notes represented by this Certificate constitute direct, unsecured and, in accordance with Condition 5(b)(iii) (Subordination) of the "Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes", subordinated obligations of the Issuer and rank pari passu without any preference amongst themselves and (save for those that have been accorded by law preferential rights) at least pari passu with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) pari passu with the Tier 3 Notes and the Dated Tier 2 Notes.

If the Issuer is wound-up or put into liquidation or administration, voluntarily or involuntarily, the claims of the Holders of the Notes represented by this Certificate shall be subordinated to the claims of Depositors and Senior Creditors (each as defined, in relation to Dated Tier 2 Notes, in Condition 2 (Interpretation) of the "Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes"). In any such event, no amount shall be payable to any Holder of the Notes represented by this Certificate entitled to be paid amounts due under the Notes represented by this Certificate until the claims of Depositors and Senior Creditors which are admissible in any such winding-up, liquidation or administration have been paid or discharged in full, as set out more fully in Condition 5(b) (Status of the Tier 3 Notes and the Dated Tier 2 Notes) of the "Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes".

The Notes represented by this Certificate may be redeemed before the Maturity Date only at the option of the Issuer and with prior written approval of the Registrar of Banks.

The Registrar of Banks has approved the issue of the Notes represented by this Certificate in terms of the Banks Act (as read with Regulation 38(14)(b) of the "Regulations Relating to Banks" promulgated under the Banks Act) and for the proceeds thereof to rank as "secondary capital" as defined in the Banks Act.

The Notes represented by this Certificate are issued for a minimum period of five years and one day."

Legend to appear on Tier 3 Notes Certificate

The Global Note Certificate and the Individual Note Certificates representing Tier 3 Notes will bear a legend to the following effect:

"The proceeds obtained through the issue of the Notes represented by this Certificate qualify as capital for the issuing bank in terms of the provisions of the South African Banks Act, 1990 (the "Banks Act"). Any direct or indirect acquisition of the Notes represented by this Certificate by a bank or controlling company, as defined in the Banks Act, or by a non-bank subsidiary of a bank or controlling company, shall be regarded as a deduction against the capital of the acquiring bank or controlling company in question, in an amount equal to the book value of the said investment in the Notes represented by this Certificate.

The Notes represented by this Certificate constitute direct, unsecured and, in accordance with Condition 5(b)(iii) (Subordination) of the "Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes", subordinated obligations of the Issuer and rank pari passu without any preference amongst themselves and (save for those that have been accorded by law preferential

rights) at least pari passu with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) pari passu with the Tier 3 Notes and the Dated Tier 2 Notes.

If the Issuer is wound-up or put into liquidation or administration, voluntarily or involuntarily, the claims of the Holders of the Notes represented by this Certificate shall be subordinated to the claims of Depositors and Senior Creditors (each as defined, in relation to Tier 3 Notes, in Condition 2 (Interpretation) of the "Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes"). In any such event, no amount shall be payable to any Holder of the Notes represented by this Certificate entitled to be paid amounts due under the Notes represented by this Certificate until the claims of Depositors and Senior Creditors which are admissible in any such winding-up, liquidation or administration have been paid or discharged in full, as set out more fully in Condition 5(b) (Status of the Tier 3 Notes and the Dated Tier 2 Notes) of the "Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes".

The Notes represented by this Certificate may be redeemed before the Maturity Date only at the option of the Issuer and with the prior written approval of the Registrar of Banks.

The Registrar of Banks has approved the issue of the Notes represented by this Certificate in terms of the Banks Act (as read with Regulation 38(16) of the "Regulations Relating to Banks" promulgated under the Banks Act) and for the proceeds thereof to rank as "tertiary capital" as defined in the Banks Act.

The Notes represented by this Certificate are issued for a minimum period of two years and one day."

TERMS AND CONDITIONS OF THE UNSUBORDINATED, TIER 2 AND TIER 3 NOTES

The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Final Terms, will be endorsed on each Unsubordinated, Tier 2 and Tier 3 Note in definitive form issued under the Programme. The terms and conditions applicable to any Unsubordinated, Tier 2 or Tier 3 Note in global form will differ from those terms and conditions which would apply to the Unsubordinated, Tier 2 or Tier 3 Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

1 Introduction

(a) Programme

Nedbank Limited (the "Issuer") has established a Euro Medium Term Note Programme (the "Programme") for the issuance of up to U.S.\$2,000,000,000 in aggregate principal amount of notes (the "Notes").

(b) Final Terms

Notes issued under the Programme are issued in series (each a "Series") and each Series may comprise one or more tranches (each a "Tranche") of Notes. Each Tranche is the subject of a written final terms (the "Final Terms") which supplements these terms and conditions (the "Conditions"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

(c) Deed of Covenant

The Notes are constituted by a deed of covenant dated 12 December 2008 (the "Deed of Covenant") entered into by the Issuer.

(d) Agency Agreement

The Notes are the subject of an agency agreement dated 12 December 2008 (the "Agency Agreement") between the Issuer, The Bank of New York (Luxembourg) S.A. as registrar (the "Registrar", which expression includes any successor registrar appointed from time to time in connection with the Notes), The Bank of New York Mellon as fiscal agent (the "Fiscal Agent", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "Paying Agents", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). References herein to the "Agents" are to the Registrar, the Fiscal Agent and the Paying Agents and any reference to an "Agent" is to any one of them.

(e) The Notes

All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing at, and copies may be obtained from, the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

(f) Summaries

Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Covenant and are subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Agents, the initial Specified Offices of which are set out below.

2 Interpretation

(a) **Definitions**

In these Conditions the following expressions have the following meanings:

- "Accrual Yield" has the meaning given in the relevant Final Terms;
- "Additional Business Centre(s)" means the city or cities specified as such in the relevant Final Terms;
- "Additional Conditions" means, in relation to any issue of Notes, the proceeds of which are intended by the Issuer to qualify as Secondary Capital or Tertiary Capital, as the case may be, such conditions, in addition to the conditions specified in the applicable Capital Regulations, as may be prescribed by the Registrar of Banks for the proceeds of the issue of such Notes to qualify as Secondary Capital or Tertiary Capital, as the case may be, pursuant to the approval granted by the Registrar of Banks for the issue of such Notes, as specified in the Final Terms;
- "Additional Financial Centre(s)" means the city or cities specified as such in the relevant Final Terms:
- "Arrears of Interest" has the meaning given in Condition 7(a) (Deferral of interest on the Undated Tier 2 Notes);
- "Assets" means the total amount of the non consolidated gross assets of the Issuer as shown in the latest published audited non-consolidated balance sheet of the Issuer, but adjusted for contingencies and subsequent events in such manner as the directors of the Issuer, the auditors of the Issuer or a liquidator or administrator of the Issuer (if applicable) may determine;
- "Authorised Holding" has the meaning given to it in Condition 3 (Form, Denomination and Title);
- "Banks Act" means the South African Banks Act, 1990;
- "Business Day" means:
- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;
- "Business Day Convention", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:
- (i) "Following Business Day Convention" means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) "Modified Following Business Day Convention" or "Modified Business Day Convention" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) "Preceding Business Day Convention" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) "FRN Convention", "Floating Rate Convention" or "Eurodollar Convention" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred *provided*, *however*, *that*:
 - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

- (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) "No Adjustment" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;
- "Calculation Agent" means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;
- "Calculation Amount" has the meaning given in the relevant Final Terms;
- "Call Option" has the meaning given in the relevant Final Terms;
- "Capital Regulations" means, at any time, any legislation, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in South Africa in relation to banks registered under the Banks Act and licensed to conduct the business of a bank in South Africa (including the Additional Conditions (if any)) (or if the Issuer becomes domiciled in a jurisdiction other than South Africa, any legislation, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in such other jurisdiction in relation to banks registered in, and licensed to conduct the business of a bank in, such other jurisdiction);
- "Controlling Company" means Nedbank Group Limited and/or any other company which is a "controlling company" in relation to the Issuer as contemplated by the Banks Act;
- "Dated Secondary Capital" means the proceeds of the issue of debt instruments contemplated in section 1(1) of the Banks Act that are term debt instruments which proceeds are intended, upon issue of such term debt instruments, to qualify as Secondary Capital in accordance with the Dated Tier 2 Capital Regulations;
- "Dated Subordinated Noteholder" means the Holder of a Dated Subordinated Note;
- "Dated Subordinated Notes" means, collectively, Tier 3 Notes and Dated Tier 2 Notes;
- "Dated Tier 2 Capital Regulations" means Regulation 38(14)(b) of the Regulations Relating to Banks and/or such other provisions of the Capital Regulations with which Dated Tier 2 Notes must comply in order for the proceeds of the issue of such Notes to qualify as Secondary Capital;
- "Dated Tier 2 Noteholder" means a Holder of a Dated Tier 2 Note;
- "Dated Tier 2 Notes" means Notes specified as such in the relevant Final Terms and complying with the Dated Tier 2 Capital Regulations;
- "Day Count Fraction" means, in respect of the calculation of an amount for any period of time (the "Calculation Period"), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:
- (i) if "Actual/Actual (ICMA)" is so specified, means:
 - (A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) where the Calculation Period is longer than one Regular Period, the sum of:
 - (x) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (y) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year;
- (ii) if "Actual/Actual" or "Actual/Actual (ISDA)" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

- (iii) if "Actual/365 (Fixed)" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if "Actual/360" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if "30/360", "360/360" or "Bond Basis" is so specified, means the number of days in the Calculation period divided by 360, calculated on a formula basis as follows:

Day Count Fraction =
$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the first day immediately following the last day included in the Calculation Period falls;

" M_1 " is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

" M_2 " is the calendar month, expressed as a number, in which the first day immediately following the last day included in the Calculation Period falls;

" D_1 " is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

" D_2 " is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "30E/360" or "Eurobond Basis" is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction =
$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

" M_1 " is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

" D_1 " is the first calendar day, expressed as a number, of the Calculation Period unless such number would be 31, in which case D_1 will be 30; and

" D_2 " is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period unless such number would be 31, in which case D_2 will be 30;

(vii) if "30E/360 (ISDA)" is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction =
$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

" Y_2 " is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

- " M_1 " is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;
- "M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- " D_1 " is the first calendar day, expressed as a number, of the Calculation Period unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and
- "D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30;
- "Deferred Payment" has the meaning given in Condition 7(d)) (Deferral of Principal and Interest on the Tier 3 Notes);
- "Deferred Payment Date" has the meaning given in Condition 7(d)) (Deferral of Principal and Interest on the Tier 3 Notes);
- "Deferral Notice" has the meaning given in Condition 7(d)) (Deferral of Principal and Interest on the Tier 3 Notes);
- "Deposit" means a "deposit" as defined in the Banks Act;
- "Depositor" means any Person having a claim against the Issuer in respect of a Deposit;
- "Dispute" has the meaning given to it in Condition 24(b) (English courts);
- "Early Redemption Amount (Regulatory)" means, in respect of any Note, the Make Whole Redemption Price;
- "Early Redemption Amount (Tax)" means, in respect of any Note, in relation to an Early Redemption Amount (Tax) to be paid as a result of an event as described in paragraph (i) of the definition of "Tax Event", its principal amount plus accrued interest (if any) to the date fixed for redemption or such other amount as may be specified in, or determined in accordance with these Conditions or the relevant Final Terms and, as a result of any event described in paragraph (ii) of the definition of "Tax Event", the Make Whole Redemption Price;
- "Early Termination Amount" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms:
- "Eligible Capital" means Notes that are treated on issue by the Registrar of Banks for inclusion in the Primary Share Capital, Undated Secondary Capital, Dated Secondary Capital or Tertiary Capital, as the case may be, of the Issuer or the Controlling Company on a solo and/or consolidated basis, in accordance with the Capital Regulations;
- "Event of Default" means any of the events described in Condition 15 (Events of Default);
- "Extraordinary Resolution" has the meaning given in the Agency Agreement;
- "Final Redemption Amount" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;
- "Financial Indebtedness" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:
- (i) amounts raised by acceptance under any acceptance credit facility;
- (ii) amounts raised under any note purchase facility;
- (iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 90 days; and
- (v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;
- "First Interest Payment Date" means the date specified in the relevant Final Terms;
- "Fixed Coupon Amount" has the meaning given in the relevant Final Terms;

- "Issuer Group" means the Issuer and its consolidated Subsidiaries;
- "Guarantee" means, in relation to any Financial Indebtedness of any Person, any obligation of another Person to pay such Financial Indebtedness including (without limitation):
- (i) any obligation to purchase such Financial Indebtedness;
- (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Financial Indebtedness;
- (iii) any indemnity against the consequences of a default in the payment of such Financial Indebtedness; and
- (iv) any other agreement to be responsible for such Financial Indebtedness;
- "Holder" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint-holding, the first named thereof) and "Noteholders" shall be construed accordingly;
- "Independent Investment Bank" means the independent investment bank or financial institution of international repute selected and appointed by the Issuer (at the Issuer's expense) for the purposes of performing one or more of the functions expressed to be performed by it under these Conditions;
- "Interest Amount" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;
- "Interest Commencement Date" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;
- "Interest Determination Date" has the meaning given in the relevant Final Terms;
- "Interest Payment Date" means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:
- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the First Interest Payment Date) or the previous Interest Payment Date (in any other case);
- "Interest Period" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date:
- "ISDA Definitions" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);
- "ISDA Rate" has the meaning given to it in Condition 9(d) (ISDA Determination);
- "Issue Date" has the meaning given in the relevant Final Terms;
- "Junior Securities" means:
- (i) the Ordinary Shares or the ordinary shares in the issued share capital of the Controlling Company; or
- (ii) any other securities issued by the Issuer or any other member of the Nedbank Group the proceeds of which qualify as Primary Share Capital; or
- (iii) any other securities issued by the Issuer or any other member of the Nedbank Group which rank or are expressed to rank junior to the Undated Tier 2 Notes; or
- (iv) any securities issued by a member of the Nedbank Group, where the terms of the securities benefit from a guarantee or support agreement entered into by the Issuer or any other member of the Nedbank Group which ranks or is expressed to rank junior to the Undated Tier 2 Notes;

- "Liabilities" means the total amount of the non consolidated gross liabilities of the Issuer as shown in the latest published audited non consolidated balance sheet of the Issuer, but adjusted for contingencies and subsequent events in such manner as the directors of the Issuer, the auditors of the Issuer or a liquidator or administrator of the Issuer (if applicable) may determine:
- "Make Whole Redemption Price" has the meaning given thereto in the relevant Final Terms;
- "Mandatory Preference Shares" means any class of preference shares (i) the terms of which do not allow the relevant issuer's board of directors to cancel, defer, pass or eliminate any distribution or dividend payment at its discretion and (ii) which are not treated on issue by the Registrar of Banks for inclusion in the Eligible Capital of the relevant issuer;
- "Margin" has the meaning given in the relevant Final Terms;
- "Maturity Date" has the meaning given in the relevant Final Terms;
- "Maturity Period" means the period from, and including, the Issue Date to, but excluding, the Maturity Date;
- "Maximum Redemption Amount" has the meaning given in the relevant Final Terms;
- "Minimum Redemption Amount" has the meaning given in the relevant Final Terms;
- "Nedbank Group" means the Controlling Company, the Issuer and any of the respective wholly-owned consolidated Subsidiaries of the Controlling Company or the Issuer which is regulated as a banking operation;
- "Non-Redeemable Non-Cumulative Preference Shares" means non-redeemable non-cumulative preference shares in the issued share capital of the Issuer;
- "Note Certificate" has the meaning given to it in Condition 4(a) (Register);
- "Optional Redemption Amount (Call)" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;
- "Optional Redemption Amount (Put)" means, in respect of any Unsubordinated Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;
- "Optional Redemption Date (Call)" has the meaning given in the relevant Final Terms;
- "Optional Redemption Date (Put)" has the meaning given in the relevant Final Terms;
- "Ordinary Shares" means ordinary shares in the issued share capital of the Issuer;
- "Parity Securities" means:
- (i) any securities issued by the Issuer or any other member of the Nedbank Group the proceeds of which qualify as Undated Secondary Capital; or
- (ii) any other securities issued by the Issuer or any other member of the Nedbank Group which rank or are expressed to rank equally as to payments with the Undated Tier 2 Notes; or
- (iii) any securities issued by a member of the Nedbank Group where the terms of the securities benefit from a guarantee or support agreement entered into by the Issuer or any other member of the Nedbank Group which ranks or is expressed to rank equally as to payments with the Undated Tier 2 Notes;
- "Payment Business Day" means:
- (i) if the Specified Currency is euro, any day which is:
 - (A) a day on which banks in the relevant place of surrender or endorsement are open for surrender or endorsement of note certificates and payment and for dealings in foreign currencies; and
 - (B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the Specified Currency is not euro, any day which is:

- (A) a day on which banks in the relevant place of surrender or endorsement are open for surrender or endorsement of note certificates and payment and for dealings in foreign currencies; and
- (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the Specified Currency and in each (if any) Additional Financial Centre;

"Permitted Security Interest" means any Security Interest created or outstanding upon any property or assets (including current and/or future revenues, accounts receivables and other payments) of the Issuer or any Subsidiary arising out of any securitisation of such property or assets or other similar asset backed finance transaction in relation to such property or assets where:

- (i) the payment obligations secured by such Permitted Security Interest are to be discharged primarily from, and recourse under such Permitted Security Interest is limited to, the proceeds of such property or assets or a guarantee from an entity other than an Issuer Group entity;
- (ii) such Security Interest is created pursuant to any securitisation, asset-backed financing or like arrangement in accordance with normal market practice; and
- (iii) such Security Interest is created by operation of law or arises out of statutory preferences;
- "Person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;
- "Primary Share Capital" means "primary share capital" as defined in the Banks Act;
- "Principal Financial Centre" means, in relation to any currency, the principal financial centre for that currency provided, however, that:
- (i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;
- (ii) in relation to South African Rand, it means Johannesburg;
- (iii) in relation to Australian dollars, it means either Sydney or Melbourne;
- (iv) in relation to New Zealand dollars, it means either Wellington or Auckland; and
- (v) in any case any financial centre that is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"Principal Subsidiary" means a Subsidiary of the Issuer Group whose (a) total profits, before tax and extraordinary items represent in excess of 10 per cent. of the consolidated total profits, before tax and extraordinary items of the Issuer and its Subsidiaries, or (b) total value of net assets represent in excess of 10 per cent. of the total value of all consolidated net assets owned by the Issuer and its Subsidiaries in each case calculated by reference to the latest audited financial statements of each Subsidiary and the latest audited consolidated financial statements of the Issuer and its Subsidiaries but if a Subsidiary has been acquired or sold since the date as at which the latest audited consolidated financial statements of the Issuer and its Subsidiaries were prepared, the financial statements shall be adjusted in order to take into account the acquisition or sale of that Subsidiary (that adjustment being certified by the Issuer and its Subsidiaries' auditors as representing an accurate reflection of the revised consolidated profits before interest and tax or turnover of the Issuer and its Subsidiaries). A report by the auditors of the Issuer that a Subsidiary is or is not a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Noteholders;

"Proceedings" has the meaning given to it in Condition 24(d) (Rights of the Noteholders to take proceedings outside England);

"Put Option Notice" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem an Unsubordinated Note at the option of the Noteholder;

"Rate of Interest" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

- "Record Date" has the meaning given to it in Condition 13(f) (Record date);
- "Redemption Amount" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Early Redemption Amount (Regulatory), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;
- "Reference Banks" has the meaning given in the relevant Final Terms or, if none, four major banks selected (after consultation with the Issuer, if reasonably practicable) by the Calculation Agent in the market that is most closely connected with the Reference Rate;
- "Reference Price" has the meaning given in the relevant Final Terms;
- "Reference Rate" has the meaning given in the relevant Final Terms;
- "Register" means the register maintained by the Registrar in respect of the Notes in accordance with the Agency Agreement;
- "Registrar of Banks" means the South African Registrar of Banks designated under section 4 of the Banks Act:
- "Regular Date" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period:
- "Regular Period" means:
- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "Regular Date" means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date;
- "Regulations Relating to Banks" means the Regulations Relating to Banks published under Government Notice R3 in Government Gazette 30629 of 1 January 2008, issued under section 90 of the Banks Act;
- "Regulatory Change" means a change in, or amendment to, the Capital Regulations or any change in the application of or official or generally published guidance or interpretation of the Capital Regulations, which change or amendment becomes, or would become, effective on or after the Issue Date:
- "Regulatory Event" means an event which is deemed to have occurred if, with respect to the Notes of any Series which comprise a certain class of Eligible Capital on the Issue Date of the first Tranche of Notes of that Series, the proceeds of the issue of the Notes would, as a result of a Regulatory Change, no longer be eligible to qualify (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital) for inclusion in that class of Eligible Capital of the Issuer or the Controlling Company on a solo and/or consolidated basis;
- "Relevant Date" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the Specified Currency by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;
- "Relevant Financial Centre" has the meaning given in the relevant Final Terms;

"Relevant Indebtedness" means any present or future Financial Indebtedness which is in the form of any bond, note, debenture, debenture stock, loan stock, certificate or other similar security which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) and having an original maturity of more than 364 days from its date of issue;

"Relevant Interest Payment Date" has the meaning given to it in Condition 7(b) (Restrictions following non payment of interest on Undated Tier 2 Notes);

"Relevant Screen Page" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"Relevant Time" has the meaning given in the relevant Final Terms;

"Reserved Matter" means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"SARB" means the South African Reserve Bank;

"Secondary Capital" means "secondary capital" as defined in the Banks Act;

"Security Interest" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"Senior Creditors" means:

- (i) creditors of the Issuer who are unsubordinated creditors of the Issuer; and
- (ii) creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors, whether subordinated or unsubordinated, of the Issuer other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, (1) the claims of the Undated Tier 2 Noteholders (in the case of Undated Tier 2 Notes) or (2) the claims of the Dated Tier 2 Noteholders (in the case of Dated Tier 2 Notes) or (3) the claims of the Tier 3 Noteholders (in the case of Tier 3 Notes), as the case may be;

"Solvency Claims" has the meaning given to it in Condition 5(c)(v) (Solvency Claims);

"Solvency Condition" has the meaning given to it in Condition 5(c)(iv) (Solvency Condition);

"Solvent Reconstruction" means the event where an order is made or an effective resolution is passed for the winding-up or administration of the Issuer, other than under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency where the obligations of the Issuer in relation to the outstanding Notes are assumed by the successor entity to which all, or substantially all, of the property, assets and undertaking of the Issuer are transferred or where an arrangement with similar effect not involving bankruptcy or insolvency is implemented;

"South Africa" means the Republic of South Africa as constituted from time to time;

"Specified Currency" has the meaning given in the relevant Final Terms;

"Specified Denomination(s)" has the meaning given in the relevant Final Terms, save that the minimum denomination of any Note to be admitted to trading on a regulated market within the European Economic Area or offered to the public in circumstances which require the publication of a prospectus under EU Directive 2003/71/EC will be EUR50,000 (or its equivalent in another currency at the Issue Date of such Notes);

"Specified Office" has the meaning given in the Agency Agreement;

"Specified Period" has the meaning given in the relevant Final Terms;

- "Subordinated Debt" means any subordinated term debt issued by the Issuer (including, without limitation, Tier 3 Notes and Dated Tier 2 Notes), the proceeds of which subordinated term debt qualify as Tertiary Capital or Dated Secondary Capital of the Issuer;
- "Subordinated Notes" means any Tier 3 Notes, Dated Tier 2 Notes or Undated Tier 2 Notes;
- "Subsidiary" means, in relation to any Person (the "first Person") at any particular time, any other Person (the "second Person") whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise;
- "TARGET Settlement Day" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto is open;
- "Taxes" has the meaning given to it in Condition 14(a) (Gross up);
- "Tax Event" means an event where, as a result of a Tax Law Change, (i) the Issuer has paid or will or would on the next Interest Payment Date be required to pay additional amounts as provided or referred to in Condition 14 (Taxation); or (ii) in respect of the Issuer's obligation to make any payment of interest in respect of the Tier 2 Notes or Tier 3 Notes only on the next following Interest Payment Date or any subsequent Interest Payment Date, the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in South Africa, or such entitlement is materially reduced, and in each case the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it (such reasonable measures to exclude any requirement to instigate litigation in respect of any decision of determination of the South African Revenue Service that any such interest does not constitute a tax deductible expense);
- "Tax Law Change" means a change in, or amendment to, the laws or regulations of South Africa, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), whether or not having retrospective effect, which change or amendment is announced on or after the Issue Date;
- "Tertiary Capital" means "tertiary capital" as defined in the Banks Act;
- "Tier 1 Capital Regulations" means Regulation 38(13) of the Regulations Relating to Banks and/or such other provisions of the Capital Regulations with which Tier 1 Notes must comply in order for the proceeds of the issue of such Notes to qualify as Primary Share Capital;
- "Tier 1 Notes" means Notes complying with the Tier 1 Capital Regulations;
- "Tier 2 Notes" means collectively the Dated Tier 2 Notes and the Undated Tier 2 Notes;
- "Tier 3 Capital Regulations" means Regulation 38(16) of the Regulations Relating to Banks and/or such other provisions of the Capital Regulations with which Tier 3 Notes must comply in order for the proceeds of the issue of such Notes to qualify as Tertiary Capital;
- "Tier 3 Noteholder" means a Holder of a Tier 3 Note;
- "Tier 3 Notes" means Notes specified as such in the relevant Final Terms and complying with the Tier 3 Capital Regulations;
- "Undated Secondary Capital" means the proceeds of the issue of hybrid-debt instruments that combine features of equity instruments and debt instruments contemplated in section 1(1) of the Banks Act which proceeds are intended, upon issue of such hybrid-debt instruments, to qualify as Secondary Capital in accordance with the Undated Tier 2 Capital Regulations;
- "Undated Tier 2 Capital Regulations" means Regulation 38(14)(a) of the Regulations Relating to Banks and/or such other provisions of the Capital Regulations with which Undated Tier 2 Notes must comply in order for the proceeds of the issue of such Notes to qualify as Secondary Capital;
- "Undated Tier 2 Noteholder" means a Holder of an Undated Tier 2 Note;
- "Undated Tier 2 Notes" means Notes specified as such in the relevant Final Terms and complying with the Undated Tier 2 Capital Regulations;

"Unsubordinated Notes" means Notes issued with the status and characteristics set out in Condition 5(a) (Status of the Unsubordinated Notes) as specified in the relevant Final Terms; and

"Zero Coupon Note" means a Note specified as such in the relevant Final Terms.

(b) Interpretation

In these Conditions:

- (i) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 14 (Taxation), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (ii) any reference to interest shall be deemed to include payment of any Interest Amount, any additional amounts in respect of interest which may be payable under Condition 14 (Taxation) and any other amount in the nature of interest payable pursuant to these Conditions:
- (iii) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement;
- (iv) if an expression is stated in Condition 2(a) (Definitions) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and
- (v) any reference to the Agency Agreement or the Deed of Covenant shall be construed as a reference to the Agency Agreement or the Deed of Covenant, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3 Form, Denomination and Title

The Notes are in registered form in the Specified Denomination(s) and may be held in holdings equal to any specified minimum amount and integral multiples equal to any specified increments (as specified in the relevant Final Terms) in excess thereof (each, an "Authorised Holding"). The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

4 Register, Title and Transfers

(a) Register

The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a "Note Certificate") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) Transfers

Subject to Conditions 4(e) (Closed periods) and 4(f) (Regulations concerning transfers and registration) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar, together with such evidence as the Registrar may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Holdings. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

(c) Registration and delivery of Note Certificates

Within five business days of the surrender of a Note Certificate in accordance with paragraph (b) (Transfers) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "business day" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar has its Specified Office.

(d) No charge

The transfer of a Note will be effected without charge by or on behalf of the Issuer or the Registrar but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(e) Closed periods

Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

(f) Regulations concerning transfers and registration

All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

5 Status

(a) Status of the Unsubordinated Notes

(i) Application

This Condition 5(a) applies only to Unsubordinated Notes.

(ii) Status of the Unsubordinated Notes

The Unsubordinated Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 6 (Negative Pledge)) unsecured obligations of the Issuer which will at all times rank *pari passu* without preference or priority among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(b) Status of the Tier 3 Notes and the Dated Tier 2 Notes

(i) Application

This Condition 5(b) applies only to Tier 3 Notes and Dated Tier 2 Notes.

(ii) Status of the Tier 3 Notes and the Dated Tier 2 Notes

The Tier 3 Notes and the Dated Tier 2 Notes constitute direct, unsecured and, in accordance with Condition 5(b)(iii) (Subordination) below, subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and (save for those that have been accorded by law preferential rights) at least *pari passu* with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) *pari passu* with the Tier 3 Notes and the Dated Tier 2 Notes.

(iii) Subordination

The claims of Tier 3 Noteholders and Dated Tier 2 Noteholders entitled to be paid amounts due in respect of the Tier 3 Notes or the Dated Tier 2 Notes (as applicable) are subordinated to the claims of Depositors and Senior Creditors and, accordingly, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation, administration or wound-up:

- (1) no Tier 3 Noteholder or Dated Tier 2 Noteholder shall be entitled to prove or tender to prove a claim in respect of the Tier 3 Notes or the Dated Tier 2 Notes (as applicable):
- (2) no amount due under the Tier 3 Notes or the Dated Tier 2 Notes shall be eligible for set-off, counterclaim, abatement or other similar remedy which a Tier 3 Noteholder or Dated Tier 2 Noteholder might otherwise have under the laws of any jurisdiction in respect of the Tier 3 Notes or the Dated Tier 2 Notes (as applicable) nor shall any amount due under the Tier 3 Notes or the Dated Tier 2 Notes be payable to any Tier 3 Noteholder or Dated Tier 2 Noteholder (as applicable); and
- subject to applicable law, a Tier 3 Noteholder or a Dated Tier 2 Noteholder may not exercise or claim any right of set-off in respect of any amount in respect of the principal of and/or interest on the Tier 3 Notes or the Dated Tier 2 Notes (as applicable) owed to it by the Issuer and each Tier 3 Noteholder and Dated Tier 2 Noteholder shall, by virtue of its subscription, purchase or holding of any Tier 3 Notes or Dated Tier 2 Notes (as applicable), be deemed to have waived all such rights of set-off and, to the extent that any set-off takes place, whether by operation of law or otherwise, between: (aa) any amount in respect of the principal and/or interest on the Tier 3 Notes or the Dated Tier 2 Notes (as applicable) owed by the Issuer to a Tier 3 Noteholder or Dated Tier 2 Noteholder (as applicable); and (bb) any amount owed to the Issuer by such Tier 3 Noteholder or Dated Tier 2 Noteholder, such Tier 3 Noteholder or Dated Tier 2 Noteholder will immediately transfer such amount which is set-off to the Issuer or, in the event of its winding-up or administration (as the case may be), the liquidator, administrator or other relevant insolvency official of the Issuer, to be held on trust for the Depositors and Senior Creditors,

until the claims of Depositors and Senior Creditors which are admissible in any such dissolution, insolvency or winding-up have been paid or discharged in full.

(c) Status of the Undated Tier 2 Notes

(i) Application

This Condition 5(c) applies only to Undated Tier 2 Notes.

(ii) Status of the Undated Tier 2 Notes

The Undated Tier 2 Notes constitute direct, unsecured and, in accordance with Condition 5(c)(iii) (Subordination) below, subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and (save for those that have been accorded by law preferential rights) at least *pari passu* with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) *pari passu* with the Undated Tier 2 Notes.

(iii) Subordination

The claims of Undated Tier 2 Noteholders entitled to be paid amounts due in respect of the Undated Tier 2 Notes are subordinated to the claims of Depositors, Senior Creditors and the holders of Subordinated Debt and, accordingly, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation, administration or wound-up:

- (1) no Undated Tier 2 Noteholder shall be entitled to prove or tender to prove a claim in respect of the Undated Tier 2 Notes;
- (2) no amount due under the Undated Tier 2 Notes shall be eligible for set-off, counterclaim, abatement or other similar remedy which an Undated Tier 2 Noteholder might otherwise have under the laws of any jurisdiction in respect of the Undated Tier 2 Notes nor shall any amount due under the Undated Tier 2 Notes be payable to any Undated Tier 2 Noteholder; and
- (3) subject to applicable law, an Undated Tier 2 Noteholder may not exercise or claim any right of set-off in respect of any amount in respect of the principal of and/or interest on the Undated Tier 2 Notes owed to it by the Issuer and each Undated Tier 2 Noteholder shall, by virtue of its subscription, purchase or holding of any Undated Tier 2 Notes, be deemed to have waived all such rights of set-off and, to the extent

that any set-off takes place, whether by operation of law or otherwise, between: (aa) any amount in respect of the principal and/or interest on the Undated Tier 2 Notes owed by the Issuer to an Undated Tier 2 Noteholder; and (bb) any amount owed to the Issuer by such Undated Tier 2 Noteholder, such Undated Tier 2 Noteholder will immediately transfer such amount which is set-off to the Issuer or, in the event of its winding-up or administration (as the case may be), the liquidator, administrator or other relevant insolvency official of the Issuer, to be held on trust for the Depositors, Senior Creditors and holders of Subordinated Debt,

until the claims of Depositors, Senior Creditors and the holders of Subordinated Debt which are admissible in any such dissolution, insolvency, administration or winding-up have been paid or discharged in full.

(iv) Solvency Condition

Payments in respect of the principal of and interest (including any Arrears of Interest and payment of any additional amounts pursuant to Condition 14(a) (Gross up) on the Undated Tier 2 Notes are, in addition to the right of the Issuer to defer interest in accordance with Condition 7(a) (Deferral of interest on the Undated Tier 2 Notes), conditional upon the Issuer being solvent at the time of payment by the Issuer, and no principal or interest on the Undated Tier 2 Notes (including any Arrears of Interest) shall be due and payable in respect of the Undated Tier 2 Notes except to the extent that the Issuer could make such payment and still be solvent immediately thereafter. For the purposes of this Condition 5(c), the Issuer shall be solvent if (1) it is able to pay its debts owed to Depositors, Senior Creditors and the holders of Subordinated Debt as they fall due and (2) its Assets exceed its Liabilities to Depositors, Senior Creditors and the holders of Subordinated Debt (the "Solvency Condition"). A report as to the solvency of the Issuer made by two directors of the Issuer or, if the Issuer is in winding-up, its liquidator or, if in administration, its administrator shall, in the absence of manifest error, be treated and accepted by the Issuer and the Noteholders as correct and sufficient evidence of such solvency.

(v) Solvency Claims

Amounts representing any payments of principal or interest in respect of which the Solvency Condition is not satisfied on the date upon which the same would otherwise be due and payable ("Solvency Claims") will be payable by the Issuer (1) subject to Condition 5(c)(iii) (Subordination), in a winding-up or administration of the Issuer and (2) subject to satisfying the Solvency Condition, on any redemption pursuant to Condition 12(b) (Redemption for tax reasons), Condition 12(c) (Redemption for regulatory reasons) or Condition 12(d) (Redemption at the option of the Issuer) provided that in the event that, prior to any winding-up or administration of the Issuer, the Issuer shall again be solvent and would be solvent immediately after the making of such payment of Solvency Claims, then the Issuer shall promptly notify the Noteholders in accordance with Condition 21 (Notices), the Registrar and the Fiscal Agent of such fact and the Solvency Claims shall, subject to satisfying the Solvency Condition, be due and payable on the 16th Business Day after the Issuer shall have given such notice. A Solvency Claim shall not bear interest unless and only so long as the Issuer shall be solvent once again, in which case interest shall accrue on any such Solvency Claim from (and including) the date on which the Issuer is so solvent again to (but excluding) the date on which such Solvency Claim is paid. Any such interest shall accrue at a rate equal to the then applicable Rate of Interest determined in accordance with Condition 8 (Fixed Rate Note Provisions) or Condition 9 (Floating Rate Note and Index-Linked Interest Note Provisions). In the event that the Issuer shall be so solvent once again, the Issuer may not declare or pay a dividend (in accordance with Condition 7(b) (Restrictions following non payment of interest on Undated Tier 2 Notes)) from the date that the Issuer is so solvent again until the date on which the Solvency Claim and any relevant interest on the Solvency Claim is paid.

For the avoidance of doubt, if the Issuer would otherwise not be solvent for the purposes of the above, any sums which would otherwise be payable in respect of the Undated Tier 2 Notes will be available to be put towards the losses of the Issuer.

(d) Capital Regulations and Additional Conditions

In order for the proceeds of the issuance of the Notes to qualify as Secondary Capital or Tertiary Capital, as the case may be, Subordinated Notes must comply with the applicable Capital Regulations (including the Additional Conditions (if any) prescribed by the Registrar of Banks in respect of a particular Tranche of Subordinated Notes). The Issuer will specify in the relevant Final Terms whether any issue of Notes is an issue of Dated Tier 2 Notes the proceeds of which are intended to qualify as Dated Secondary Capital or Undated Tier 2 Notes the proceeds of which are intended to qualify as Undated Secondary Capital or an issue of Tier 3 Notes the proceeds of which are intended to qualify as Tertiary Capital. The Additional Conditions (if any) prescribed by the Registrar of Banks in respect of Subordinated Notes will be specified in the applicable Final Terms or a supplement to the Prospectus.

6 Negative Pledge

- (a) This Condition 6 only applies to Unsubordinated Notes.
- (b) So long as any Unsubordinated Note remains outstanding, the Issuer will not, and the Issuer will procure that none of its Principal Subsidiaries will, create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Unsubordinated Notes equally and rateably therewith or (b) providing such other security for the Unsubordinated Notes, as may be approved by an Extraordinary Resolution of Noteholders.

7 Interest and principal payments on the Subordinated Notes

(a) Deferral of interest on the Undated Tier 2 Notes

This Condition 7(a) applies to Undated Tier 2 Notes only. Interest payments on the Undated Tier 2 Notes will be cumulative. The Issuer shall be obliged to pay interest on each Interest Payment Date unless (i) the Issuer elects to defer the relevant Interest Amount on such Interest Payment Date subject to Condition 7(c) below (Compulsory payment of interest on Undated Tier 2 Notes), (ii) the Issuer is in breach of either of the Capital Regulations or the Solvency Condition on the Business Day prior to such Interest Payment Date or would be in breach of the Capital Regulations or the Solvency Condition if the relevant Interest Amount were paid on such Interest Payment Date or (iii) at any time the Registrar of Banks imposes a mandatory prohibition on the payment of interest. If the Issuer does not pay the relevant Interest Amount in respect of an Interest Period in accordance with this Condition 7(a) then any such failure to pay such Interest Amount shall not constitute a default by the Issuer or any other breach of obligations under the Undated Tier 2 Notes or for any other purpose.

If the Issuer elects to defer the payment of interest on an Interest Payment Date, it shall give notice of such election to the Undated Tier 2 Noteholders in accordance with Condition 21 (Notices) and to the Registrar and the Fiscal Agent not less than 30 days prior to the relevant Interest Payment Date (or such shorter notice period as may be required by the Capital Regulations or the Registrar of Banks. If the Issuer is not obliged pursuant to the provisions of this Condition 7(a) to pay any interest on any Interest Payment Date, it shall give notice to such fact to the Undated Tier 2 Noteholders in accordance with Condition 21 (Notices) and to the Registrar of Banks and the Fiscal Agent.

Any interest in respect of the Undated Tier 2 Notes not paid on any Interest Payment Date, together with any other interest in respect thereof not paid on any other Interest Payment Date, shall, so long as the same remains unpaid, constitute "Arrears of Interest". Arrears of Interest may, at the option of the Issuer but subject to the restrictions of this Condition 7(a) and subject to Condition 5(c)(iii) (Subordination), be paid in whole or in part at any time upon the expiration of not less than 14 days' notice to such effect given to the Undated Tier 2 Noteholders in accordance with Condition 21 (Notices), but all Arrears of Interest in respect of Undated Tier 2 Notes for the time being outstanding shall (subject to the restrictions of this Condition 7(a) and subject to Condition 5(c)(iii) (Subordination)) become due in full on whichever is the earlier of (i) the date fixed for any repayment pursuant to Condition 12(b) (Redemption for tax reasons), Condition 12(c) (Redemption for regulatory reasons) or 12(d) (Redemption at the option of the Issuer), or (ii) the commencement of a winding-up (other than pursuant to a Solvent Reconstruction) of the Issuer. If notice is given by the Issuer of its

intention to pay the whole or any part of any Arrears of Interest in respect of the Undated Tier 2 Notes, the Issuer shall be obliged (subject to the restrictions of this Condition 7(a) and subject to Condition 5(c)(iii) (Subordination)) to do so upon the expiration of such notice. Where Arrears of Interest are paid in part, each part payment shall be in respect of the full amount of the Arrears of Interest accrued due to the relevant Interest Payment Date or consecutive Interest Payment Dates furthest from the date of payment. Arrears of Interest shall not themselves bear interest.

(b) Restrictions following non payment of interest on Undated Tier 2 Notes

If, on any Interest Payment Date (the "Relevant Interest Payment Date"), the Interest Amount in respect of any Undated Tier 2 Notes shall not have been paid in full pursuant to Condition 7(a) (Deferral of interest on the Undated Tier 2 Notes), then from such Relevant Interest Payment Date until the date on which the full amount of such Arrears of Interest has been received by the Undated Tier 2 Noteholders and is no longer outstanding and no other Arrears of Interest remains unpaid, neither the Issuer nor the Controlling Company shall (and the Controlling Company shall procure that no member of the Nedbank Group shall) (a) declare or pay a distribution or dividend or pay any interest on Junior Securities or Parity Securities (other than (i) Mandatory Preference Shares or (ii) any dividend which has been declared on any Junior Securities or Parity Securities before the date of the Notice to Noteholders referred to in Condition 7(a) (Deferral of interest on the Undated Tier 2 Notes) or (iii) intra-group dividends (other than intra-group dividends in respect of (a) Non-Redeemable Non-Cumulative Preference Shares the proceeds of which qualify as Primary Share Capital, (b) Ordinary Shares the proceeds of which qualify as Primary Share Capital and (c) hybrid-debt instruments (contemplated in Regulation 38(13) of the Regulations Relating to Banks) issued by the Issuer the proceeds of which qualify as Primary Share Capital) between wholly-owned Nedbank Group Subsidiaries and to Nedbank Group holding companies, which can be paid at any time), or (b) redeem, purchase, reduce or otherwise acquire any Junior Securities or Parity Securities or any securities of any of its Subsidiary undertakings benefiting from a guarantee from any member of the Nedbank Group ranking, as to the right of repayment of principal, or in the case of any such guarantee, as to the payment of sums under such guarantee, pari passu with or junior to the Undated Tier 2 Notes.

(c) Compulsory payment of interest on Undated Tier 2 Notes

On any Interest Payment Date on which: (i) a Regulatory Event has occurred and is continuing (provided that a certificate signed by two authorised officers of the Issuer or a written confirmation from the Registrar of Banks stating that a Regulatory Event has not occurred and is not continuing as at such Interest Payment Date shall be sufficient evidence for the purposes of this Condition 7(c) that a Regulatory Event has not occurred and is not continuing as at such Interest Payment Date and no Undated Tier 2 Noteholders shall be entitled to dispute the contents of such certificate or confirmation, as the case may be); (ii) the Issuer is in compliance with the Capital Regulations and the Solvency Condition; and (iii) the Registrar of Banks has not imposed a mandatory prohibition on the payment of interest, the Issuer shall not be permitted to exercise its right under Condition 7(a) (Deferral of interest on the Undated Tier 2 Notes) to defer any Interest Amount on an Interest Payment Date and shall be obliged to pay in respect of each Note the Interest Amount payable on such Interest Payment Date.

(d) Deferral of Principal and Interest on Tier 3 Notes

This Condition 7(d) applies to Tier 3 Notes only. If the Issuer's qualifying capital falls below or is likely to fall below the minimum amount prescribed by the Capital Regulations and as a consequence of this event the Registrar of Banks, pursuant to the Tier 3 Capital Regulations, requires the Issuer to defer the due date for payment of any principal (or any portion thereof) and/or any interest (or any portion thereof) payable in respect of such Tier 3 Notes (the "Deferred Payment"), the Issuer shall, by notice in writing (a "Deferral Notice") to the Tier 3 Noteholders in accordance with Condition 21 (Notices) and to the Registrar and the Fiscal Agent, defer the due date for payment of the Deferred Payment, until such date (the "Deferred Payment Date"), and subject to such conditions, as are prescribed by the Registrar of Banks. On the giving of the Deferral Notice, the due date for payment of the Deferred Payment shall be deferred to the Deferred Payment Date, and the Issuer shall not be obliged to make payment of the Deferred Payment on the date upon which the Deferred Payment would otherwise have

become due and payable, and such deferral of payment shall not constitute a default under the Tier 3 Notes or for any other purpose and a Tier 3 Noteholder will have no claim in respect of any such Deferred Payment (save as set out below in this Condition 7(d)). The Issuer may not give a Deferral Notice except where the Registrar of Banks so requires in accordance with the Tier 3 Capital Regulations. Interest will continue to accrue on the outstanding amount of the Deferred Payment at the Rate of Interest applicable on the date upon which the Deferred Payment would otherwise have become due and payable, from and including such date to but excluding the Deferred Payment Date. All Deferred Payments (together with any interest accrued thereon) which remain unpaid shall become due and payable upon the earlier to occur of (i) the Deferred Payment Date, and (ii) the Issuer being placed into liquidation, administration or wound-up (other than pursuant to a Solvent Reconstruction). When more than one Deferred Payment remains unpaid, any payment in part thereof shall be made *pro rata* according to the proportion which each such Deferred Payment bears to the aggregate of all such Deferred Payments.

As of the date hereof, the obligations of the Controlling Company under this Condition 7 as applicable are enforceable by Noteholders pursuant to the Dividend Restriction Deed of Covenant dated 12 December 2008 entered into by the Issuer and the Controlling Company.

8 Fixed Rate Note Provisions

(a) Application

This Condition 8 is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.

(b) Accrual of interest

The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 13 (Payments). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 8 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) Fixed Coupon Amount

The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) Calculation of interest amount

The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

9 Floating Rate Note and Index-Linked Interest Note Provisions

(a) Application

This Condition 9 is applicable to the Notes only if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable.

(b) Accrual of interest

The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 13 (Payments). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 9 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) Screen Rate Determination

If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time, and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; provided, however, that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) **ISDA Determination**

If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

(e) Index-Linked Interest

If the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Final Terms.

(f) Maximum or Minimum Rate of Interest

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(g) Calculation of Interest Amount

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(h) Calculation of other amounts

If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

(i) **Publication**

The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents, and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(j) Notifications etc.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 9 by the Calculation Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the

Issuer, the Paying Agents and the Noteholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

10 Zero Coupon Note Provisions

(a) Application

This Condition 10 is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.

(b) Late payment on Zero Coupon Notes

If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

11 Dual Currency Note Provisions

(a) Application

This Condition 11 is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Final Terms as being applicable.

(b) Rate of Interest

If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

12 Redemption and Purchase

(a) Scheduled redemption

- (i) Subject to Condition 12(e) (Redemption of Subordinated Notes), unless previously redeemed or purchased and cancelled, the Dated Tier 2 Notes, the Tier 3 Notes and the Unsubordinated Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 13 (Payments).
- (ii) The Undated Tier 2 Notes have no maturity date and (in each case without prejudice to the provisions of Condition 5(c)(v) (Solvency Claims) or Condition 15.3 (Events of Default relating to the Undated Tier 2 Notes)):
 - (1) are only redeemable, and shall be redeemed at their Early Termination Amount together with accrued interest, on a winding-up or administration (other than pursuant to a Solvent Reconstruction) of the Issuer subject to and in accordance with the provisions of Condition 5(c)(iii) (Subordination); or
 - (2) may be redeemed, substituted, varied, purchased (subject to the provisions of Condition 12(e) (Redemption of Subordinated Notes) and subject to compliance with the Solvency Condition) in accordance with the following provisions of this Condition 12.

(b) Redemption for tax reasons

The Notes may, subject to Condition 12(e) (Redemption of Subordinated Notes) and, in the case of Undated Tier 2 Notes, the Issuer satisfying the Solvency Condition, be redeemed at the option of the Issuer in whole, but not in part, if a Tax Event occurs and is continuing:

(i) at any time (if neither the Floating Rate Note Provisions nor the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable or, if they are, such provisions are not applicable at the time of redemption); or

(ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable and are applicable at the time of redemption),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 21 (Notices) and to the Registrar and the Fiscal Agent, at their Early Redemption Amount (Tax) together with interest accrued (if any) to the date fixed for redemption,

provided, however, that no such notice of redemption shall be given earlier than:

- (1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or would not be entitled (or such entitlement is materially reduced) to claim a deduction in respect of computing its taxation liabilities; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts or would not be entitled (or such entitlement is materially reduced) to claim a deduction in respect of computing its taxation liabilities.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent advisers of recognised standing to the effect that a Tax Event has occurred. Upon the expiry of any such notice as is referred to in this Condition 12(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 12(b).

(c) Redemption for regulatory reasons

Any Series of Subordinated Notes may (subject to Condition 12(e) (Redemption of Subordinated Notes) and, in the case of Undated Tier 2 Notes, the Issuer satisfying the Solvency Condition) be redeemed at the option of the Issuer in whole, but not in part:

- (i) at any time (if neither the Floating Rate Note Provisions nor the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable or, if they are, such provisions are not applicable at the time of redemption); or
- (ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable and are applicable at the time of redemption),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 21 (Notices) and to the Registrar and the Fiscal Agent, at their Early Redemption Amount (Regulatory), together with interest accrued (if any) to the date fixed for redemption, if a Regulatory Event occurs and is continuing.

Prior to the publication of any notice of redemption pursuant to this Condition 12(c), the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) unless the Registrar of Banks has confirmed to the Issuer that the proceeds of the issue of the relevant Notes are not eligible to qualify as the relevant class of Eligible Capital of the Issuer on a solo and/or a consolidated basis, an opinion of independent advisers of recognised standing to the effect that a Regulatory Event has occurred. Upon the expiry of any such notice as is referred to in this Condition 12(c), the Issuer shall be bound to redeem the Notes in accordance with this Condition 12(c).

(d) Redemption at the option of the Issuer

If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may (subject to Condition 12(e) (Redemption of Subordinated Notes) in the case of Subordinated Notes and, in the case of Undated Tier 2 Notes, the Issuer satisfying the Solvency Condition) be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount

(Call) upon the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(e) Redemption of Subordinated Notes

Subject to the Capital Regulations and Condition 12(b) (Redemption for tax reasons) and Condition 12(c) (Redemption for regulatory reasons), Condition 12(d) (Redemption at the option of the Issuer) and Condition 12(j) (Purchase), Subordinated Notes may be redeemed, or purchased and cancelled at the option of the Issuer only and provided that:

- (i) Dated Tier 2 Notes shall have a minimum Maturity Period of five years and one day;
- (ii) Tier 3 Notes shall have a minimum Maturity Period of two years and one day;
- (iii) Undated Tier 2 Notes may only be redeemed pursuant to Condition 12(a) (Redemption at the option of the Issuer) after a minimum initial period of issue of five years; provided that in any case unless the Registrar of Banks determines that the Issuer is duly capitalised the Issuer may not redeem such Undated Tier 2 Notes unless such Undated Tier 2 Notes are replaced by the Issuer with instruments of similar or better quality;
- (iv) the Issuer has notified the Registrar of Banks of its intention to redeem, or purchase and cancel the relevant Subordinated Notes at least one month (or such other period, longer or shorter, as the Registrar of Banks may then require or accept) prior to the date scheduled for such redemption or purchase and cancellation and written approval of the same has been received from the Registrar of Banks;
- (v) such redemption is effected in accordance with conditions (if any) approved by the Registrar of Banks in writing; and
- (vi) both at the time when the notice of redemption is given and immediately following such redemption, the Issuer is or will be (as the case may be) in compliance with its capital adequacy requirements as provided in the Capital Regulations (except to the extent that the Registrar of Banks no longer so requires) as confirmed by an Independent Investment Bank or the Registrar of Banks.

(f) Partial redemption

If the Notes are to be redeemed in part only on any date in accordance with Condition 12(d) (Redemption at the option of the Issuer), each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date.

(g) Redemption at the option of Noteholders

This Condition 12(g) applies only to Unsubordinated Notes. If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 12(g), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit the Note Certificate relating to such Note with any Paying Agent together with a duly completed Put Option Notice in the form obtainable from any Paying Agent. No Note Certificate, once deposited with a duly completed Put Option Notice in accordance with this Condition 12(g), may be withdrawn; provided, however, that if, prior to the relevant Optional Redemption Date (Put), the Notes evidenced by any Note Certificate so deposited become immediately due and payable or, upon due presentation of any Note Certificate on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, such Note Certificate shall, without prejudice to the exercise of the Put Option, be returned to the Holder by uninsured first class mail (airmail if overseas) at the address specified by such Holder in the relevant Put Option Notice.

(h) No other redemption

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (f) above.

(i) Early redemption of Zero Coupon Notes

Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable,

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 12(i) or, if none is so specified, a Day Count Fraction of 30E/360.

(i) Purchase

Subject to Condition 12(e) (Redemption of Subordinated Notes) in the case of Subordinated Notes and, in the case of Undated Tier 2 Notes, compliance with the Solvency Condition, the Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.

(k) Cancellation

All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries may, at its option, be cancelled and may, if cancelled, not be reissued or resold.

13 Payments

(a) Principal

Payments of principal and payments of interest payable on redemption shall be made by cheque drawn in the currency in which the payment is due on, or, upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of redemption) subject to surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) Interest

Payments of interest shall be made by cheque drawn in the currency in which the payment is due on, or, upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of interest payable on redemption).

(c) Payments subject to fiscal laws

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 14 (Taxation). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) Payments on business days

Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the Payment Business Day immediately preceding the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 13(d) arriving after the due date for payment or being lost in the mail.

(e) Partial payments

If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and date of such payment is endorsed on the relevant Note Certificate.

(f) Record date

Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "Record Date"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

14 Taxation

(a) Gross up

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("Taxes") imposed, levied, collected, withheld or assessed by or on behalf of South Africa or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such Taxes is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

- (i) to a Holder which is liable to such Taxes in respect of such Note by reason of its having some connection with South Africa other than merely by holding such Note or by the receipt of amounts in respect of such Note; or
- (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iii) where presentation and surrender for payment is required pursuant to these Conditions, if presented and surrendered for payment by, or on behalf of, or held by a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note Certificate to another Paying Agent in a Member State of the EU; or
- (iv) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is presented and surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days.

(b) Taxing jurisdiction

If the Issuer becomes subject at any time to any taxing jurisdiction other than South Africa, references in these Conditions to South Africa shall be construed as references to South Africa and/or such other jurisdiction.

15 Events of Default

15.1 Events of Default relating to Unsubordinated Notes

This Condition 15.1 only applies to Unsubordinated Notes.

If any of the following events occurs and is continuing:

(a) Non-payment

The Issuer fails to pay any amount of principal in respect of the Notes within five days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 10 days of the due date for payment thereof; or

(b) Breach of other obligations

The Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Deed of Covenant and such default remains unremedied for 30 days after written notice thereof, has been delivered by any Noteholder to the Issuer or to the Specified Office of the Fiscal Agent (addressed to the Issuer); or

(c) Cross-default of Issuer or Principal Subsidiary

- (i) any other present or future Financial Indebtedness of the Issuer or any of its Principal Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
- (ii) any such Financial Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Principal Subsidiary or (provided that no Event of Default, howsoever described, has occurred) any Person entitled to such Financial Indebtedness; or
- (iii) the Issuer or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Financial Indebtedness;

provided that the amount of Financial Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in subparagraph (iii) above individually or in the aggregate exceeds U.S.\$15,000,000 (or its equivalent in any other currency or currencies); or

(d) Unsatisfied judgment

One or more judgment(s) or order(s) from which no further appeal is permissible under applicable law for the payment of any amount in excess of U.S.\$15,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer or any of its Principal Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) Security enforced

Any present or future Security Interest created by the Issuer or any Principal Subsidiary over all or a substantial part of its undertaking, assets and revenues for an amount at the relevant time in excess of U.S.\$15,000,000 (or its equivalent in any other currency or currencies) becomes enforceable and any step is taken to enforce it (including, but not limited to, the taking of possession or the appointment of a receiver, administrative receiver, manager or other similar person or analogous event) unless such enforcement is discharged within 45 days or the Issuer or Principal Subsidiary (as the case may be) is contesting such enforcement in good faith; or

(f) Insolvency etc.

(i) the Issuer or its Principal Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator, curator, judicial manager or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer or any of its Principal

Subsidiaries or in respect of the whole or a substantial part of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries, (iii) the Issuer or any of its Principal Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Financial Indebtedness or any Guarantee of any Financial Indebtedness given by it or (iv) the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than (A) in the case of a Principal Subsidiary of the Issuer for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent; or (B) in the case of the Issuer, in respect of a Solvent Reconstruction); or

(g) Winding-up etc.

An order is made or an effective resolution is passed for the winding-up, liquidation, administration or dissolution of the Issuer or any of its Principal Subsidiaries (otherwise than (A) in the case of a Principal Subsidiary of the Issuer for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent; or (B) in the case of the Issuer, in respect of a Solvent Reconstruction); or

(h) Analogous event

Any event occurs which under the laws of South Africa or other relevant jurisdiction in the case of a Principal Subsidiary has an analogous effect to any of the events referred to paragraphs (d) to (g) above; or

(i) Failure to take action etc.

Any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes and the Deed of Covenant, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Note Certificates and the Deed of Covenant admissible in evidence in the courts of South Africa is not taken, fulfilled or done; or

(j) Unlawfulness

It is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Deed of Covenant,

then any Unsubordinated Note may, by written notice from the Holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent (addressed to the Issuer), be declared immediately due and payable, whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) without further action or formality.

15.2 Events of Default relating to Dated Subordinated Notes

This Condition 15.2 applies only to Dated Subordinated Notes.

- (a) If default shall be made in the payment of any principal or interest due on the Dated Subordinated Notes of the relevant Series for a period of five days or more after any date on which the payment of principal is due or 10 days or more after any date on which the payment of interest is due (as the case may be), any Dated Subordinated Noteholder of that Series may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding-up of the Issuer and/or prove in any winding-up of the Issuer, but take no other action in respect of that default. In such proceedings or winding-up the claim of each Dated Subordinated Noteholder shall be for the Early Termination Amount together with accrued interest (if any) in respect of each Dated Subordinated Note.
- (b) If an order is made or an effective resolution is passed for the winding-up of the Issuer (other than pursuant to a Solvent Reconstruction), each Dated Subordinated Noteholder may, by written notice to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent (addressed to the Issuer), be declared immediately due and payable,

whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) (subject to Condition 5(b)(iii) (Subordination) in the case of Tier 3 Notes and Dated Tier 2 Notes) without further action or formality.

(c) Without prejudice to paragraph (a) or (b) above, if the Issuer breaches any of its obligations under the Dated Subordinated Notes of the relevant Series (other than any obligation in respect of the payment of principal or interest on such Notes) then each Dated Subordinated Noteholder may at its discretion and without further notice, bring such proceedings as it may think fit to enforce the obligation in question provided that the Issuer shall not, as a result of the bringing of any such proceedings, be obliged to pay any sum representing or measured by reference to principal or interest on such Series of Dated Subordinated Notes sooner than the same would otherwise have been payable by it.

15.3 Events of Default relating to Undated Tier 2 Notes

Notwithstanding any of the provisions below in this Condition 15.3, the right to institute winding-up proceedings is limited to circumstances where payment of principal or interest (as the case may be) has become due and payable. No principal, premium, interest or any other amount will be due unless the Solvency Condition is satisfied. Also, in the case of the payment of any Interest Amount, payment thereof will not be due if the Issuer has elected or is required to defer that payment pursuant to Condition 7(a) (Deferral of interest on the Undated Tier 2 Notes) or the Issuer is prohibited from making that payment pursuant to Condition 7(b) (Restrictions following non payment of interest on Undated Tier 2 Notes) or 7(c) (Compulsory payment of interest).

This Condition 15.3 applies only to Undated Tier 2 Notes.

- (a) If default shall be made in the payment of any principal or any interest (or any other amount in respect of the Undated Tier 2 Notes) due on the Undated Tier 2 Notes of the relevant Series for a period of five days or more after any date on which the payment of principal is due and payable or 10 days or more after any date on which the payment of interest is due and payable (as the case may be) each Undated Tier 2 Noteholder of that Series may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding-up of the Issuer and/or prove in any winding-up of the Issuer, but take no other action in respect of that default.
- (b) Without prejudice to paragraph (a) above, if the Issuer breaches any of its obligations under the Undated Tier 2 Notes of the relevant Series (other than any obligation in respect of the payment of principal or interest on such Notes) then each Undated Tier 2 Noteholder may, subject as provided below, at its discretion and without further notice, bring such proceedings as it may think fit to enforce the obligation in question provided that the Issuer shall not, as a result of the bringing of any such proceedings, be obliged to pay any sum representing or measured by reference to principal or interest on such Series of Undated Tier 2 Notes sooner than the same would otherwise have been payable by it.

16 Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless the relevant Note Certificates are surrendered for payment within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date.

17 Replacement of Notes

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

18 Agents and Registrar

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, fiscal agent or Calculation Agent and additional or successor paying agents and transfer agents; provided, however, that:

- (a) the Issuer shall at all times maintain a fiscal agent and a registrar; and
- (b) the Issuer shall at all times maintain a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law or other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000; and
- (c) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a paying agent and/or registrar in any particular place, the Issuer shall maintain a paying agent and/or a registrar each with a Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or the Registrar or in their Specified Offices shall promptly be given to the Noteholders.

19 Meetings of Noteholders; Modification

(a) Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; provided, however, that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not. In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) Modification

The Notes, these Conditions and the Deed of Covenant may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

20 Further Issues

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

21 Notices

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. In addition, notices to Noteholders will be published on the date of such mailing in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe.

22 Currency Indemnity

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the "first currency") in which the same is payable under these Conditions or such order or judgment into another currency (the "second currency") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

23 Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

24 Governing Law and Jurisdiction

(a) Governing law

The Notes, all matters arising from or connected with the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law save that the provisions of Conditions 5 (Status), 7(a) (Deferral of interest on the Undated Tier 2 Notes), 7(d) (Deferral of Principal and Interest on the Tier 3 Notes), 12(a)(ii) (Scheduled redemption) and 12(e) (Redemption of Subordinated Notes) are governed by, and shall be construed in accordance with, South African law.

(b) English courts

The courts of England have exclusive jurisdiction to settle any dispute (a "Dispute") arising from or connected with the Notes.

(c) Appropriate forum

The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) Rights of the Noteholders to take proceedings outside England

Condition 23(b) (English courts) is for the benefit of the Noteholders only. As a result, nothing in this Condition 23 prevents any Noteholder from taking proceedings relating to a Dispute ("Proceedings") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) Process agent

The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Clifford Chance Secretaries Limited of 10 Upper Bank Street, London, E14 5JJ, United Kingdom or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part XXIII of the Companies Act 1985. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed and delivered to the Issuer or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

TERMS AND CONDITIONS OF THE TIER 1 NOTES

The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Final Terms, will be endorsed on each Tier 1 Note in definitive form issued under the Programme. The terms and conditions applicable to any Tier 1 Note in global form will differ from those terms and conditions which would apply to the Tier 1 Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

1 Introduction

(a) Programme

Nedbank Limited (the "Issuer") has established a Euro Medium Term Note Programme (the "Programme") for the issuance of up to U.S.\$2,000,000,000 in aggregate principal amount of notes (the "Notes").

(b) Final Terms

Notes issued under the Programme are issued in series (each a "Series") and each Series may comprise one or more tranches (each a "Tranche") of Notes. Each Tranche is the subject of a written final terms (the "Final Terms") which supplements these terms and conditions (the "Conditions"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

(c) **Deed of Covenant**

The Notes are constituted by a deed of covenant dated 12 December 2008 (the "Deed of Covenant") entered into by the Issuer.

(d) Agency Agreement

The Notes are the subject of an agency agreement dated 12 December 2008 (the "Agency Agreement") between the Issuer, The Bank of New York (Luxembourg) S.A. as registrar (the "Registrar", which expression includes any successor registrar appointed from time to time in connection with the Notes), The Bank of New York Mellon as fiscal agent (the "Fiscal Agent", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "Paying Agents", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). References herein to the "Agents" are to the Registrar, the Fiscal Agent and the Paying Agents and any reference to an "Agent" is to any one of them.

(e) The Notes

All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing at, and copies may be obtained from, the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

(f) Summaries

Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Covenant and are subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement, the Deed of Covenant and any ISIS Calculation Agency Agreement (if entered into) applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available and any applicable ISIS Calculation Agency Agreement will be available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Agents, the initial Specified Offices of which are set out below.

2 Interpretation

(a) **Definitions**

In these Conditions the following expressions have the following meanings:

"Additional Business Centre(s)" means the city or cities specified as such in the relevant Final Terms;

"Additional Conditions" means, in relation to any issue of Notes, the proceeds of which are intended by the Issuer to qualify as Primary Share Capital, such conditions, in addition to the conditions specified in the applicable Capital Regulations, as may be prescribed by the Registrar of Banks for the proceeds of the issue of such Notes to qualify as Primary Share Capital, pursuant to the approval granted by the Registrar of Banks for the issue of such Notes, as specified in the Final Terms;

"Additional Financial Centre(s)" means the city or cities specified as such in the relevant Final Terms;

"Assets" means the total amount of the non consolidated gross assets of the Issuer as shown in the latest published audited non-consolidated balance sheet of the Issuer, but adjusted for contingencies and subsequent events in such manner as the directors of the Issuer, the auditors of the Issuer or a liquidator or administrator of the Issuer (if applicable) may determine;

"Authorised Holding" has the meaning given to it in Condition 3 (Form, Denomination and Title);

"Banks Act" means the South African Banks Act, 1990;

"BESA" means the Bond Exchange of South Africa, a licensed securities exchange operated in South Africa in accordance with the South African Securities Services Act, 2004;

"Business Day" means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"Business Day Convention", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) "Following Business Day Convention" means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) "Modified Following Business Day Convention" or "Modified Business Day Convention" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) "Preceding Business Day Convention" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) "FRN Convention", "Floating Rate Convention" or "Eurodollar Convention" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred *provided*, *however*, *that*:
 - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) "No Adjustment" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"Calculation Agent" means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

"Calculation Amount" has the meaning given in the relevant Final Terms;

"Capital Regulations" means, at any time, any legislation, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in South Africa in relation to banks registered under the Banks Act and licensed to conduct the business of a bank in South Africa (including the Additional Conditions (if any)) (or if the Issuer becomes domiciled in a jurisdiction other than South Africa, any legislation, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in such other jurisdiction in relation to banks registered in, and licensed to conduct the business of a bank in, such other jurisdiction);

"Controlling Company" means Nedbank Group Limited and/or any other company which is a "controlling company" in relation to the Issuer as contemplated by the Banks Act;

"Dated Secondary Capital" means the proceeds of the issue of debt instruments contemplated in section 1(1) of the Banks Act that are term debt instruments which proceeds are intended, upon issue of such term debt instruments, to qualify as Secondary Capital in accordance with the Dated Tier 2 Capital Regulations;

"Dated Tier 2 Capital Regulations" means Regulation 38(14)(b) of the Regulations Relating to Banks and/or such other provisions of the Capital Regulations with which Dated Tier 2 Notes must comply in order for the proceeds of the issue of such Notes to qualify as Secondary Capital;

"Day Count Fraction" means, in respect of the calculation of an amount for any period of time (the "Calculation Period"), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (i) if "Actual/Actual (ICMA)" is so specified, means:
 - (A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) where the Calculation Period is longer than one Regular Period, the sum of:
 - (x) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (y) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year;
- (ii) if "Actual/Actual" or "Actual/Actual (ISDA)" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if "Actual/365 (Fixed)" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if "Actual/360" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if "30/360", "360/360" or "Bond Basis" is so specified, means the number of days in the Calculation period divided by 360 calculated on a formula basis as follows:

Day Count Fraction =
$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the first day immediately following the last day included in the Calculation Period falls;

" M_1 " is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

" M_2 " is the calendar month, expressed as a number, in which the first day immediately following the last day included in the Calculation Period falls;

" D_1 " is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

" D_2 " is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "30E/360" or "Eurobond Basis" is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction =
$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

" M_1 " is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

" D_1 " is the first calendar day, expressed as a number, of the Calculation Period unless such number would be 31, in which case D_1 will be 30; and

" D_2 " is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period unless such number would be 31, in which case D_2 will be 30;

(vii) if "30E/360 (ISDA)" is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction =
$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

" Y_2 " is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

" M_1 " is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

" D_1 " is the first calendar day, expressed as a number, of the Calculation Period unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

" D_2 " is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30;

"Deposit" means a "deposit" as defined in the Banks Act;

"Depositor" means any Person having a claim against the Issuer in respect of a Deposit;

- "Dispute" has the meaning given to it in Condition 24(b) (English Courts);
- "Early Redemption Amount (Regulatory)" means the Make Whole Redemption Price;
- "Early Redemption Amount (Tax)" means, in respect of any Note, in relation to an Early Redemption Amount (Tax) to be paid as a result of an event as described in paragraph (a) of the definition of "Tax Event", its principal amount plus accrued interest (if any) to the date fixed for redemption and, as a result of any event described in paragraph (b) of the definition of "Tax Event", the Make Whole Redemption Price;
- "Early Termination Amount" means, in respect of any Note, its principal amount or such other amount as may be specified in or determined in accordance with, these Conditions or the relevant Final Terms;
- "Eligible Capital" means Notes that are treated on issue by the Registrar of Banks for inclusion in the Primary Share Capital, Undated Secondary Capital, Dated Secondary Capital or Tertiary Capital, as the case may be, of the Issuer or the Controlling Company on a solo and/or consolidated basis, in accordance with the Capital Regulations;
- "Extraordinary Resolution" has the meaning given in the Agency Agreement;
- "First Interest Payment Date" means the date specified in the relevant Final Terms;
- "First Optional Redemption Date" has the meaning given in the relevant Final Terms;
- "Fixed Coupon Amount" has the meaning given in the relevant Final Terms;
- "Holder" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint-holding, the first named thereof) and "Noteholders" shall be construed accordingly;
- "Independent Investment Bank" means the independent investment bank or financial institution of international repute selected and appointed by the Issuer (at the Issuer's expense) for the purposes of performing one or more of the functions expressed to be performed by it under these Conditions;
- "Interest Amount" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;
- "Interest Commencement Date" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;
- "Interest Determination Date" has the meaning given in the relevant Final Terms;
- "Interest Payment Date" means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:
- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the First Interest Payment Date) or the previous Interest Payment Date (in any other case);
- "Interest Period" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date:
- "ISDA Definitions" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);
- "ISDA Rate" has the meaning given to it in Condition 8(d) (ISDA Determination);
- "ISIS" means the mechanism set out in Condition 10 (Interest Satisfied via Issue of Shares Mechanism);

"ISIS Amount" means the whole or any part of any Interest Amount the payment of which the Issuer has elected to settle using the ISIS in accordance with Condition 10 (Interest Satisfied via Issue of Shares Mechanism);

"ISIS Business Day" means a day on which commercial banks and foreign exchange markets settle payments generally in London and Johannesburg;

"ISIS Calculation Agency Agreement" means any agreement entered into or to be entered into between the Issuer and the ISIS Calculation Agent in respect of the appointment of the ISIS Calculation Agent to perform the functions expressed to be performed by the ISIS Calculation Agent under these Conditions;

"ISIS Calculation Agent" means the Independent Investment Bank appointed on the terms of an ISIS Calculation Agency Agreement, selected by the Issuer, but acting for and on behalf of the Noteholders, for the purposes of performing the functions expressed to be performed by it under these Conditions;

"Issue Date" has the meaning given in the relevant Final Terms;

"JSE" means the securities exchange operated in South Africa by JSE Limited in accordance with the South African Securities Services Act, 2004;

"Junior Securities" means:

- (i) the Ordinary Shares or the ordinary shares in the issued share capital of the Controlling Company; or
- (ii) any other securities issued by the Issuer or any other member of the Nedbank Group which rank or are expressed to rank junior to the Notes; or
- (iii) any securities issued by a member of the Nedbank Group, where the terms of the securities benefit from a guarantee or support agreement entered into by the Issuer or any other member of the Nedbank Group which ranks or is expressed to rank junior to the Notes:

"Liabilities" means the total amount of the non consolidated gross liabilities of the Issuer as shown in the latest published audited non consolidated balance sheet of the Issuer, but adjusted for contingencies and subsequent events in such manner as the directors of the Issuer, the auditors of the Issuer or a liquidator or administrator of the Issuer (if applicable) may determine;

"Make Whole Redemption Price" has the meaning given thereto in the relevant Final Terms;

"Mandatory Preference Shares" means any class of preference shares (i) the terms of which do not allow the relevant issuer's board of directors to cancel, defer, pass or eliminate any distribution or dividend payment at its discretion and (ii) which are not treated on issue by the Registrar of Banks for inclusion in the Eligible Capital of the relevant issuer;

"Margin" has the meaning given in the relevant Final Terms;

"Market Disruption Event" means the occurrence or existence of any of the following events or sets of circumstances:

- (i) the trading in the Controlling Company's ordinary shares or securities generally on any internationally recognised exchange on which the securities issued by the Issuer or any member of the Nedbank Group are traded has been suspended or the settlement of such trading generally shall have been materially disrupted;
- (ii) a general moratorium shall have been declared on commercial banking activities or securities settlement systems in South Africa, the United States or the United Kingdom; or
- (iii) there shall have occurred an outbreak or escalation of hostilities, any terrorist attacks or calamity or crisis, or any change or development involving or likely to involve a prospective change in national or international financial, political or economic conditions in any country,

which in any such case prevents, or to a material extent restricts, the ability of the Issuer to utilise the ISIS for the purpose referred to in Condition 10 (Interest satisfied via Issue of Shares Mechanism);

"Maximum Redemption Amount" has the meaning given in the relevant Final Terms;

"Minimum Redemption Amount" has the meaning given in the relevant Final Terms;

- "Nedbank Group" means the Controlling Company, the Issuer and any of the respective wholly-owned consolidated Subsidiaries of the Controlling Company or the Issuer which is regulated as a banking operation;
- "Non-Redeemable Non-Cumulative Preference Shares" means non-redeemable non-cumulative preference shares in the issued share capital of the Issuer;
- "Note Certificate" has the meaning given to it in Condition 4(a) (Register);
- "Optional Redemption Amount" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;
- "Ordinary Shares" means ordinary shares in the issued share capital of the Issuer;
- "Parity Securities" means:
- (i) any securities issued by the Issuer or any other member of the Nedbank Group the proceeds of which qualify as Primary Share Capital; or
- (ii) any other securities issued by the Issuer or any other member of the Nedbank Group which rank or are expressed to rank equally as to payments with the Notes; or
- (iii) any securities issued by a member of the Nedbank Group where the terms of the securities benefit from a guarantee or support agreement entered into by the Issuer or any other member of the Nedbank Group which ranks or is expressed to rank equally as to payments with the Notes;
- "Payment Business Day" means:
- (i) if the Specified Currency is euro, any day which is:
 - (A) a day on which banks in the relevant place of surrender or endorsement are open for surrender or endorsement of note certificates and payment and for dealings in foreign currencies; and
 - (B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the Specified Currency is not euro, any day which is:
 - (A) a day on which banks in the relevant place of surrender or endorsement are open for surrender or endorsement of note certificates and payment and for dealings in foreign currencies; and
 - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the Specified Currency and in each (if any) Additional Financial Centre;
- "Payment Ordinary Shares" has the meaning given in Condition 10 (Interest Satisfied via Issue of Shares Mechanism);
- "Person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;
- "Primary Share Capital" means "primary share capital" as defined in the Banks Act;
- "Principal Financial Centre" means, in relation to any currency, the principal financial centre for that currency provided, however, that:
- (i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;
- (ii) in relation to South African Rand, it means Johannesburg;
- (iii) in relation to Australian dollars, it means either Sydney or Melbourne;
- (iv) in relation to New Zealand dollars, it means either Wellington or Auckland; and
- (v) in any case any financial centre that is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

- "Proceedings" has the meaning given to it in Condition 24(d) (Rights of the Noteholders to take proceedings outside England);
- "Qualifying Primary Share Capital Securities" means securities whether debt, equity, interests in limited partnerships or otherwise, issued directly or indirectly by the Issuer that:
- (i) have terms not materially less favourable to a holder of the Notes (as reasonably determined by the Issuer, and provided that a certification to such effect of two Directors of the Issuer and an opinion to such effect of an Independent Investment Bank shall have been delivered to the Issuer prior to the issue of the relevant securities and is so stated in the certificate) provided that they shall (1) include a ranking at least equal to that of the Notes, (2) have the same interest, dividend or distribution rate or rate of return and Interest Payment Dates from time to time applying to the Notes, (3) preserve any existing rights under these Conditions to any accrued interest which has not been satisfied, (4) have the same redemption dates as the Notes, (5) be issued in an amount at least equal to the total number of Notes multiplied by the Specified Denomination, (6) comply with the then current requirements of the SARB in relation to Primary Share Capital and (7) if not issued by the Issuer, then have the benefit of a guarantee by the Issuer; and
- (ii) are listed on the London Stock Exchange, the Luxembourg Stock Exchange, the JSE, BESA or any other internationally recognised exchange;
- "Qualifying Secondary Capital Securities" means securities whether debt, equity, interests in limited partnerships or otherwise, issued directly or indirectly by the Issuer that:
- (i) have terms not materially less favourable to a holder of the Notes (as reasonably determined by the Issuer, and provided that a certification to such effect of two Directors of the Issuer and an opinion to such effect of an Independent Investment Bank shall have been delivered to the Issuer prior to the issue of the relevant securities and is so stated in the certificate) provided that they shall (1) rank senior to, or *pari passu* with, the Notes, (2) have the same interest, dividend or distribution rate or rate of return and Interest Payment Dates from time to time applying to the Notes, (3) preserve any existing rights under these Conditions to any accrued interest which has not been satisfied, (4) have the same redemption dates as the Notes, (5) be issued in an amount at least equal to the total number of Notes multiplied by the Specified Denomination, (6) comply with the then current requirements of the SARB in relation to Secondary Capital and (7) if not issued by the Issuer, then have the benefit of a guarantee by the Issuer; and
- (ii) are listed on the London Stock Exchange, the Luxembourg Stock Exchange, the JSE, BESA or any other internationally recognised exchange;
- "Rate of Interest" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;
- "Record Date" has the meaning given to it in Condition 13(f) (Record date);
- "Redemption Amount" means, as appropriate, the Early Redemption Amount (Regulatory), the Early Redemption Amount (Tax), the Optional Redemption Amount, the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;
- "Reference Banks" has the meaning given in the relevant Final Terms or, if none, four major banks selected (after consultation with the Issuer, if reasonably practicable) by the Calculation Agent in the market that is most closely connected with the Reference Rate;
- "Reference Price" has the meaning given in the relevant Final Terms;
- "Reference Rate" has the meaning given in the relevant Final Terms;
- "Register" means the register maintained by the Registrar in respect of the Notes in accordance with the Agency Agreement;
- "Registrar of Banks" means the South African Registrar of Banks designated under section 4 of the Banks Act;
- "Regular Period" means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "Regular Date" means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "Regular Date" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"Regulations Relating to Banks" means the Regulations Relating to Banks published under Government Notice R3 in Government Gazette 30629 of 1 January 2008, issued under section 90 of the Banks Act:

"Regulatory Change" means a change in, or amendment to, the Capital Regulations or any change in the application of or official or generally published guidance or interpretation of the Capital Regulations, which change or amendment becomes, or would become, effective on or after the Issue Date;

"Regulatory Event" means an event which is deemed to have occurred if the proceeds of the issue of the Notes would, as a result of a Regulatory Change, no longer be eligible to qualify (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital) for inclusion in the Primary Share Capital of the Issuer or the Controlling Company on a solo and/or consolidated basis;

"Relevant Date" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the Specified Currency by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"Relevant Financial Centre" has the meaning given in the relevant Final Terms;

"Relevant Interest Payment Date" has the meaning given to it in Condition 6(c) (Restrictions following non payment of interest);

"Relevant Screen Page" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"Relevant Time" has the meaning given in the relevant Final Terms;

"Reserved Matter" means any proposal to change any date fixed for payment of interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"SARB" means the South African Reserve Bank;

"Secondary Capital" means "secondary capital" as defined in the Banks Act;

"Senior Creditors" means:

(i) creditors of the Issuer who are unsubordinated creditors of the Issuer; or

- (ii) creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors, whether subordinated or unsubordinated, of the Issuer other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Noteholders:
- "Shortfall Interest Amount" has the meaning given to it in Condition 10(a) (Interest Satisfied via Issue of Shares Mechanism);
- "Solvency Claims" has the meaning given in Condition 5(d) (Solvency Claims);
- "Solvency Condition" has the meaning given in Condition 5(c) (Solvency Condition);
- "Solvent Reconstruction" means the event where an order is made or an effective resolution is passed for the winding-up or administration of the Issuer, other than under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency where the obligations of the Issuer in relation to the outstanding Notes are assumed by the successor entity to which all, or substantially all, of the property, assets and undertaking of the Issuer are transferred or where an arrangement with similar effect not involving bankruptcy or insolvency is implemented;
- "South Africa" means the Republic of South Africa as constituted from time to time;
- "Specified Currency" has the meaning given in the relevant Final Terms;
- "Specified Denomination(s)" has the meaning given in the relevant Final Terms, save that the minimum denomination of any Note to be admitted to trading on a regulated market within the European Economic Area or offered to the public in circumstances which require the publication of a prospectus under EU Directive 2003/71/EC will be EUR50,000 (or its equivalent in another currency at the Issue Date of such Notes);
- "Specified Office" has the meaning given in the Agency Agreement;
- "Specified Period" has the meaning given in the relevant Final Terms;
- "Subordinated Debt" means, any subordinated debt issued by the Issuer, the proceeds of which subordinated debt qualify as Secondary Capital or Tertiary Capital of the Issuer;
- "Subsidiary" means, in relation to any Person (the "first Person") at any particular time, any other Person (the "second Person") whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise;
- "TARGET Settlement Day" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto is open;
- "Taxes" has the meaning given to it in Condition 14(a) (Gross up);
- "Tax Event" means an event where, (a) as a result of a Tax Law Change, (i) the Issuer has paid or will or would on the next Interest Payment Date be required to pay additional amounts as provided or referred to in Condition 14 (Taxation); or (ii) in respect of the Issuer's obligation to make any payment of interest on the next following Interest Payment Date or any subsequent Interest Payment Date, the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in South Africa, or such entitlement is materially reduced, or (b) other than as a result of a Tax Law Change, the Issuer's treatment of the interest payable by it on the Notes as a tax deductible expense for South African income tax purposes as reflected on the tax returns (including provisional tax returns) filed (or to be filed) by the Issuer is not accepted by the South African Revenue Service, and in each case the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it (such reasonable measures to exclude any requirement to instigate litigation in respect of any decision or determination of the South African Revenue Service that any such interest does not constitute a tax deductible expense);
- "Tax Law Change" means a change in, or amendment to, the laws or regulations of South Africa, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), whether or not having retrospective effect, which change or amendment is announced on or after the Issue Date;
- "Tertiary Capital" means "tertiary capital" as defined in the Banks Act;

"Ultimate Owner" means, at any given time, the ultimate holding company of the Nedbank Group at that time;

"Undated Secondary Capital" means the proceeds of the issue of hybrid-debt instruments that combine features of equity instruments and debt instruments contemplated in section 1(1) of the Banks Act which proceeds are intended, upon issue of such hybrid-debt instruments, to qualify as Secondary Capital in accordance with the Undated Tier 2 Capital Regulations; and

"Undated Tier 2 Capital Regulations" means Regulation 38(14)(a) of the Regulations Relating to Banks and/or such other provisions of the Capital Regulations with which Undated Tier 2 Notes must comply in order for the proceeds of the issue of such Notes to qualify as Secondary Capital.

(b) Interpretation

In these Conditions:

- (i) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 14 (Taxation), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (ii) any reference to interest shall be deemed to include payment of any Interest Amount, any additional amounts in respect of interest which may be payable under Condition 14 (Taxation) and any other amount in the nature of interest payable pursuant to these Conditions;
- (iii) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement;
- (iv) if an expression is stated in Condition 2(a) (Definitions) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and
- (v) any reference to the Agency Agreement or the Deed of Covenant shall be construed as a reference to the Agency Agreement or the Deed of Covenant, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3 Form, Denomination and Title

The Notes are in registered form in the Specified Denomination(s) and may be held in holdings equal to any specified minimum amount and integral multiples equal to any specified increments (as specified in the relevant Final Terms) in excess thereof (each, an "Authorised Holding"). The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

4 Register, Title and Transfers

(a) Register

The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a "Note Certificate") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) Transfers

Subject to Conditions 4(e) (Closed periods) and 4(f) (Regulations concerning transfers and registration) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar, together with such evidence as the Registrar may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Note may not be transferred unless the principal amount of Notes transferred

and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Holdings. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

(c) Registration and delivery of Note Certificates

Within five business days of the surrender of a Note Certificate in accordance with paragraph (b) (Transfers) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "business day" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar has its Specified Office.

(d) No charge

The transfer of a Note will be effected without charge by or on behalf of the Issuer or the Registrar but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(e) Closed periods

Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

(f) Regulations concerning transfers and registration

All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

5 Status

(a) Status of the Notes

The Notes constitute direct, unsecured and, in accordance with Condition 5(b) (Subordination), subordinated obligations of the Issuer and rank pari passu without any preference among themselves. The Notes rank pari passu with all subordinated debt issued by the Issuer the proceeds of which qualify as Primary Share Capital and all Non-Redeemable Non-Cumulative Preference Shares issued by the Issuer the proceeds of which qualify as Primary Share Capital in accordance with the Capital Regulations and senior in respect of the rights and claims of the holders of Ordinary Shares.

(b) Subordination

The claims of the Noteholders entitled to be paid amounts due in respect of the Notes (including amounts raised by way of the issuance of Ordinary Shares in accordance with Condition 10 (Interest Satisfied via Issue of Shares Mechanism)) are subordinated to the claims of Depositors, Senior Creditors and the holders of Subordinated Debt and, accordingly in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation, administration or wound-up:

- (i) no Noteholder shall be entitled to prove or tender to prove a claim in respect of the Notes:
- (ii) no amount due under the Notes shall be eligible for set-off, counterclaim, abatement or other similar remedy which a Noteholder might otherwise have under the laws of any jurisdiction in respect of the Notes nor shall any amount due under the Notes be payable to any Noteholder; and
- (iii) subject to applicable law, a Noteholder may not exercise or claim any right of set-off in respect of any amount in respect of the principal of and/or interest on the Notes owed to it by the Issuer and each Noteholder shall, by virtue of its subscription, purchase or holding of any Notes, be deemed to have waived all such rights of set-off and, to the extent that any set-off takes place, whether by operation of law or otherwise, between: (aa) any amount in respect of the principal and/or interest on the Notes owed by the Issuer to

a Noteholder; and (bb) any amount owed to the Issuer by such Noteholder, such Noteholder will immediately transfer such amount which is set-off to the Issuer or, in the event of its winding-up or administration (as the case may be), the liquidator, administrator or other relevant insolvency official of the Issuer, to hold in trust for the Depositors, the Senior Creditors and the holders of Subordinated Debt,

until the claims of Depositors, Senior Creditors and the holders of Subordinated Debt which are admissible in any such dissolution, insolvency, administration or winding-up have been paid or discharged in full.

(c) Solvency Condition

Payments in respect of the principal of and interest on the Notes (including payment of additional amounts pursuant to Condition 14(a) (Gross up)) are, in addition to the right of the Issuer to elect not to pay interest in accordance with Condition 6 (Interest payments on the Notes), conditional upon the Issuer being solvent at the time of payment by the Issuer, and, no principal of or interest on the Notes (including amounts raised by way of the issuance of Ordinary Shares in accordance with Condition 10 (Interest Satisfied via Issue of Shares Mechanism)) shall be due and payable in respect of the Notes except to the extent that the Issuer could make such payment and still be solvent immediately thereafter. For the purposes of this Condition 5, the Issuer shall be solvent if (1) it is able to pay its debts owed to Depositors, Senior Creditors and the holders of Subordinated Debt as they fall due and (2) its Assets exceed its Liabilities to Depositors, Senior Creditors and the holders of Subordinated Debt (the "Solvency Condition"). A report as to the solvency of the Issuer made by two directors of the Issuer or, if the Issuer is in winding-up, its liquidator or, if in administration, its administrator shall, in the absence of manifest error, be treated and accepted by the Issuer and the Noteholders as correct and sufficient evidence of such solvency.

(d) Solvency Claims

Amounts representing any payments of principal in respect of which the Solvency Condition is not satisfied on the date upon which the same would otherwise be due and payable ("Solvency Claims") will be payable by the Issuer (i) in a winding-up or administration of the Issuer and (ii) subject to satisfying the Solvency Condition, on any redemption pursuant to Condition 11 (Reorganisation), Condition 12(b) (Redemption for tax reasons), Condition 12(c) (Redemption for regulatory reasons), Condition 12(d) (Redemption at the option of the Issuer) provided that in the event that, prior to any winding-up or administration of the Issuer, the Issuer shall again be solvent and would be solvent immediately after the making of such payment of Solvency Claims, then the Issuer shall promptly notify the Noteholders in accordance with Condition 21 (Notices), the Registrar and the Fiscal Agent of such fact and the Solvency Claims shall, subject to satisfying the Solvency Condition, be due and payable on the 16th Business Day after the Issuer shall have given such notice. A Solvency Claim shall not bear interest unless and only so long as the Issuer shall be solvent once again, in which case interest shall accrue on any such Solvency Claim from (and including) the date on which the Issuer is so solvent again to (but excluding) the date on which such Solvency Claim is paid. Any such interest shall accrue at a rate equal to the then applicable Rate of Interest determined in accordance with Condition 7 (Fixed Rate Note Provisions) or Condition 8 (Floating Rate Note Provisions). In the event that the Issuer shall be so solvent once again, the Issuer may not declare or pay a dividend (in accordance with Condition 6(c) (Restrictions following non payment of interest)) from the date that the Issuer is so solvent again until the date on which the Solvency Claim and any relevant interest on the Solvency Claim is paid. For the avoidance of doubt, if the Issuer would otherwise not be solvent for the purposes of the above, any sums which would otherwise be payable in respect of the Notes will be available to be put towards the losses of the Issuer.

(e) Capital Regulations and Additional Conditions

In order for the proceeds of the issuance of the Notes to qualify as Primary Share Capital, the Notes must comply with the applicable Capital Regulations, including the Additional Conditions (if any) prescribed by the Registrar of Banks in respect of a particular Tranche of Notes. The Additional Conditions (if any) prescribed by the Registrar of Banks in respect of the Notes will be specified in the applicable Final Terms or a supplement to the Prospectus.

6 Interest payments on the Notes

(a) Non payment of interest

Interest payments on the Notes will not be cumulative. The Issuer shall be obliged to pay interest on each Interest Payment Date unless:

- (i) subject to Condition 6(b) (Compulsory payment of interest) below, it elects not to pay the relevant Interest Amount on such Interest Payment Date and it promptly notifies the Noteholders on or prior to such Interest Payment Date of such election in accordance with Condition 21 (Notices);
- (ii) it is in breach of either of the Capital Regulations or the Solvency Condition on the Business Day prior to such Interest Payment Date or would be in breach of the Capital Regulations or the Solvency Condition if the relevant Interest Amount were paid on such Interest Payment Date; or
- (iii) at any time the Registrar of Banks imposes a mandatory prohibition on the payment by the Issuer of such Interest Amount.

If the Issuer is not obliged to pay the relevant Interest Amount in respect of an Interest Period in accordance with this Condition 6(a) then any such failure to pay such Interest Amount shall not constitute a default by the Issuer or any other breach of obligations under the Notes or for any other purpose and a Noteholder will have no claim in respect of any such non-payment.

(b) Compulsory payment of interest

On any Interest Payment Date on which (i) a Regulatory Event has occurred and is continuing (provided that a certificate signed by two authorised officers of the Issuer or a written confirmation from the Registrar of Banks stating that a Regulatory Event has not occurred and is not continuing as at such Interest Payment Date shall be sufficient evidence for the purposes of this Condition 6(b) that a Regulatory Event has not occurred and is not continuing as at such Interest Payment Date and no Noteholders shall be entitled to dispute the contents of such certificate or confirmation, as the case may be), (ii) the Issuer is in compliance with the Capital Regulations and the Solvency Condition and (iii) the Registrar of Banks has not imposed a mandatory prohibition on the payment of interest, the Issuer shall, subject to the Issuer's right to redeem the Notes pursuant to Condition 12(c) (Redemption for regulatory reasons), not be permitted to exercise its right under Condition 6(a)(i) (Non payment of interest) to elect not to pay any Interest Amount on an Interest Payment Date and shall be obliged to pay in respect of each Note the Interest Amount payable on such Interest Payment Date.

(c) Restrictions following non payment of interest

If, on any Interest Payment Date (the "Relevant Interest Payment Date"), the Interest Amount in respect of the Notes shall not have been paid in full pursuant to Condition 6(a) (Non payment of interest), then from such Relevant Interest Payment Date until the date on which the Issuer next pays in full the Interest Amount due and payable on any succeeding Interest Payment Date on all outstanding Notes, neither the Issuer nor the Controlling Company shall (and the Controlling Company shall procure that no member of the Nedbank Group shall): (a) declare or pay a distribution or dividend or pay any interest on Junior Securities or Parity Securities (other than (i) Mandatory Preference Shares or (ii) any dividend which has been declared on any Junior Securities or Parity Securities before the date of the Notice to Noteholders referred to in Condition 6(a) (Non payment of interest) or (iii) intra-group dividends (other than intra-group dividends in respect of (a) Non-Redeemable Non-Cumulative Preference Shares the proceeds of which qualify as Primary Share Capital and (b) Ordinary Shares the proceeds of which qualify as Primary Share Capital) between wholly-owned Nedbank Group Subsidiaries and to Nedbank Group holding companies, which can be paid at any time); or (b) redeem, purchase, reduce or otherwise acquire any Junior Securities or Parity Securities or any securities of any of its Subsidiary undertakings benefiting from a guarantee from any member of the Nedbank Group ranking, as to the right of repayment of principal, or in the case of any such guarantee, as to the payment of sums under such guarantee, pari passu with or junior to the Notes.

As of the date hereof, the obligations of the Controlling Company under this Condition 6 as applicable are enforceable by Noteholders pursuant to the Dividend Restriction Deed of Covenant dated 12 December 2008 entered into by the Issuer and the Controlling Company.

7 Fixed Rate Note Provisions

(a) Application

This Condition 7 is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.

(b) Accrual of interest

The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Conditions 5 (Status), 6 (Interest payments on the Notes) and 13 (Payments). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) Fixed Coupon Amount

The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) Calculation of interest amount

The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

8 Floating Rate Note Provisions

(a) Application

This Condition 8 is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.

(b) Accrual of interest

The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Conditions 5 (Status), 6 (Interest payments on the Notes) and 13 (Payments). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 8 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) Screen Rate Determination

If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

- (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; provided, however, that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) ISDA Determination

If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

(e) Maximum or Minimum Rate of Interest

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(f) Calculation of Interest Amount

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided

by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(g) Calculation of other amounts

If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

(h) Publication

The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents, and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(i) Notifications etc.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 8 by the Calculation Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Paying Agents and the Noteholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

9 Dual Currency Note Provisions

(a) Application

This Condition 9 is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Final Terms as being applicable.

(b) Rate of Interest

If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

10 Interest Satisfied via Issue of Shares Mechanism

(a) Interest Satisfied via Issue of Shares Mechanism (ISIS)

The Issuer may elect (an "ISIS Election") to satisfy the payment of any Interest Amount in full or in part through the operation of the ISIS in accordance with this Condition 10. In the absence of, or save to the extent of, an ISIS Election, payments must, subject to Conditions 6(a)(ii) and (iii) (Non payment of interest) be satisfied in accordance with Condition 13 (Payments).

Each ISIS Amount when due to be satisfied in accordance with these Conditions, will be satisfied by the Issuer only through the issue of Ordinary Shares in accordance with this Condition 10. The Issuer shall appoint an ISIS Calculation Agent (if it has not already done so) and notify the Noteholders, the Controlling Company, the Registrar, the Fiscal Agent and the ISIS Calculation Agent not less than 30 days prior to the relevant Interest Payment Date that it shall endeavour to satisfy an Interest Amount through the ISIS.

The payment of any relevant ISIS Amount will only be made by operation of the ISIS to the extent the proceeds raised in connection with the issue of the Payment Ordinary Shares (as defined below) are received no more than six months before the relevant Interest Payment Date.

(b) Issue of Ordinary Shares

If the payment of any ISIS Amount is to be satisfied through the issue of Ordinary Shares in accordance with the provisions of this Condition 10 then:

- (i) the ISIS Calculation Agent will determine the number of Ordinary Shares (the "Payment Ordinary Shares") that will have a market value as near as practicable to, but not less than, the relevant ISIS Amount to be satisfied in accordance with this Condition 10;
- (ii) the ISIS Calculation Agent shall be required to agree in the ISIS Calculation Agency Agreement to use reasonable endeavours to procure subscribers for any Payment Ordinary Shares and the ISIS Calculation Agency Agreement shall also provide that the Controlling Company or its nominee shall have first option to subscribe for such Payment Ordinary Shares and the Issuer shall procure that the ISIS Calculation Agent does use such reasonable endeavours; and
- (iii) by or before the close of business on the seventh ISIS Business Day prior to the relevant Interest Payment Date the Issuer will allot and issue to the subscribers procured by the ISIS Calculation Agent such number of Payment Ordinary Shares for which the ISIS Calculation Agent has procured subscribers for and the ISIS Calculation Agent shall receive the cash proceeds of the subscription for such Payment Ordinary Shares from the relevant subscribers. The ISIS Calculation Agent shall further be required to agree in the ISIS Calculation Agency Agreement to convert the proceeds of such sale, allotment and issue into the Specified Currency, if necessary, at prevailing market exchange rates and to pay such proceeds as it holds in respect of the relevant ISIS Amount on its due date to the Fiscal Agent for the purpose of paying such proceeds to the Noteholders.
- (iv) If the Issuer is unable to raise the necessary amounts through the operation of the ISIS to satisfy the payment in full of the relevant ISIS Amount on the relevant Interest Payment Date for any reason (including, but not limited to, the occurrence of a Market Disruption Event) then the Issuer shall make payment to the Noteholders on a *pro rata* basis of the amount as is raised through operation of the ISIS on the relevant Interest Payment Date.

In respect of any Interest Amount due on the relevant Interest Payment Date which cannot be satisfied by payment of the ISIS Amount (the "Shortfall Interest Amount") then, provided that the Issuer is not required to pay such Shortfall Interest Amount in accordance with Condition 6(b) (Compulsory payment of interest), the Issuer may elect not to pay such Shortfall Interest Amount in accordance with Condition 6(a)(i) (Non payment of interest).

The Issuer shall promptly notify the Noteholders in accordance with Condition 21 (Notices) (which notice shall be irrevocable) that the Issuer is not obliged to pay such Shortfall Interest Amount. Any such failure to pay such Shortfall Interest Amount shall not constitute a default of the Issuer or any other breach of obligations under the Notes or for any other purpose and a Noteholder will have no claim in respect of any such non-payment.

11 Reorganisation

If, following any take-over offer or any reorganisation, restructuring or scheme of arrangement, the Controlling Company ceases to be the Ultimate Owner or ceases to hold directly or indirectly a majority position in the share capital of the Issuer, then the Issuer shall be under no obligation, but shall use reasonable commercial endeavours to take such steps to replicate the ISIS in the context of the capital structure of the new Ultimate Owner. If such replicated ISIS cannot, in the opinion of the Issuer, be effected 30 days prior to a particular Interest Payment Date then the Issuer shall no longer be able to elect pursuant to Condition 10 (Interest Satisfied via Issue of Shares Mechanism) to satisfy the payment of such Interest Amount in full or in part through the operation of the ISIS.

12 Redemption and Purchase

(a) No maturity date

The Notes have no maturity date and (in each case without prejudice to the provisions of Condition 15 (Events of Default)):

- (i) are only redeemable, and shall be redeemed at their Early Termination Amount together with accrued interest, on a winding-up or administration (other than pursuant to a Solvent Reconstruction) of the Issuer subject to and in accordance with the provisions of Condition 5(b) (Subordination); or
- (ii) may only be redeemed, substituted, varied, purchased (subject to the provisions of Condition 5(c) (Solvency Condition)) in accordance with the following provisions of this Condition 12.

(b) Redemption for tax reasons

The Notes may, subject to the Solvency Condition and to Condition 12(e) (Conditions to Redemption), be redeemed at the option of the Issuer in whole, but not in part, if a Tax Event occurs and is continuing:

- (i) at any time (if the Floating Rate Note Provisions are not specified in the relevant Final Terms as being applicable or, if they are, such provisions are not applicable at the time of redemption); or
- (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable and are applicable at the time of redemption), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 21 (Notices) and to the Registrar and Fiscal Agent, at their Early Redemption Amount (Tax) together will interest accrued (if any) to the date fixed for redemption,

provided, however, that no such notice of redemption shall be given earlier than:

- (1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or prior to the date of making a payment in respect of which it would not be entitled (or such entitlement is materially reduced) to claim a deduction in respect of computing its taxation liabilities; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts or prior to the date of making a payment in respect of which it would not be entitled (or such entitlement is materially reduced) to claim a deduction in respect of computing its taxation liabilities.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent advisers of recognised standing to the effect that a Tax Event has occurred. Upon the expiry of any such notice as is referred to in this Condition 12(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 12(b).

(c) Redemption for regulatory reasons

The Notes may, subject to the Solvency Condition and to the requirements of Condition 12(e) (Conditions to Redemption), be redeemed at the option of the Issuer in whole, but not in part:

- (i) at any time (if the Floating Rate Note Provisions are not specified in the relevant Final Terms as being applicable or, if they are, such provisions are not applicable at the time of redemption); or
- (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable and are applicable at the time of redemption),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 21 (Notices) and to the Registrar and the Fiscal Agent, at their Early Redemption Amount (Regulatory), together with interest accrued (if any) to the date fixed for redemption, if a Regulatory Event occurs and is continuing.

Prior to the publication of any notice of redemption pursuant to this Condition 12(c), the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) unless the Registrar of Banks has confirmed to the Issuer that the proceeds of the issue of the relevant Notes are not eligible to qualify as the Primary Share Capital of the Issuer on a

solo and/or a consolidated basis, an opinion of independent advisers of recognised standing to the effect that a Regulatory Event has occurred. Upon the expiry of any such notice as is referred to in this Condition 12(c), the Issuer shall be bound to redeem the Notes in accordance with this Condition 12(c).

(d) Redemption at the option of the Issuer

The Notes may, subject to the Solvency Condition and the requirements of Condition 12(e) (Conditions to Redemption), be redeemed at the option of the Issuer in whole, but not in part, on the First Optional Redemption Date and on any Interest Payment Date thereafter at the Optional Redemption Amount plus accrued interest (if any) to such date upon the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes).

(e) Conditions to Redemption and Purchase

Notes may be redeemed, or purchased and cancelled by the Issuer pursuant to Condition 12(b) (Redemption for tax reasons), Condition 12(c) (Redemption for regulatory reasons), or Condition 12(d) (Redemption at the option of the Issuer) or Condition 12(i) (Purchase) provided that:

- (i) Notes may only be redeemed pursuant to Condition 12(d) (Redemption at the option of the Issuer) after a minimum initial period of issue of five years; provided that in any case unless the Registrar of Banks determines that the Issuer is duly capitalised the Issuer may not redeem such Notes unless such Notes are replaced by the Issuer with instruments of similar or better quality;
- (ii) the Issuer has notified the Registrar of Banks of its intention to redeem, or purchase and cancel the Notes at least one month (or such other period, longer or shorter, as the Registrar of Banks may then require or accept) prior to the date scheduled for redemption or purchase and cancellation and written approval has been received from the Registrar of Banks;
- (iii) such redemption or purchase is effected in accordance with conditions (if any) approved by the Registrar of Banks in writing; and
- (iv) both at the time when the notice of redemption is given and immediately following such redemption the Issuer is or will be (as the case may be) in compliance with its capital adequacy requirements as provided in the Capital Regulations (except to the extent that the Registrar of Banks no longer so requires) as confirmed by an Independent Investment Bank or the Registrar of Banks to be appropriate.

(f) Substitution or Variation instead of Redemption

If a Tax Event or Regulatory Event has occurred and is continuing, then the Issuer may instead of giving notice to redeem, subject to the Solvency Condition and Condition 12(g) (Conditions to Substitution or Variation) (but without any requirement for the consent or approval of the Noteholders) and having given not less than 60 nor more than 90 days' notice to the Fiscal Agent, the ISIS Calculation Agent (if any) and, in accordance with Condition 21 (Notices), the Noteholders (which notice shall be irrevocable), substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain, Qualifying Primary Share Capital Securities or become Qualifying Secondary Capital Securities, and subject to the following provisions of this Condition 12(f) and subject to the issue of the certificate of the two directors referred to in the definition of Qualifying Primary Share Capital Securities or (as the case may be) Qualifying Secondary Capital Securities and subject further to the receipt by the Issuer of the opinion of the Independent Investment Bank referred to therein or the Registrar of Banks such substitution or variation shall be effected.

Upon expiry of such notice, the Issuer shall vary the terms of or substitute, as the case may be, the Notes in accordance with this Condition 12(f).

In connection with any substitution or variation in accordance with this Condition 12(f), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(g) Conditions to Substitution or Variation

Notes may only be substituted or varied by the Issuer pursuant to Condition 12(f) (Substitution or Variation Instead of Redemption) provided that:

- (i) the Issuer has notified the Registrar of Banks of its intention to substitute or vary the Notes at least one month (or such other period, longer or shorter, as the Registrar of Banks may then require or accept) prior to the date scheduled for substitution or variation and written approval has been received from the Registrar of Banks; and
- (ii) both at the time when the notice of substitution or variation is given and immediately following such substitution or variation, as the case may be, the Issuer is or will be (as the case may be) in compliance with its capital adequacy requirements as provided in the Capital Regulations (except to the extent that the Registrar of Banks no longer so requires) as confirmed by an Independent Investment Bank or the Registrar of Banks to be appropriate.

(h) No other redemption, substitution or variation

The Issuer shall not be entitled to redeem, substitute or vary the terms of the Notes otherwise than as provided in paragraphs (a) to (g) above.

(i) Purchase

Subject to Condition 12(e) (Conditions to Redemption and Purchase) and subject to the Solvency Condition, the Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.

(j) Cancellation

All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries may, at its option, be cancelled and may, if cancelled, not be reissued or resold.

13 Payments

(a) Principal

Payments of principal and payments of interest payable on redemption shall be made by cheque drawn in the currency in which the payment is due on, or, upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of redemption) subject to surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) Interest

Payments of interest shall be made by cheque drawn in the currency in which the payment is due on, or, upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of interest payable on redemption).

(c) Payments subject to fiscal laws

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 14 (Taxation). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) Payments on business days

Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the Payment Business Day immediately preceding the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay

in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 13(d) arriving after the due date for payment or being lost in the mail.

(e) Partial payments

If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and date of such payment is endorsed on the relevant Note Certificate.

(f) Record date

Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "Record Date"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

14 Taxation

(a) Gross up

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("Taxes") imposed, levied, collected, withheld or assessed by or on behalf of South Africa or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such Taxes is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

- (i) to a Holder which is liable to such Taxes in respect of such Note by reason of its having some connection with South Africa other than merely by holding such Note or by the receipt of amounts in respect of such Note; or
- (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iii) where presentation and surrender for payment is required pursuant to these Conditions, if presented and surrendered for payment by, or on behalf of, or held by a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note Certificate to another Paying Agent in a Member State of the EU; or
- (iv) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is presented and surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days.

(b) Taxing jurisdiction

If the Issuer becomes subject at any time to any taxing jurisdiction other than South Africa, references in these Conditions to South Africa shall be construed as references to South Africa and/or such other jurisdiction.

15 Events of Default

Notwithstanding any of the provisions in this Condition 15, the right to institute winding up proceedings is limited to circumstances where payment has become due and payable. No principal, premium, interest or any other amount will be due unless the Solvency Condition is satisfied. Also,

in the case of any Interest Amount, payment thereof will not be due if the Issuer has elected not to pay interest or prohibited from paying interest pursuant to Condition 6 (Interest payments on the Notes).

- (a) If default shall be made in the payment of any principal or any interest (or any other amount in respect of the Notes) due on the Notes of the relevant Series for a period of seven days or more after any date on which such payment became due and payable each Noteholder may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding-up of the Issuer and/or prove in any winding-up of the Issuer, but may take no other action in respect of such default.
- (b) Without prejudice to Condition 15(a) above, if the Issuer breaches any of its obligations under the Notes of the relevant Series (other than any obligation in respect of the payment of principal or interest on such Notes) then each Noteholder may, subject as provided below, at its discretion and without further notice, bring such proceedings as it may think fit to enforce the obligation in question provided that the Issuer shall not, as a result of the bringing of any such proceedings, be obliged to pay any sum representing or measured by reference to principal or interest on such Series of Notes sooner than the same would otherwise have been payable by it.

16 Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless the relevant Note Certificates are surrendered for payment within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date.

17 Replacement of Notes

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

18 Agents and Registrar

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, fiscal agent or Calculation Agent and additional or successor paying agents and transfer agents; provided, however, that:

- (a) the Issuer shall at all times maintain a fiscal agent and a registrar; and
- (b) the Issuer shall at all times maintain a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law or other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000; and
- (c) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a paying agent and/or registrar in any particular place, the Issuer shall maintain a paying agent and/or a registrar each with a Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or the Registrar or in their Specified Offices shall promptly be given to the Noteholders.

19 Meetings of Noteholders; Modification

(a) Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) **Modification**

The Notes, these Conditions and the Deed of Covenant may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

20 Further Issues

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

21 Notices

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. In addition, notices to Noteholders will be published on the date of such mailing in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe.

22 Currency Indemnity

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the "first currency") in which the same is payable under these Conditions or such order or judgment into another currency (the "second currency") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second

currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

23 Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

24 Governing Law and Jurisdiction

(a) Governing law

The Notes, all matters arising from or connected with the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law save that the provisions of Conditions 5 (Status), 6(a) (Non payment of interest), 12(a) (No maturity date) and 12(e) (Conditions to Redemption) are governed by, and shall be construed in accordance with, South African law.

(b) English courts

The courts of England have exclusive jurisdiction to settle any dispute (a "Dispute") arising from or connected with the Notes.

(c) Appropriate forum

The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) Rights of the Noteholders to take proceedings outside England

Condition 24(b) (English courts) is for the benefit of the Noteholders only. As a result, nothing in this Condition 24 prevents any Noteholder from taking proceedings relating to a Dispute ("Proceedings") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) Process agent

The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Clifford Chance Secretaries Limited of 10 Upper Bank Street, London, E14 5JJ, United Kingdom or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part XXIII of the Companies Act 1985. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed and delivered to the Issuer or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

Each Global Note will be in registered form. Consequently, in relation to any Tranche of Notes represented by a Global Note Certificate, references in the Terms and Conditions of the Notes to "Noteholders" are references to the registered holder of the relevant Global Note Certificate which, for so long as the Global Note Certificate is registered in the name of a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, or a nominee of DTC will be that depositary or common depositary or nominee.

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, DTC and/or any other relevant clearing system as being entitled to an interest in a Global Note Certificate (each an "Accountholder") must look solely to Euroclear, Clearstream, Luxembourg, DTC and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the registered holder of such Global Note Certificate and in relation to all other rights arising under the Global Note Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note Certificate will be determined by the respective rules and procedures of Euroclear, Clearstream, Luxembourg, DTC and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note Certificate, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the registered holder of the Global Note Certificate.

Exchange of Rule 144A Global Note Certificates for Regulation S Global Note Certificates

Beneficial interests in the Regulation S Global Note Certificate may be held only through Euroclear or Clearstream, Luxembourg at any time.

Beneficial interests in the Rule 144A Global Notes Certificates may only be held through DTC at any time. By acquisition of a beneficial interest in a Rule 144A Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a "qualified institutional buyer" (in reliance on, and as defined by, Rule 144A) and that, if in the future it determines to transfer such beneficial interest in accordance with the procedures and restrictions contained in the Agency Agreement.

Beneficial Interests in the relevant Global Note Certificate will be subject to certain restrictions on transfer set forth in such relevant Global Note Certificates and in the Agency Agreement, and with respect to the Rule 144A Global Note Certificate, as set forth in Rule 144A. The Rule 144A Global Note Certificate will bear the legends regarding such restrictions set forth in "Transfer Restrictions". Beneficial interests in the Rule 144A Global Note Certificate, may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate only upon receipt by the Registrar of a written certification (in the form provided in the Agency Agreement) from the transferor to the effect that the transfer is being made in accordance with Regulations S.

Any beneficial interest in the Rule 144A Global Note Certificate, that is transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate will, upon transfer, cease to be an interest in the Rule 144A Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Note Certificate for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of further Notes, but the Registrar may require payment of a sum sufficient to cover any tax of other governmental charge payable in connection therewith.

Except in the limited circumstances described below, owners of beneficial interests in either of the Global Note Certificates will not be entitled to receive physical delivery of Individual Note Certificates.

Exchange of Global Note Certificates for Individual Note Certificates

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, the Issuer shall procure the prompt delivery (free of charge to the registered holder) of such Individual Note Certificates, duly authenticated, in an aggregate principal amount equal to the principal amount of the Global Note Certificate to the registered holder of the Global Note Certificate against the

surrender of the Global Note Certificate to or to the order of the Registrar within 30 days of the registered holder requesting such exchange.

If:

- (a) Individual Note Certificates have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the registered holder of a Global Note Certificate has duly requested exchange of the Global Note Certificate for Individual Note Certificates: or
- (b) a Global Note Certificate (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the registered holder of the Global Note Certificate in accordance with the terms of the Global Note Certificate on the due date for payment,

then the Global Note Certificate (including the obligation to deliver Individual Note Certificates) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the registered holder of the Global Note Certificate will have no further rights thereunder (but without prejudice to the rights which the registered holder of the Global Note Certificate or others may have under the Deed of Covenant. Under the Deed of Covenant, persons shown in the records of Euroclear, Clearstream, Luxembourg, DTC and/or any other relevant clearing system as being entitled to an interest in a Global Note Certificate will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Note Certificate became void, they had been the registered holders of Individual Note Certificates in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear, Clearstream, Luxembourg, DTC and/or any other relevant clearing system.

Conditions applicable to Global Note Certificates

Each Global Note Certificate will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note Certificate. The following is a summary of certain of those provisions:

Payments

All payments in respect of the Global Note Certificate will be made against presentation for endorsement of the Global Note Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note Certificate, the Issuer shall procure that the payment is noted in a schedule thereto.

Exercise of put option

In order to exercise the option contained in Condition 12(g) (Redemption at the option of Noteholders) of the Ordinary Conditions the registered holder of the Global Note Certificate must, within the period specified in the Conditions for the deposit of the relevant Note Certificate and put option notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option

In connection with an exercise of the option contained in Condition 12(d) (Redemption at the option of the Issuer) of the Ordinary Conditions or Condition 12(d) (Redemption at the option of the Issuer) of the Tier 1 Conditions in relation to some only of the Notes, the Global Note Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg.

Notices

Notwithstanding Condition 21 (Notices) of the Ordinary Conditions or Condition 21 (Notices) of the Tier 1 Conditions, while all the Notes are represented by a Global Note Certificate and the Global Note Certificate is deposited with a depositary or a common depositary for Euroclear and/or

Clearstream, Luxembourg and/or any other relevant clearing system, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 21 (Notices) of the Ordinary Conditions or Condition 21 (Notices) of the Tier 1 Conditions on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

DESCRIPTION OF NEDBANK LIMITED

Overview

Nedbank Limited (the "Issuer" or the "Bank"), one of the four leading banks in South Africa (measured by total assets), is a widely held public company and a registered bank that, itself and through its subsidiaries, provides a wide range of financial services in South Africa and Southern Africa. As at 31 December 2007, the Bank had total assets of R460.6 billion (R401.8 billion as at 31 December 2006). The Bank's profit attributable to equity holders of the parent, Nedbank Group Limited ("Group Limited", together with its subsidiaries, the "Group"), amounted to R5.5 billion for the year ended 31 December 2007, increasing from R3.8 billion as at 31 December 2006.

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

Imperial Bank Limited ("Imperial"), in which the Bank has a 50.1 per cent. shareholding, focuses mainly on motor vehicle finance, which is marketed through its Motor Finance Corporation brand. In addition, it also offers property, medical and supplier asset finance.

The Bank's non-redeemable, non-cumulative, non-participating preference shares are listed on the JSE Limited ("JSE"). The holding company of the Bank, Group Limited, is a registered bank controlling company that holds 100 per cent. of the issued ordinary shares of the Bank and is listed on the JSE. The ultimate parent company of the Group is Old Mutual plc ("Old Mutual"), a public company with liability limited by shares and incorporated in England and Wales (Registration number 3591559).

The Bank's headquarters are in Sandown, Johannesburg, with large operational centres in Durban and Cape Town. Banking facilities of the Bank include 434 full service branches, 1652 ATMs and 356 self-service terminals providing a range of banking services. Clients also have the ability to transact at the 383 point of sale devices located within the outlets of Pick n' Pay, a major retail chain. Facilities are located throughout South Africa and other Southern African countries. Services are offered through the Bank's 10 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 Bank's South African-based multinational clients. The Bank also offers full-service internet banking to all clients.

The Bank holds a full banking licence granted by the South African Registrar of Banks (the "Registrar of Banks") and is authorised as a financial services provider in South Africa by the Financial Services Board, as well as an authorised credit provider in South Africa by the National Credit Regulator. The Bank is an authorised dealer in foreign exchange in terms of the Exchange Control Regulations under the Currency and Exchanges Act, 1933. It is a Central Securities Depository Participant in Strate Limited (the authorised central securities depository for the electronic settlement of all financial instruments in South Africa). The Bank is a full member of the JSE.

The Bank's registered office is located at 135 Rivonia Road, Sandown, 2196, PO Box 1144, Johannesburg, 2000, South Africa. The telephone number is +27 (011) 294 4444.

The Bank is registered as a public company with limited liability with registration number 1951/000009/06 under the South African Companies Act, 1973.

History

The Bank can trace its origins back to the late nineteenth century.

In 1999, the South African Mutual Life Assurance Society, Group Limited's majority shareholder at the time, was demutualised and Old Mutual group was formed with a registered office in the United Kingdom, a primary listing on the London Stock Exchange plc ("LSE") and a secondary listing, *inter alia*, on the JSE as Old Mutual. In August 1999, Nedcor Investment Bank ("NIB") was listed on the JSE and the Namibian Stock Exchange, with Nedcor Limited maintaining a majority shareholding. Edward Nathan & Friedland, a South African law firm, was acquired by NIB in 1999.

In 2000, Nedcor Bank Limited acquired FBC Fidelity Bank Limited and integrated the Peoples Mortgage and Nedenterprises divisions into that entity. FBC Fidelity Bank Limited later changed its

name to Peoples Bank Limited. Peoples Bank Limited then changed its name to Peoples Mortgage Limited in 2005 after the cessation of banking activities and the return of its banking licence.

In July 2002, Nedcor Limited acquired BoE Limited, which at that time owned the sixth largest bank in South Africa by assets, BoE Bank Limited (source: SARB DI900 Report, July 2002). The NIB minority shares were acquired by Nedcor Bank Limited in October 2002 and NIB was delisted. Nedcor Bank Limited changed its name to Nedbank Limited in November 2002.

On 1 January 2003, following approval from the Registrar of Banks, Nedcor Bank Limited acquired all the assets of Cape of Good Hope Bank Ltd, the banking operations of Nedcor Investment Bank Ltd and the banking operations of BoE Bank Limited.

Nedcor Limited was renamed the Nedbank Group Limited with effect from 13 May 2005, after the shareholders formally approved the resolution to change the name of the holding company on 4 May 2005.

Strategy

The Bank seeks to achieve the following medium- to long-term targets:

- return on Equity ("RoE") (excluding goodwill) of 10 per cent. above the weighted average cost of equity ("CoE");
- an efficiency ratio of below 55 per cent.;
- an impairment ratio of between 0.55 per cent. and 0.85 per cent. of average advances; and
- an economic capital solvency level so as to withstand a 1 in a 1,000 year type event.

The Bank follows the Group's overall strategy, including the following key strategic decisions:

- to embrace the public sector by providing a full range of services to public sector entities;
- to maintain market leadership in corporate social investment and to further develop this;
- to become a full-spectrum bank that seeks to be a leader in most market segments;
- to grow Nedbank Retail;
- to obtain a leadership position in business banking;
- to update IT infrastructure, applications and systems continually;
- to employ the best people across the whole business;
- to expand the Bank's presence in Africa;
- to establish a boutique international wholesale presence and capability;
- to focus on bancassurance and synergies with Old Mutual companies;
- to build the Bank's brand, with Old Mutual endorsement; and
- to grow the Bank's share of economic profit in the South African market through strategic interventions across all businesses.

The Bank's strategic focus areas for 2008 to 2010

The Bank has a rolling three-year plan in place which is updated annually and against which performance is measured on a monthly basis. The current three-year plan includes the following key strategic focus:

Deliver sustainable financial outperformance

• The Bank is shifting its focus towards achieving peer related financial performance with (i) a target of RoE (excluding goodwill) greater than 10 per cent. above the Bank's monthly weighted average cost of ordinary shareholders' equity and (ii) growth in diluted headline earnings per share of at least the average of the Consumer Price Index excluding interest rates on mortgage bonds plus Gross Domestic Product growth plus 5 per cent.

Invest for growth

• Grow Retail – this strategic shift will see the Bank taking advantage of opportunities in the emerging mass and middle markets as well as supporting the transformation of the South African economy. The strategy remains focused on becoming South Africa's fastest-growing retail bank. The overall strategic orientation for the remainder of 2008 will see: asset growth at, or reasonably above, projected market growth levels; a strong focus on non-interest revenue and

transactional numbers; a conservative credit policy and focus on collections and impairments; implementation and maximisation of synergies from the Old Mutual Bank integration and the continuing roll-out of the Bank's distribution strategy; a focus on transformation in the context of the wider South Africa, including execution of mass-market strategy; and stringent expense control.

- Take the lead in business banking the Bank has historically been strong in this market, but there is still opportunity to grow. The strategy is to leverage the high-return, high-growth and high-loyalty characteristics of the business banking market.
- Implement a three-tiered African strategy Africa is a rapidly growing market and the Bank aims to unlock this growth opportunity. The three-tiered African strategy is built on improving and growing existing businesses, pursuing low-cost entry into new countries through selected banking solutions and making targeted acquisitions; and
- Become the public sector bank of choice the Bank will continue to improve its market share and image in this segment by building relationships and developing appropriate solutions across the full spectrum of banking services.

Enhance productivity and execution

• The Bank will increase its focus on efficient execution to improve client services.

Manage risk as an enabler

- Manage through the economic cycle the external environment is cyclical and strategies are being developed to manage the Bank through these different cycles.
- Adopt best practices for risk management business requires enabling risk practices to drive growth and to be able to compete effectively. In addition, best practices such as Basel II will assist the Bank to produce superior returns through capital and risk optimisation.

Accelerate transformation

• Accelerate transformation – transformation is a business imperative and the Group needs to respond to South Africa's changing demographics. Delivering key projects and initiatives to meet Financial Sector Charter ("FSC"), Department of Trade and Industry and economic empowerment targets will remain focus areas.

Grow stakeholder relations

- Build an innovative staff culture as a competitive advantage a differentiated corporate culture can build a sustainable long-term competitive advantage and will help to attract and retain talented staff. The Bank has management and leadership development programmes to enable development;
- Become employer of choice market competition for talent is increasing;
- Empower the Bank's clients this involves delivering affordable and responsible banking solutions through low-cost channels, which, along with a focus on consumer education, will become especially important in the mass- and middle-market segments;
- Build the Nedbank brand more brand-building work will be done, specifically in the mass market where additional marketing efforts will be required to support the Bank's sales and growth efforts. The focus on establishing the Bank as the 'caring bank' that provides smart solutions will continue;
- Maintain shareholder and management alignment significant work has been done in leveraging the combined strength of the Bank, Old Mutual South Africa and Mutual & Federal. Further opportunities exist to extract synergies already identified;
- Ensure ongoing relations with shareholders it is essential that they are kept informed of the Bank's activities and objectives;
- Grow regulator and government relationships in an environment of increasing regulation and compliance the Bank will capitalise on opportunities to engage with policymakers and participate in policy development.
- Lead as a corporate citizen social and environmental issues are important to clients and stakeholders; and

• Focus on clients' needs – the Bank will continue listening to its clients, understanding their needs and delivering.

Competition

In South Africa, there are currently 13 registered banks with local control, six registered banks with foreign control, 14 branches of foreign banks, two mutual banks and 43 representative offices of foreign banks. As at 30 June 2008, the South African banking sector had total assets of R2,952 billion according to statistics published by the South African Reserve Bank (the "SARB") (source: SARB BA900 Report, September 2008).

The Bank's principal competitors are ABSA Bank Limited, FirstRand Bank Limited and The Standard Bank of South Africa Limited. Apart from the Bank, these represent the largest banks in South Africa. The following table sets out total assets and capital and reserves for each as at 30 September 2008:

		Capital and
	Total Assets	Reserves
	(R'00	0)
Standard Bank Limited	755,615,942	32,476,236
ABSA Bank Limited	664,713,578	38,022,774
FirstRand Bank Limited	548,013,590	29,501,550
Nedbank Group Ltd	534,304,659	32,868,102

(source: SARB BA900 Report, June 2008)

Competitive Strengths

Strong corporate and investment banking franchise

Nedbank offers a wide range of commercial, investment and retail banking products, thereby diversifying its revenue sources. The Bank is one of the four major South African banks and has a 20.8 per cent. market share in deposits and a 19.1 per cent. market share in loans and advances (source: SARB BA900 Report, September 2008). The Bank is also a leading player in commercial property finance with a 36.0 per cent. market share (source: SARB BA900 Report, September 2008). Despite having a smaller retail franchise than peers, the Bank's 20.8 per cent. share of the deposit market is in line with its peers with relatively larger retail franchises. Nedbank Capital is regularly ranked amongst the top three South African banks in corporate finance and mergers and acquisitions as measured by Dealmarker magazine. The Bank also holds the largest share of card acquiring transactions based on point of sale devices deployed and transactions processed.

Leader in sustainability matters

The Bank is widely recognised for its achievements and contribution to corporate social responsibility in South Africa and environmental issues. Major successes include Financial Times awards in 2007 and 2008 for emerging markets sustainable bank of the year for the Middle East and Africa, inclusion in the Dow Jones Sustainability and JSE SRI indices for four consecutive years (2004-2008), being the first African bank to implement the Equator Principles and being the first signatory to the United Nations Environmental Programme Finance Initiative. The Bank holds a leadership position in both corporate social investment (through innovative programmes such as the Client Local Hero programme) and in the environmental space through the Bank's partnership with the WWF, the offering of Green affinity accounts, the adoption of the Equator Principles and internal progress around waste management and water and energy savings initiatives.

Experienced management team

The Bank's management has proven its turnaround skills over the last few years, commencing with the R5 billion rights issue in 2004, and repositioning the Bank in line with its peer group over the period 2004-2007. The Bank's efficiency ratio has improved from 76.2 per cent. to 55.5 per cent. over the same period and exhibits the most improvement when benchmarked to peers over the past four years.

Risk management capabilities and adoption of Basel II

The Bank's management has placed significant focus on risk management and compliance with Basel II. SARB has approved the use of the AIRB approach for credit risk for the Bank, which recognises

the application of best practice credit risk management techniques within the Bank. The Bank also applies an economic capital framework to measure risk within the organisation and this comprehensive framework forms the basis of its economic profit based incentive schemes.

Client focus and service

The implementation of service initiatives (including CMAT (Client Management Assessment Tool) and the Ask Once service promise) resulted in the Bank being rated first in the 2008 and 2007 Ask Afrika Survey on client service. The Bank's CMAT score has improved to above the global top quartile threshold, illustrating the Bank's leadership in client management and service.

Affordable banking

The Bank remains one of the most affordable banks in the South African mass market after a series of price decreases. Products such as the Transactor and Mzansi accounts are leading innovations from a price perspective.

Corporate Structure

The Bank's authorised share capital is 30,000,000 ordinary shares with a par value of R1 each and 1,000,000,000 non-redeemable non-cumulative preference shares with a par value of R0.001 per share. The Bank has issued share capital of 27,240,023 ordinary shares with a par value of R1 each and 312,781,032 non-redeemable non-cumulative preference shares with a par value of R0.001 per share which are listed on the JSE under share code NBKP.

Issued shares are 100 per cent. held by Group Limited. The Group is controlled by its ultimate parent company, Old Mutual, which has a primary listing on the LSE. The relationship with Old Mutual is governed by means of a relationship agreement between Group Limited and Old Mutual (the "Relationship Agreement").

The Relationship Agreement sets out, amongst other things, that the Group will consult with Old Mutual and have regard to Old Mutual's strategic plans in devising its own strategy (including any material acquisitions or disposals or the raising of any significant amount of capital, whether Tier 1, Tier 2 or Tier 3), which should be consistent and aligned with that of Old Mutual and designed to maximise the long-term shareholder value of both entities and that the Group will update its strategic plan and business plan annually to accord with Old Mutual's three year planning cycle. The Relationship Agreement also sets out that the Group will report to Old Mutual in a timely fashion in relation to a number of matters including appropriate financial and operational information on its activities for the purposes of business planning, monthly management accounts, monthly asset liability committee reports, interim and full year accounts, forecasting and quarterly reforecasting and for such other financial planning, group treasury, regulatory, accounting, accounting reconciliation or management information purposes as Old Mutual may reasonably require.

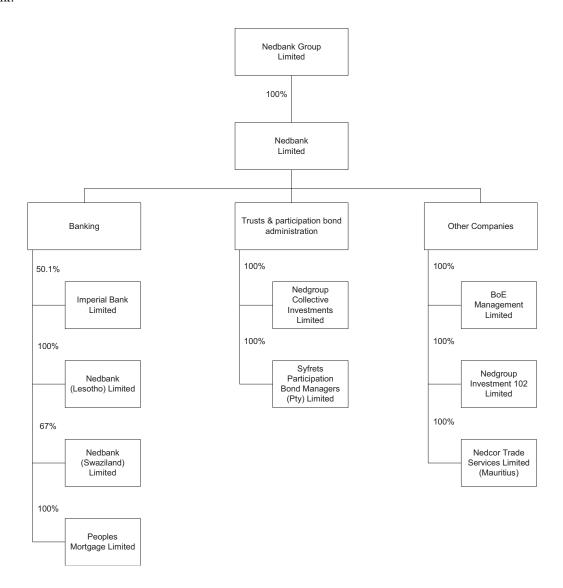
The Relationship Agreement includes provisions in respect of material changes to the terms of employment of directors and some other senior employees and to actively seek to identify, develop and exploit synergies, joint ventures, coordination of product design and opportunities for secondment of personnel and sharing of knowledge and expertise with other businesses in the Old Mutual group, for the mutual benefit of both parties. There are also details in relation to the maintenance of the Old Mutual shareholding if new shares are issued.

Imperial's authorised share capital consists of 500,000,000 ordinary shares of R0.01 each and 8,000,000 non-redeemable non-cumulative non-participating preference shares of R0.0005 each. Imperial has issued 340,009,624 ordinary shares of which the Bank holds 50.1 per cent. and 3,000,000 preference shares of which the Bank holds 26.2 per cent. Preference shares are listed on the JSE under share code IBLP.

The Bank's preference shares are classified as equity instruments, while Imperial preference share capital and premium share capital are classified as minority interests by the Bank.

Major subsidiary companies

As at the date of this Prospectus, the following companies were the major active subsidiaries of the Bank:



As at 30 June 2008, the ten largest shareholders of Group Limited, which owns 100 per cent. of the Bank, were as follows:

		Holding as	Percentage
		at 30 June	as at 30 June
Manager	Origin	2008	2008
Old Mutual Investment Group SA	ZA	254,409,333	54.52
Nedbank Eyethu Ownership Plan	ZA	44,765,849	9.59
Public Investment Corporation	ZA	25,123,096	5.38
Lazard Asset Management	US	15,861,710	3.40
NBG Capital Management	ZA	14,715,49	3.15
Sanlam Investment Management	ZA	9,119,824	1.95
STANLIB Asset Management	ZA	6,376,884	1.37
RMB Asset Management	ZA	5,156,654	1.11
Prudential Portfolio Managers	ZA	4,980,588	1.07
Dimension Fund Advisors	ZA	4.269,219	0.92

Business of the Bank

The Bank is the major operating subsidiary of the listed entity Group Limited. The Bank is one of the four largest banking groups in South Africa by total assets.

In the financial year ended 31 December 2007, the Bank comprised 94 per cent. of the assets of the Group (R460.6 billion out of R488.9 billion) and 94 per cent. of the headline earnings of the Group (R5,543 million out of R5,921 million). For the six months ended 30 June 2008, the Bank comprised 95 per cent. of the assets of the Group (R520.1 billion out of R549 billion) and 94 per cent. of the headline earnings of the Group (R2,778 million out of R2,943 million). The Bank is a universal bank providing retail, investment banking and corporate banking services through its three client facing clusters, Nedbank Retail, Nedbank Corporate and Nedbank Capital. The Bank also has a 50.1 per cent. shareholding in Imperial. The Bank focuses on Southern Africa with the Bank positioned to be a bank for all customers from a retail and wholesale banking perspective. Each of its divisions is discussed in more detail below. The Bank also has six support functions, which are Group Strategy and Corporate Affairs, Group Risk, Group Technology, Enterprise Governance and Compliance, Group Human Resources and Group Finance.

Nedbank Corporate

Overview

Nedbank Corporate comprises the client-focused businesses which are Business Banking, Corporate 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 solutions and execution services to the wholesale banking client base of the Bank.

Nedbank Corporate is well-placed to grow and optimise business opportunities in the private and public sector markets, by leveraging its client base and providing solutions through experienced teams.

Nedbank Corporate provides corporate and business banking, including commercial and industrial property finance solutions, to small, medium and large corporates. Included in the cluster are the Bank's African operations servicing both retail and corporate market segments in Lesotho, Malawi, Namibia, Swaziland and Zimbabwe, which are all self-run, full-service operations.

In the financial year ended 31 December 2007, Nedbank Corporate contributed 44 per cent. (R2,632 million) of the Group's headline earnings. In the six months ended 30 June 2008, Nedbank Corporate contributed 51 per cent. (R1,503 million) of the Group's headline earnings.

Operations

The cluster comprises the following client-focused businesses:

- Corporate Banking, which services companies with an annual turnover in excess of R400 million and generates business through lending, transactional banking, structuring and advisory fee income opportunities, wholesale funding, treasury execution, custodial services and global trade activities.
- Business Banking, which services companies with an annual turnover of up to R400 million and is differentiated from its competitors by its decentralised, accountable business model and client-centric approach.
- Property Finance, which specialises in commercial and industrial property finance in the medium to large corporate market. The division may also take equity shares in property developments in partnership with selected clients.
- Nedbank Africa, which offers banking operations for retail and wholesale products on behalf of the Bank in Lesotho and Swaziland and on behalf of the Group's other operations in Malawi, Namibia and Zimbabwe. Although these subsidiaries are self-run, full-service operations, the operations are able to leverage off the South African divisions for skills and systems platforms and, when needed, are able to draw on the larger funding resources of the Bank.

Nedbank Corporate also includes the following specialist businesses:

- Nedbank Investor Services, which provides custodial services to entities trading on the JSE and facilitates share-lending activities.
- Transactional Banking, which provides product development and support, and specialist transactional banking solutions and services to Business Banking and Corporate Banking clients, working closely with the relationship banking teams.
- Corporate Shared Services, which provides transaction execution services for local and foreign payment and trade activities and client service centres.

Strategy

Nedbank Corporate's strategy is to offer a personalised relationship-based banking service by understanding clients' needs and delivering banking solutions to wholesale banking clients through its teams of highly qualified, experienced professionals.

Focus areas

Nedbank Corporate adopts a consistent set of principles in terms of efficient deployment of capital, risk propensity and decision making, pricing, marketing and rewards to enhance its returns on economic capital employed. This approach is based on the similarities of the market segments in which it operates, specifically the specialist relationship management philosophy, service standards and decentralised credit decision making, which relies on detailed personal knowledge of its clients and their business.

Nedbank Corporate is committed to focusing on client acquisition and retention through service standards, innovative solutions, reducing problem incidence and improving problem resolution. Through this, Nedbank Corporate aims to improve its primary banker status with its customers and to expand in mid-market segments (property finance, corporate and business banking). Furthermore, it aims to deliver solutions for its customers, manage client value and work collaboratively with other Bank clusters and Old Mutual to support customer service and cross-sell.

Historically, the Bank had little infiltration into the government sector. In the last two years the focus on this sector has been successful and the Bank has won some significant clients in this sector and this remains an area where the Bank sees opportunities for further growth.

Nedbank Capital

Overview

Nedbank Capital provides comprehensive merchant and investment banking solutions to institutional and corporate clients. It has offices in South Africa and London and is currently applying for licenses to establish representative offices in Kenya, Angola and Nigeria.

The London branch is a full-service office, which was originally established to help the Bank raise funding. The branch has grown steadily and is now increasingly sourcing and carrying out its own business and is no longer just supporting the Bank in South Africa.

In the financial year ended 31 December 2007, Nedbank Capital contributed 19.4 per cent. (R1,174 million) of the Group's headline earnings. In the six months ended 30 June 2008, Nedbank Capital contributed 20.4 per cent. (R600 million) of the Group's headline earnings.

Operations

Nedbank Capital has the following client facing business units:

- Investment Banking;
- Specialised Finance;
- Treasury;
- Equity Capital Markets;
- Debt Capital Markets;
- Global Markets;
- London Operation; and
- Nedcor Securities (Pty) Limited ("Nedcor Securities") (which is a separate legal entity held within the Group but not part of the Bank).

The Investment Banking Division houses the Bank's corporate finance, private equity and sector-focused bankers who originate transactions across the entire Nedbank Capital product spectrum. Investment Banking's primary services are private equity and advisory, which focus on corporate restructuring, Black Economic Empowerment ("BEE") initiatives, stock exchange listings, disposals, privatisations and capital raisings. The division includes a dedicated mergers and acquisitions research team and a unit providing JSE sponsor services to companies relating to their continuing regulatory obligations.

Specialised Finance provides tailored debt financing solutions through a range of industry focused teams, namely energy project finance, mining and resources, infrastructure project finance, acquisition

and leveraged finance and structured trade and commodity finance. The division's target is to provide solutions to South Africa's top 200 corporates and leading institutions, as well as entities undertaking major infrastructure and mining projects in Africa.

During the first quarter of 2008 the Investment Banking and Specialised Finance units were merged to create a single unit.

Treasury interfaces with local and international financial and investment markets. Treasury's primary role is the management of market-related risk for the Bank. These risks include interest rate, funding and liquidity related exposures, which are managed on a principal basis within the Asset and Liability Committee ("ALCO") risk framework. The division's key roles are divided into funding and liquidity management.

Equity Capital Markets provides the following services to clients: appropriate risk solutions for retirement (including pension funds) and large corporate clients; BEE solutions for companies, including use of preference shares and all forms of debt instruments; corporate equity structuring and risk solutions and equity derivative solutions for retail clients and portfolios. Equity Capital Markets is also involved in market making in equity derivative instruments, Nedbank Capital contracts for difference and Preference Share investments. Nedcor Securities provides full stockbroking and agent-trading services.

The Debt Capital Markets division focuses on the increased disintermediation activities in the South African banking market. This team deals with securitisation and bond origination businesses and provides interest rate solutions. They comprise the credit and international derivatives, debt origination and securitisation teams.

The Global Markets team focuses on servicing the Bank's client base, according to clients' business needs, with currency, interest rate derivative and bond-related products as well as proprietary trading in the various markets. The team provides services to both institutional and private clients.

Nedcor Securities is the Group's institutional equities business, offering research, sales and trading in commodities, stocks and bonds to the major institutions. Nedcor Securities is especially prominent in the resources and industrial sectors.

Strategy

Nedbank Capital's strategy includes: operating an integrated investment banking business model by leveraging its combination of industry and product expertise with a single client interface; international expansion of products and offices in Africa and London; working collaboratively with other Bank divisions and Old Mutual; expanding product ranges and business ventures and leveraging the London platform. Centres of excellence focus on specific industries, enabling Nedbank Capital to innovate and deliver customised solutions.

Focus areas

Nedbank Capital focuses specifically on the following sectors: energy, resources, African partnerships, infrastructure, BEE and industrials. Nedbank Capital also aims to leverage off Old Mutual capabilities.

Nedbank Capital also has a focus on the public sector and expanding African operations through a three-tiered approach, which includes full service banking in selected Southern African countries, participation in global trade opportunities in the whole of Africa and the selective acquisition or expansion into Southern, Eastern and Western hubs of Africa.

Nedbank Retail

Overview

Nedbank Retail provides full-service retail banking and wealth management services to individuals and small businesses. The cluster comprises retail banking services; Nedbank Private Bank; retail consumer banking; retail small business services; home loans; personal loans; Nedbank card; retail bancassurance and wealth management, retail vehicle and asset finance and transactional and investment products.

Nedbank Retail is South Africa's fourth largest retail bank, but owns the second highest share of the deposit market. As at 30 September 2008, Nedbank Retail held 17.5 per cent. of the South African home loans market; 11.0 per cent. of the South African vehicle and asset market; 12.7 per cent. of the South African credit card market; and 24.7 per cent. of the South African individual deposit market (source: SARB BA900 Report, September 2008). As at 30 June 2008 it had 17.3 per cent. of

the South African Mzansi market (providing basic banking services to low-income customers). As at 31 December 2007, it had 3.95 million clients in South Africa and in the United Kingdom through the London branch.

Nedbank Retail provides financial services to individuals and small businesses through various transactional, credit card and debit cards, lending, investment and insurance products. The clients that Nedbank Retail serves are broadly grouped into five primary segments, namely the high-net-worth, affluent, middle, mass and small-business segments. Clients are classified based on a combination of income and net asset worth.

In the financial year ended 31 December 2007, Nedbank Retail contributed 30.6 per cent. (R1,876 million) of the Group's headline earnings. In the six months ended 30 June 2008, Nedbank Retail contributed 24.7 per cent. (R728 million) of the Group's headline earnings.

Operations

The Nedbank Retail business operating model is organised around its product and client segment areas, overlaid by servicing and delivery channels. Three client facing segments underpin its business: private banking, consumer banking (which includes the mass- and middle-market segments) and small business services.

Retail Shared Services provides support to the Retail cluster, including human resources, finance, projects, strategic planning and business intelligence services.

Retail Risk is responsible for the monitoring of compliance and all risks, including credit and operational risks, and for providing legal services to the cluster. This function comprises 26 people and reports directly to the head of Retail.

Retail Marketing provides marketing support to the business divisions and assists in coordinating marketing activities across the broader Group.

Nedbank Retail operates through 434 full-service branches and clients have access to 1652 ATMs, 356 self-service terminals providing a range of banking services as well as to approximately 383 point of sale devices at Pick n' Pay, a major retail chain. The Bank also offers full-service internet banking as standard for all clients.

Strategy

The short-term strategy is to continue to build on the strong foundation for growth and to leverage off the strong deposit base. Specific focus areas include growing total shareholder return, measured on an economic profit basis through a combination of high quality sales and focusing on customer value management and risk management. Nedbank Retail aims to further enhance productivity and execution so as to provide a better banking service to its customers.

Imperial Bank Limited

Overview

Imperial, which was incorporated in 1996, is a niche bank engaged primarily in asset-based financing. Imperial has two shareholders, the Bank, which has a 50.1 per cent. shareholding and Imperial Holdings Limited ("Imperial Holdings"), which has a 49.9 per cent. shareholding. The Bank provides funding for Imperial, as well as risk management support, which includes having representatives on Imperial's credit committee and asset and liability committee, whilst in return Imperial Holdings provides Imperial with access to its extensive business operations across South Africa.

The relationship between the Bank, Imperial and Imperial Holdings is governed by a tripartite memorandum of understanding which is in force until 31 December 2010. The memorandum covers management, control and funding of Imperial. Funding of Imperial is supplied by the Bank on arm's length terms, while Imperial Holdings sources asset finance business for Imperial. Imperial also sources business on its own outside this memorandum of understanding in the normal course of its business. The shareholders also provide other services as required to Imperial on an arm's length basis. The Bank and Imperial Holdings have reconfirmed their commitment to Imperial and are currently finalising a revised shareholders' agreement that will formalise the terms of this commitment to Imperial beyond 2010.

Imperial predominantly provides asset-based finance, with most assets derived from vehicle finance and selected niche markets. As at 30 June 2008, Imperial revenues were derived from: vehicle financing through its largest division Motor Finance Corporation, comprising 57 per cent. of Imperial's assets; Property Finance, comprising 18 per cent. of Imperial's assets; Supplier Asset

Finance, comprising 8 per cent. of Imperial's assets; and Medical Finance, comprising 11 per cent. of Imperial's assets.

In the financial year ended 31 December 2007, Imperial contributed 3.4 per cent. (R227 million) of the Group's headline earnings. In the six months ended 30 June 2008, Imperial contributed 3.0 per cent. (R88 million) of the Group's headline earnings.

Operations

Motor Finance Corporation provides finance to the general public for the acquisition of passenger vehicles. Motor Finance Corporation continues to focus on its core market of retail passenger vehicle finance via the motor dealer origination channel. The ratio of used cars financed to new cars financed continues to increase in favour of used cars financed and the different risk dynamics of these respective markets are factored into the credit approval models and dealer incentive commissions via risk-based pricing.

Property Finance provides finance for residential developments and commercial and industrial properties. The rise in interest rates during the year ended 31 December 2007 and in the period up to 30 June 2008 contributed to a slowing down in the residential development market. Property Finance had a satisfactory first six months in 2008, although demand for residential development finance has declined as anticipated. Demand for commercial and industrial property finance remained strong during such periods.

Supplier Asset Finance is focused on financing office equipment for the business community and on providing asset-based finance to the aviation, transport and material handling sectors. The division is growing within predetermined risk parameters, and continues to focus on developing relationships with core suppliers.

Medical Finance provides asset-based financial products to the medical and dental markets in South Africa, operating from six branch offices, delivering service to the target market across the country and making finance available for residential properties, motor vehicles, equipment, practice needs and project finance for large medical installations and medical facilities by way of mortgage loans, instalment sale facilities and loans. The strength of Medical Finance lies in its focus on the niche market and client service, with committed and experienced staff.

Loan Portfolio

The Bank 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 Bank's main activity is in the corporate and commercial sector, where advances are made to a large cross-section of businesses, predominantly in finance and service areas, manufacturing and building and property finance sectors.

As at 31 December 2007, the Bank's total gross loans and advances to customers amounted to R365,849 million (R309,868 million as at 31 December 2006), an increase of approximately 18 per cent.

As at 31 December 2007, loans and advances to individuals represented approximately 42 per cent. of the Bank's total gross loans (compared to 38.7 per cent. as at 31 December 2006).

Loans portfolio by category of loans and advances

The following table sets out the composition of the Bank's advances by category of loan or advance (net of impairment) as at 31 December 2007 and 2006:

	As at 31 De	ecember
	2007	2006
	(Rm))
Mortgage loans	181,274	144,180
Home loans*	121,452	98,164
Commercial mortgages	59,822	46,016
Net finance lease and instalment debtors*	51,908	43,358
Gross investment	57,141	47,090
Unearned finance charges	(5,233)	(3,732)
Credit cards	7,090	5,269
Other loans and advances	138,824	131,501
Properties in possession	308	131
Overdrafts	11,082	13,737
Term loans	37,727	31,860
Personal loans	6,616	5,476
Other term loans	31,111	26,384
Overnight loans	18,336	17,392
Other loans to clients	53,863	52,268
Foreign client lending	13,573	17,324
Remittances in transit	96	160
Other loans**	40,194	34,784
Preference shares and debentures	9,332	6,840
Factoring accounts	494	839
Deposits placed under reverse repurchase agreements	5,839	6,703
Trade, other bills and bankers' acceptances	1,843	1,731
	379,096	324,308
Impairment of advances	(5,911)	(5,128)
	373,185	319,180
Comprises:	,	Ź
Loans and advances to customers	365,849	309,868
Loans and advances to banks	13,247	14,440
	379,096	324,308

^{*} During the 2007 financial year the Bank completed a R2 billion securitisation of the Nedbank Retail home loan portfolio. Imperial also successfully securitised R2 billion of its motor vehicle instalment sale agreement portfolio. The securities relating to the above-mentioned securitisation deals are listed on the Bond Exchange of South Africa Limited ("BESA"). In terms of IAS 39, the home loan portfolio and the motor vehicle instalment sale agreement portfolio remain on the Bank's balance sheet as the Bank is exposed to substantially all the risks and rewards of ownership of these loans and advances.

Contingent Liabilities

	As at 31 December		
	2007	2006	
	(Rn	ı)	
Guarantees on behalf of clients	20,564	15,235	
Confirmed letters of credit and discounting transactions	2,404	2,752	
Unutilised facilities and other	48,448	45,372	
Share options			
	71,416	63,362	

^{**} Represents mainly loans relating to Specialised Finance, Debt Capital Markets in Nedbank Capital and other loans in Nedbank Corporate and Nedbank Retail.

The Bank in the ordinary course of business enters into transactions that expose the Bank to tax, legal and business risks. Provisions are made for known liabilities 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 reported as contingent liabilities. This is in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Historically a number of Bank companies entered into structured finance transactions with third parties using their tax bases. In the majority of these transactions the underlying third party has contractually agreed to accept the risk of any tax being imposed by the South African Revenue Service ("SARS"), although the obligation to pay rested in the first instance with the Bank companies. It would only be in limited cases, for example, where the credit quality of a client became doubtful or where the client specifically contracted out of the repricing of additional taxes, that the recovery from a client could be less than the liability arising on assessment, in which case provisions would be made.

SARS has assessed one of these structures in a manner contrary to the way initially envisaged by the contracting parties. An appeal has been lodged against the assessment and SARS continues to examine other structures. As a result Bank companies are, or could be, obliged to pay additional amounts to SARS and recover these from clients under the applicable contractual arrangements.

Loan portfolio by industry sector

The following table sets out the composition of the Bank's advances by industry sector as at 31 December 2007 and 2006:

	As at 31 December	
	2007	2006
	(Rn	n)
Individuals	159,218	125,499
Financial services, insurance and real estate	113,068	97,498
Banks	13,247	14,440
Manufacturing	13,827	11,661
Building and property development	8,025	8,571
Transport, storage and communication	8,096	8,456
Retailers, catering and accommodation	4,957	7,446
Wholesale and trade	8,726	7,043
Mining and quarrying	8,643	5,895
Agriculture, forestry and fishing	2,588	2,546
Government and public sector	6,559	6,702
Other services	32,142	28,551
	379,096	324,308

Geographical concentration of loans

The following table sets out the distribution of the Bank's advances for the years ended 31 December 2007 and 2006:

	As at 31 December	
	2007	2006
	(Rn	<i>i</i>)
South Africa	372,423	309,085
Other African countries	2,471	5,309
Europe	2,447	8,391
Asia	1,163	871
USA	481	394
Other	111	258
	379,096	324,308

Net finance lease and instalment debtors

	As at 31 December	
	2007	2006
	(Rm))
Gross finance lease and instalment debtors:		
No later than one year	11,058	8,544
Later than one year and no later than five years	42,403	38,352
Later than five years	3,680	194
	57,141	47,090
Unearned future income on finance lease and instalment debtors	(5,233)	(3,732)
Net finance lease and instalment debtors	51,908	43,358
The net finance lease and instalment debtors may be analysed as follows:		
No later than one year	10,046	7,867
Later than one year and no later than five years	38,519	35,312
Later than five years	3,343	179
	51,908	43,358

Impairment of advances

The following table sets out the composition of the Bank's impairment of advances by category of loan or advance as at 31 December 2007 and 2006:

	Total impairments as at 31 December		Specific impairments as at 31 December		Portfolio impairments as at 31 December	
	2007	2006	2007	2006	2007	2006
			Rm			
Impairment of advances						
Balance at the beginning of the						
year	5,128	4,980	3,780	4,223	1,348	757
Income statement charge	2,115	1,465	1,793	962	322	503
 loans and advances 	2,218	1,493	1,896	990	322	503
 advances designated as at 						
fair value through profit or						
loss	(103)	(28)	(103)	(28)	_	_
Amounts written off against the						
impairment	(1,746)	(1,613)	(1,732)	(1,701)	(14)	88
Recoveries of amounts						
previously written off against						
the impairment	414	296	414	296		
Impairment of advances	5,911	5,128	4,255	3,780	1,656	1,348

	Total impairments as at 31 December		Specific impairments as at 31 December		Portfolio impairments as at 31 December	
	2007	2006	2007 Rn	2006	2007	2006
Impairment of advances by			IXII	ı		
classification						
Home loans	1,091	998	682	703	409	295
Commercial mortgages	501	465	153	207	348	258
Properties in possession	36	65	36	65		_
Credit cards	456	281	408	259	48	22
Overdrafts	672	679	534	476	138	203
Other loans to clients	2,065	1,605	1,627	1,317	438	288
Net finance lease and instalment						
debtors	1,020	944	763	686	257	258
Preference shares and						
debentures	70	90	52	67	18	23
Trade, other bills and bankers'						
acceptances	_	1	_	_		1
Impairment of advances	5,911	5,128	4,255	3,780	1,656	1,348
Sectoral analysis						
Individuals	3,546	1,238	2,842	1,008	704	230
Financial services, insurance	3,340	1,236	2,042	1,000	704	230
and real estate	706	972	361	577	345	395
Manufacturing	192	229	126	110	66	119
Building and property	172	229	120	110	00	117
development	183	176	126	134	57	42
Transport, storage and	103	170	120	134	37	72
communication	129	157	67	132	62	25
Retailers, catering and	12)	137	07	132	02	23
accommodation	173	109	59	69	114	40
Wholesale and trade	295	230	277	214	18	16
Mining and quarrying	43	64	16	30	27	34
Agriculture, forestry and fishing	95	77	42	46	53	31
Government and public sector.	29	34	11	28	18	6
Other services	520	1,842	328	1,432	192	410
	5,911	5,128	4,255	3,780	1,656	1,348
Geographical analysis						
South Africa	5,873	5,005	4,238	3,717	1,635	1,288
Other African countries	8	115	4	59	4	56
Europe	16	5	8	3	8	2
Asia	4	2	_	1	4	1
Other	10	1	5		5	1
	5,911	5,128	4,255	3,780	1,656	1,348
Ratio of impairments						
Impairment of advances at the						
end of the year	5,911	5,128	_	_	_	_
Total advances	379,096	324,308				_
Ratio (%)	1.6	1.6	_	_	_	_

Credit risk is managed across the Bank through the Board-approved Group Credit Risk Management Framework ("GCRF"). The GCRF includes four levels of credit assessment and approval:

- Tier One: individual mandates, regional credit committees or a combination thereof;
- Tier Two: credit committees at the national level;

- Tier Three: approval from certain executives within the group (i.e. the Chief Financial Officer (the "CFO"), the Chief Risk Officer, the head of the applicable cluster and the Chief Compliance Officer); and
- Tier Four: approval from the Bank's large exposure approval committee, a sub-committee of the Board.

In all credit granting, the Bank strives to achieve:

- diligence in the assessment of credit;
- limited use of individual mandates which are restricted to a R7.5 million maximum and subject to periodic senior reviews;
- independently chaired credit committees that seek consensus for approval decisions;
- ratings for all credit granted;
- grouping or aggregation of exposures in line with Basel 2 and regulatory requirements;
- lending limited to acknowledged areas of experience and expertise of the Bank; and
- an acknowledgement of the increasing influence of pricing in all risk decisions.

During origination of or the review of advances or a portfolio of advances, several indicators of risk are considered in the assessment. The borrower risk is encapsulated in the Nedbank Group Rating (the "NGR") and provides a probability of default ("PD"). The level of mitigation against the advances is measured through the loss given default ("LGD"). The product of the PD and LGD provides an expected loss for the advances also used to determine the Nedbank Transaction Rating ("NTR"). The NGR and NTR determine the estimated capital consumption and this, in turn, is used to price the asset, ensuring an appropriate risk-return relationship.

Management

The Group board has a unitary structure comprising 14 directors. The Bank's board (the "Board") has the same structure and composition, but separate meetings are held.

Altogether 62 per cent. of the directors are black generic in terms of the FSC definitions as at 30 June 2008, when applying the FSC's exclusion proviso. This exclusion proviso applies to the three Board members appointed by the majority shareholder Old Mutual.

Three of the seven non-executive directors, including the Chairman, are not considered independent since they either serve as directors on the Board of the Group's ultimate holding company, Old Mutual, or are employees of Old Mutual. The three Board appointments in terms of the BEE transaction, MA Enus-Brey, GT Serobe and the Chairman, RJ Khoza, are also not considered independent because of their relationship with Group Limited's BEE partners. MM Katz and ML Ndlovu were previously executive directors of Group Limited and are therefore not considered independent directors.

The directors come from diverse backgrounds and bring to the Board a wide range of experience in commerce, industry and banking. The non-executive directors and the strong independent composition of the Board provides for independent and objective input into the decision making process, thereby ensuring that no one director holds unfettered decision making powers. The directors have access to management, whenever required.

The directors who, in compliance with the terms of the articles of association of the Bank, retired by rotation and were subsequently re-elected at the annual general meeting ("AGM") on 25 July 2008 are Messrs TA Boardman, MWT Brown, RM Head, ML Ndlovu and B de L Figaji. Ms R Harris was appointed on 10 December 2007 and, in compliance with the articles of association of the company, was re-elected at the annual general meeting.

Name Position as director

CJW Ball Senior independent non-executive director
TA Boardman Chief Executive – executive director
MWT Brown Chief Financial Officer – executive director

TCP Chikane Independent non-executive director

MA Enus-Brey Non-executive director

B de L Figaji Independent non-executive director

R Harris (British)

Non-executive director

RM Head (British)

Non-executive director

MM Katz

Vice-chairman – non-executive director
RJ Khoza

Chairman – non-executive director
JB Magwaza

Independent non-executive director
ME Mkwanazi

Independent non-executive director
ML Ndlovu

Vice-chairman – non-executive director

GT Serobe Non-executive director

The business address of the members of the Board is the Bank's registered office.

The name and certain other information about each of the current members of the Board and their activities are set out below:

Name Biography

Christopher John Watkins Ball Dip Iuris, MA

Thomas Andrew Boardman BCom (Wits), CA(SA)

Michael William Thomas Brown BCom, Dip Acc, CA(SA)

Thenjiwe Claudia Pamela Chikane CA (SA)

Chris Ball was appointed as independent non-executive director of the Bank and Group during November 2002 and as senior independent director in February 2007. He was previously a non-executive director of BoE Limited and a non-executive director of five BoE Limited subsidiary companies, including Century City Limited. He is a non-executive director of Mutual & Federal Insurance Company Limited and Imperial Bank Limited. He was formerly Managing Director of First National Bank Group.

Tom Boardman was appointed Chief Executive of the Group and the Bank in December 2003 and as a director of the Group in November 2002. He was previously Chief Executive and an executive director of BoE Limited. He was the founding shareholder and Managing Director of retail housewares chain Boardmans. Prior to this he was a director of Blaikie Johnson Limited, Managing Director of Sam Newmans Limited and worked for the Anglo American Corporation for three years. He served his articles at Deloittes. He is a non-executive director of Mutual & Federal Insurance Company Limited and The Banking Association of South Africa, and serves as a trustee in a number of charitable foundations.

Mike Brown was appointed the Chief Financial Officer of the Group and the Bank in June 2004. He was previously an executive director of BoE Limited, and after the merger between the Bank, BoE, NIB and CoGHB, he was appointed Head of Property Finance at the Bank.

Thenjiwe Chikane was appointed as director of the Bank and Group in November 2006. She is also Chairman of the State Information Technology Agency. She was previously Chief Executive of MGO Consulting and Head of the Department of Finance and Economic Affairs in Gauteng. She was a

Name

non-executive director of the Development Bank of Southern Africa, Telkom and PetroSA.

Biography

Mustaq Ahmed Enus-Brey BCompt(Hons), CA(SA)

Mustaq Enus-Brey was appointed as director of the Bank and Group in August 2005. He is also a director of Brimstone Investment Corporation Limited and Oceana Group Limited.

Brian de Lacy Figaji BSc(Eng), Dip Tertiary Edu Med, DEd (Coventry, UK), DLitt(hc) (California State, USA) Brian Figaji is Chairman of I&J Limited and MARIB Holdings (Pty) Limited and the former Principal and Vice-chancellor of the Peninsula Technikon. He is also a director of PetroSA and Cape Lime (Pty) Limited, ASSET (Educational Trust) (trustee) and the Development Bank of Southern Africa. He became a director of the Bank and Group in November 2002.

Rosemary Harris BA(Hons), ACA

Rosemary Harris is a chartered accountant by profession and joined Old Mutual in April 2007 after a 21-year career at Prudential plc. During this time she held several senior positions, including Customer Service Director and Risk Management Director, and was most recently Chief Operating Officer for Prudential plc's UK division and Europe. She became a director of the Bank and Group in December 2007.

Robert Michael Head MA (Oxon), ACA, ACII, FCIB

Bob Head is a non-executive director of Old Mutual Life Assurance Company South Africa Limited, Mutual & Federal Insurance Company Limited and Directgov, a UK government initiative. He joined Old Mutual in February 2003. Prior to that he was Chief Executive of smile.co.uk, Finance Director of egg.com (both UK internet banks) and held various directorships. He was appointed as director of the Bank and Group in January 2005.

Michael Mervyn Katz BCom, LLB, LLM (Harvard Law School), LLD(hc)

Michael Katz is non-executive Vice-chairman of the Group and the Bank, as well as Chairman of Edward Nathan Sonnenbergs Inc. He was appointed as director of the Bank and Group during November 1997 and as vice-chairman in November 2002. He was Chairman of the Commission of Inquiry into the Tax System of South Africa and the Tax Advisory Committee, as well as honorary professor of the University company law at the Witwatersrand. Currently he is also a non-executive director of Nampak Limited and a member of the Securities Regulation Panel.

Reuel Jethro Khoza BA(Hons) Psychology (UNIN), MA Marketing Management (Lancaster, UK), EngD (Warwick, UK), IPBM – IMD (Lausanne, Switzerland), PMD (Harvard Business School, USA), LLD(hc) Reuel Khoza was appointed the non-executive Chairman of the Group and the Bank in August 2005. He is also Chairman of Aka Capital, Corobrik, Nepad Business Foundation and Murray & Roberts Cementation. He is a non-executive director of Nampak Limited, Protea Hospitality Group and Old Mutual. He is President of the Institute of Directors and in this capacity served on the King II Committee on Corporate Governance. He is a founding director of the Black Management Forum and a former Chairman of Eskom Holdings.

Name

Johannes Bhekumuzi Magwaza BA, MA (Warwick, UK)

Mafika Edmund Mkwanazi BSc(Maths), BSc(Elec Eng)

Maduke Lot Ndlovu Dip LR, MAP, EDP (North Western, USA), AMP (Harvard Business School, USA)

Gloria Tomatoe Serobe BCom, MBA (Rutgers, USA)

Biography

JB Magwaza was appointed as director of the Bank and Group in October 1996. He is Chairman of Mutual & Federal Insurance Company Limited. He is also a non-executive director of Dorbyl Limited, Ithala Development Finance Corporation Limited, Rainbow Chicken Limited, Tongaat-Hulett Limited, KAP International, Pamodzi Investment Holdings, Motseng Investments, Moreland Development, South Ocean Holdings and Hulamin Limited.

Mafika Mkwanazi was previously Group Chief Executive of Transnet Limited. He is currently Chairman of Shamsko Investment Holdings. He is also a director of Saatchi and Saatchi, Stefanutti & Bressan, Marble Gold, Born Free Investments and Hulamin Limited. He was appointed as director of the Bank and Group in April 1999.

Lot Ndlovu is non-executive Vice-chairman of the Group and the Bank, as well as Chairman of NestLife Assurance Corporation Limited, The South African National Roads Agency Limited, Nakatomi Corporation, Community Growth Management Company, St Anthony's Education Centre, Jomba Investments, True Class Consortium and November Ten Charities. He is a director of Mutual & Federal Insurance Company Limited, Nampak Limited, Cross Continents Investments, Saxon Road Nominees, Sani Pass Management Company, Sani Pass Development Company and True Class Motor Holdings. He is also a member of the Independent Commission for the Remuneration of Public Office Bearers, The Business Trust on Job Creation and Hope in Victory (a caregiving organisation for HIV patients). He was appointed as non-executive director of the Bank and the Group in May 1993, as executive director of the Bank and the Group in November 1994 and as Non-executive Vice-chairman in May 2004.

Gloria Serobe is the Chief Executive Officer of Wipcapital and also founder and an executive director of WIPHOLD. She was previously the Executive Director, Finance, at Transnet. Gloria serves on several Boards, including the JSE Limited and Mutual & Federal. She is also a non-executive director of Old Mutual Life Assurance Company South Africa Limited. She was appointed as director of the Bank and Group in August 2005.

Conflicts of Interest

Certain directors and executive officers of the Bank serve as directors and executive officers of companies within the Old Mutual. The Bank engages in transactions with some of these companies, including transactions in the ordinary course of business. See "Related Party Transactions".

The persons therefore also owe duties in that capacity to those companies as well as to the Bank. It is possible that the duties which these directors owe to those companies may potentially conflict with their duties to the Bank.

In respect of potential conflicts of interest that may arise in the future, the Bank has processes for the management of such conflicts such that it does not expect that any actual conflict of interest would arise.

Other than as described above, there is no potential conflict of interests between any duties which the members of the Board owe to the Bank and their private interests or other duties.

Committees

The Committee structure is designed to assist the Board in the discharge of its duties and responsibilities.

The current Committees are:

- the Board Strategic Innovation Management Committee;
- the Group Audit Committee;
- the Group Credit Committee;
- the Group Directors' Affairs Committee;
- the Group Finance and Oversight Committee;
- the Group Remuneration Committee;
- the Group Risk and Capital Management Committee; and
- the Group Transformation and Sustainability Committee.

With the exception of the Board Strategic Innovation Management Committee, all committees were formed at Group level, but address both Bank and Group matters. Each committee has formal written terms of reference that are reviewed on an annual basis and effectively delegated in respect of certain of the Board's responsibilities, which are monitored by the Board to ensure that the committees retain effective coverage of and control over the operations of the Group. The directors are required to confirm that the committees functioned in accordance with these terms of reference during the financial year.

Board Strategic Innovation Management Committee

The Board Strategic Innovation Management Committee has the broad responsibility of monitoring all issues pertaining to information technology ("IT"), both operational and strategic, in as much as these may impact the business, financial, performance, risk profile and IT strategies of the Bank. This committee aims to ensure alignment of the prioritisation and magnitude of IT development spend and investment with overall Bank strategy and direction. The members of the Board Strategic Innovation Management Committee are ME Mkwanazi (chair); TCP Chikane; MM Katz and CJW Ball.

Group Audit Committee

The primary roles of the Group Audit Committee are 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 the 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 the Group. The members of the Group Audit Committee are CJW Ball (chair); TCP Chikane and JB Magwaza.

Group Credit Committee

The primary roles of the Group Credit Committee are 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 Bank's credit portfolio is in accordance with these requirements by monitoring credit risk information, processes and disclosure. This primary role comprises a monitoring function. An important secondary role of this committee is the approval of advances above sanctioned and regulatory authority levels. The members of the Group Credit Committee are MM Katz (chair); CJW Ball; MA Enus-Brey; B de L Figaji and ML Ndlovu.

Group Directors' Affairs Committee

The primary roles of the Group Directors' Affairs Committee are to consider, monitor and report to the Board on strategic risk, reputational and compliance risk, compliance with the King Report on Corporate Governance of 2002, which sets out principles of good corporate governance for South African Companies and organisations ("King II"), and the corporate governance provisions of the Banks Act, 1990 (the "Banks Act"), as well as the regulations issued thereunder, and also to act as a nominations committee for Board appointments. The members of the Group Directors' Affairs

Committee are RJ Khoza (chair); CJW Ball; MA Enus-Brey; MM Katz; JB Magwaza; ME Mkwanazi and ML Ndlovu.

Group Finance and Oversight Committee

The chairmen of the Group Audit, Credit, Risk and Capital Management and Strategic Innovation Management Committees, as well as RM Head (Non-executive director), are members of this committee, with the Chief Risk Officer attending by invitation. Its primary functions are to be a Board discussion forum, to consider the full spectrum of risks in the Bank and to ensure that the Board and the various committees address the risks effectively. The members of the Group Finance and Oversight Committee are currently CJW Ball (chair); MA Enus-Brey; MM Katz; ME Mkwanazi and RM Head.

Group Remuneration Committee

The Group Remuneration Committee consists of non-executive directors only and is chaired by an independent non-executive director. The Group Remuneration Committee is authorised to approve the aggregate of adjustments to the remuneration of employees below executive director and divisional director level. The committee individually approves adjustments to the total remuneration of members of the Group Executive Committee ("Group Exco"), which comprises the CEO and the heads of the three business facing and six support clusters. The Board, following recommendations made by the Group Remuneration Committee, individually approves adjustments to executive directors' total remuneration. This committee is also charged with the supervision of the Group Employee Incentive Scheme and is involved in executive officer succession policy. The 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 members of the Group Remuneration Committee are JB Magwaza (chair); CJW Ball and B de L Figaji.

Group Risk and Capital Management Committee

Under the Banks Act, a risk committee is required to assist the 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. In addition, this committee also oversees the Bank's policies and procedures to ensure compliance with Basel II.

The Group Risk and Capital Management Committee is tasked with: group wide risk monitoring, focusing primarily on the management and assessment of risk, including market and trading risks; financial instruments (derivatives) usage; asset and liability management ("ALM") risks; Group Asset and Liability and Executive Risk Committee processes and functions; investment exposures; and risks related to the underwriting of share issues. The members of the Group Risk and Capital Management Committee are MA Enus-Brey (chair); CJW Ball; ML Ndlovu; R Harris; RM Head and ME Mkwanazi.

Group Transformation and Sustainability Committee

The Group Transformation and Sustainability Committee has the broad responsibility of monitoring all issues pertaining to the integrated economic, social, environmental, human resources and transformation performance of the Bank.

This committee assists the Board in discharging its responsibility both to ensure that the Group proactively addresses the requirements and/or recommendations for integrated sustainability reporting as set out in King II and the Global Reporting Initiative, an international multishareholder process setting out measures for reporting economic, environmental and social performance, as well as to give the needed attention at Board level to issues pertaining to the Financial Sector Charter, (a transformation charter, as contemplated in the broad-based BEE legislation, that was voluntarily developed by the financial sector and that constitutes a framework and establishes the principles on which BEE will be implemented in the financial sector) and Department of Trade and Industry codes on BEE, training and development, and social and environmental responsibility. The members of the Group Transformation and Sustainability Committee are ML Ndlovu (chair); B de L Figaji; CJW Ball; JB Magwaza; MM Katz and TCP Chikane.

The committee structure is also supported by Group Exco and other supporting executive committees.

The Bank enters into banking transactions in the normal course of business with related parties. The Bank defines related parties as:

- a) Group Limited;
- b) Old Mutual Life Assurance Company (SA) Pty Limited (which, through its subsidiaries, holds 53.43 per cent. of Group Limited);
- c) Old Mutual;
- d) Mutual and Federal Life Assurance Company Limited;
- e) associate companies and joint venture companies;
- f) key management personnel (including those persons who have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly);
- g) close family members of key management personnel who may be expected to influence, or be influenced by that individual's dealings with the Group (family members may include the individual's spouse/domestic partner and children, a domestic partner's children and dependants of the individual or domestic partner); and
- h) enterprises which are controlled by these individuals through their majority shareholding or their role as chairman and/or CEO in those companies.

The following material transactions were entered into between the Bank and the following related parties:

	Froml(owing to)
	as of
	31 December
Outstanding balances (Rm)	2007
Parent/Ultimate controlling party	
Bank accounts held by Nedbank Group Limited – interest free	1,728
Fellow subsidiaries	
Loan to Nedcor Securities (Pty) Limited	4,895
Advances to various other fellow subsidiaries	3,850
Deposits from Nedcor Securities (Pty) Limited	(7,314)
Deposits from Old Mutual Life Assurance Company (SA) (Pty) Limited	(1,444)
Deposits from Old Mutual Asset Managers (SA) (Pty) Limited	(1,351)
Deposits from other fellow subsidiaries	(3,147)
Bank accounts held by Old Mutual Life Assurance Company (SA) (Pty) Limited	(1,054)
Bank accounts held by Syfrets Securities Limited	928
Equity derivatives with various fellow subsidiaries	766
Associates	
Loans to various associates	505
Parents/Ultimate controlling party	
Dividend declared to Nedbank Group Limited	(1,948)
Fellow subsidiaries	
Interest expense to Syfrets Securities Limited	(836)

It is the policy of the Bank for all related party transactions to be entered into in the normal course of business and at market rates.

Employees

As of 30 June 2008, the Bank had 25,860 employees (compared to 25,074 employees as at 31 December 2007 and 22,731 as at 31 December 2006). As at 31 December 2007, 6,143 of the Bank's employees worked in the Nedbank Corporate division (5,677 in 2006), 625 of the Bank's employees worked in the Nedbank Capital division (626 as at 31 December 2006) and 15,356 of the Bank's employees worked in the Nedbank Retail division (13,442 as at 31 December 2006).

The break down of employees within the Bank is as follows:

Catalogue	As at 30 June 2008	As at 31 D 2007	ecember 2006
Permanent	22,275	21,581	19,666
	1,779	1,700	1,470
Total South Africa	24,054	23,281	21,136
	1,806	1,793	1,595
Total Bank Staff	25,860	25,074	22,731

A significant number of the Bank's non-managerial employees are represented by trade unions. The Bank has not experienced any significant strikes or work stoppages in recent years and considers its employee relations to be excellent.

The Bank has developed employment policies to meet the needs of its different business segments in the locations in which they operate, embodying principles of equal opportunity. The Bank has business standards with which it expects its employees to comply, and it encourages involvement of employees in the performance of the business in which they are employed and aims to achieve a sense of shared commitment.

Capital Adequacy

The capital base of the Bank provides the foundation for lending, off-balance-sheet transactions and other activities.

The Bank is subject to regulatory capital requirements. Capital adequacy is measured in terms of the Banks Act, under which the Bank must maintain a minimum level of capital based on risk-adjusted assets and off-balance-sheet exposures. Until 31 December 2007, the Bank was subject to regulatory-capital adequacy requirements under Basel I, which changed to Basel II on 1 January 2008. At the Bank, capital adequacy is measured via two risk based ratios: Tier 1 capital and total capital.

Tier 1 capital is a function of core capital and non-core capital, encompassing non-redeemable non-cumulative preference shares and hybrid capital. Total capital also includes other items such as subordinated debt and an eligible portion of the total general allowance for credit losses. All of these capital measures are stated as a percentage of risk weighted assets. Risk weighted assets are measured in terms of Basel II and the Bank has been granted regulatory approval for the implementation of the Advanced Internal Ratings Based Approach under Basel II for credit risk.

The Banks Act requires the Bank to maintain a minimum level of capital based on the Bank's risk weighted assets. These minimum requirements are a Tier 1 capital ratio of 7.0 per cent. and a Total capital ratio of 9.75 per cent. Non-core capital can comprise a maximum of 25 per cent. of Tier 1 capital.

The Bank's capital management policy is set out in the Group's capital management framework which is approved by the Board. The Bank seeks to maintain total capital of between 11-12 per cent. of risk weighted assets and Tier 1 capital of between 8-9 per cent. of risk weighted assets. The Bank also performs a detailed internal capital adequacy assessment process that supports these ranges and the excess held above the regulatory minimums required by the Registrar of Banks.

The Group's capital management framework requires the Bank to be capitalised at the higher of economic or regulatory capital (inclusive of a buffer to allow for expansion and volatility). Economic capital is defined as the capital which the Bank must hold, commensurate with its risk profile under severe stress conditions, to give comfort to third party stakeholders (shareholders, counterparties and depositors, rating agencies and regulators) that it will be able to discharge its obligations to third parties in accordance with an indicated degree of certainty, even under stressful conditions, and will continue to be able to operate as a going concern. The "bottom-up" statistical economic capital calculation is done at a 99.9 per cent confidence interval.

The following table sets out the Group's economic-capital adequacy as at 30 June 2008 and 31 December 2007, including target and actual capital adequacy ratios and an analysis by risk type and business segment.

	Total capital adequacy		Tier 1 capital	
	Target	Actual	Target	Actual
30 June 2008	11-12%	11.8%	8-9%	8.6%
31 December 2007 (pro forma) ⁽¹⁾		11.2%		7.7%

Note:

Over a three year period, the Bank underwent an extensive implementation programme in preparation for Basel II. Basel II is substantially more risk sensitive than Basel I. The implementation of Basel II together with implementation of full performance measurement and capital allocation on a risk-adjusted basis was the final step in implementing the Bank's risk and capital management framework. The Bank continues to focus on the optimal structuring of its capital as evidenced by the issuance of the inaugural Lower Tier 1 bond issue in the South African market in May 2008. The bond has been subsequently tapped and as at 31 July 2008 the total amount of R1.5 billion in issue has impacted the disclosed capital adequacy ratios positively by approximately 0.4 per cent.

Calculation of Risk Weighted Assets

The following table shows the break-down of risk weighted assets for the Bank, calculated in line with the Banks Act and its related regulations:

	As at 30 June 2008 (Rr	/
Credit risk	225,330	222,126
Equity risk	27,786	14,630
Market risk	4,55 28,854	3,470 25,131
Operational risk	11,335	9,416
Other	11,333	9,410
Total risk weighted assets	297,860	274,773
	As at	As at
	30 June	31 December
	2008	2007
	(R1	
Regulatory capital	,	,
Tier 1 capital (primary)	25,457	21,188
Core Tier 1 capital	21,148	18,066
Ordinary share capital and reserves	27,519	24,949
Impairments	(3,095)	(3,498)
Goodwill	(1,126)	(1,126)
Unappropriated profits	(419)	(604)
Excess of expected loss over eligible provisions (50%)	(814)	(793)
Other regulatory differences and non-qualifying reserves	(917)	(862)
Non-core Tier 1 capital	4,309	3,122
Preference share capital and reserves	3,122	3,122
Subordinated Hybrid Debt Instruments	1,187	_
Tier 2 capital (secondary)	9,280	9,318
Long-term debt instruments	9,811	9,815
Excess of expected loss over eligible provisions (50%)	(814)	(793)
Fifty per cent. of first loss credit enhancement provided in respect of a	` ,	(- /
securitisation scheme	(13)	
Revaluation reserves (50%)	296	296
Tier 3 capital (tertiary)	300	300

⁽¹⁾ Pro forma figures are included as Basel II only applies to the Bank from 1 January 2008.

	As at	As at
	30 June	31 December
	2008	2007
	(R)	m)
Total regulatory capital	35,037	30,806
Capital adequacy ratios		
Tier 1	8.6%	7.7%
Tier 2	3.1%	3.4%
Tier 3	0.1%	0.1%
Total	11.8%	11.2%

Legal Proceedings

The Bank and its subsidiaries have been, and continue to be, the subject of legal proceedings and adjudications from time to time.

There are a number of legal or potential claims against the Bank and its subsidiaries, the outcome of which cannot at present be foreseen. These claims are not regarded by management as material either on an individual or collective basis.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware), which may have during the 12 months prior to the date of this Base Prospectus, or have had in the recent past, a significant effect on the financial position or profitability of the Bank and its subsidiaries.

Property

As at 30 June 2008, the Bank held the freehold title to land and buildings with a net book value of R2,348 million compared to R2,336 million as at 31 December 2007 and R2,019 million as at 31 December 2006.

Insurance

The Group has placed cover in the London traditional insurance market of up to GBP 125 million for losses in excess of R50 million. The cover is at the Group level and covers all subsidiaries within the Group, including the Bank. Group captive insurers provide cover for losses that may occur below the R50 million level, retaining R100 million. Certain layers of the Group insurance programme are shared with the Old Mutual Group. These arrangements have been in place since 2006.

IT/Technology

Information technology is an integral part of the Bank's operations. The Bank is continually seeking to improve the operating features and security of its IT systems, in particular for new technologies to support and enhance its business strategies.

Information risk management within the Bank not only involves securing bank information and systems, but also entails the application of risk management principles to ensure efficient, reliable and timely delivery of information.

The following table sets out the expenses incurred by the Bank in connection with Information Technology for the years ended 31 December 2007 and 31 December 2006 and for the six months ended 30 June 2008.

	For the six months ended 30 June	For the yea	
	2008	2007	2006
		(Rm)	
Computer expenses			
Software	3,352	3,156	2,806
Software Development costs	779	645	499
Computer Equipment	2,345	2,305	2,136
	6,476	6,106	5,441
Accumulated amortisation and impairment losses	4,364	4,116	3,564
Carrying Amount	2,112	1,990	1,877

Funding

Introduction

The Bank's primary funding objective is to secure funding at an optimal cost from diversified and sustainable funding sources. The Bank's funding policies are set out in the Market Risk Framework which is approved by the Board. The implementation of the Market Risk Framework is the responsibility of the Balance Sheet Management team, a Head Office function (group support) which carries out group related treasury functions. The Liquidity Risk Framework aims to ensure that the Bank has sufficiently diversified funding sources to meet obligations when they fall due, as well as the ability to fund ongoing lending and trading activity under increasing levels of stress at a minimum acceptable level of cost.

The Liquidity Risk Framework seeks to achieve this by ensuring:

- an appropriate mix of deposit funding in terms of both source and term structure;
- sufficient callable or near term maturity assets in relation to maturing deposits;
- sufficient saleable assets such as marketable securities which are not encumbered in any way;
- sufficient on-balance sheet assets that are earmarked for securitisation, as well as the operational capability to tap the capital market on a regular basis; and
- proactive management of all off-balance sheet sources of liquidity risk.

The Bank's principal funding strategy is to achieve as far as possible a strong market share in retail, commercial and corporate deposits as these deposits represent the most cost effective source of funding for the Bank. The Bank also seeks to fund asset growth through debt issuance on the capital markets and has established a range of debt issuance programmes to ensure maximum efficiency and flexibility in accessing funding opportunities.

Funding profile and sources

The table below shows the contractual and expected profile of the Group's funding. The 'contractual' maturity profile is based on the contractual maturity of these items, whereas the 'business-as-usual' maturity profile takes into account the expected cash flow maturities and behavioural attributes of these items.

Funding Profile - Nedbank Group Limited (as at 31 December 2007)

		>3 months	>6 months	>1 year		Non-	
Rm	<3 months	<6 months	<1 year	<5 years	>5 years	determined	Total
CONTRACTUAL							
Total equity	_		_		_	35,125	35,125
Derivative financial							
instruments	1,777	869	890	5,111	2,785		11,432
Amounts owed to							
depositors	303,382	23,207	40,417	16,497	1,038		384,541
Other liabilities	8,097	_		_		37,335	45,432
Long-term debt							
instruments			616	3,748	7,962		12,326
Total	313,256	24,076	41,923	25,356	11,785	72,460	488,856
BUSINESS-AS-USUAL							
Total equity						35,125	35,125
Derivative financial						33,123	33,123
instruments	1,777	869	890	5,111	2,785	_	11,432
Amounts owed to	-,			-,	_,		,
depositors	169,911	61,978	76,571	15,690	60,391	_	384,541
Other liabilities	8,097			37,335	45,432		,-
Long-term debt	,			,	,		
instruments	_	_	616	3,748	7,962	_	12,326
Total	179,785	62,847	78,077	24,549	71,138	72,460	488,856

Funding Sources – Nedbank Group Limited (as at 31 December 2007)

		As at 31 Dec	cember 2007	r		As at Dece	ember 2006	F: 1
				Financial liabilities at				Financial liabilities at
		Held for	Designated	amortised		Held for	Designated	amortised
FUNDING SOURCE	TOTAL	Trading	FVTPL*	cost	TOTAL	Trading	FVTPL*	
Current accounts	45,920	_	_	45,920	41,349	_	_	41,349
Savings deposits	13,925	_	_	13,925	13,374	_	_	13,374
Call and term deposits	153,684	1,266	18,294	134,124	119,525	2,063	1,957	115,505
Fixed deposits	24,378	_	80	24,298	22,651	_	289	22,362
Cash management deposits	41,910	_	_	41,910	39,273		_	39,273
Securitisation notes	1,236	_	_	1,236	_	_	_	_
Other deposits and loan								
accounts	30,216	7,579	74	22,563	22,493	4,233	1,915	16,345
Foreign currency liabilities.	8,230	2,999	5,283	(52)	9,267	3,996	5,486	(215)
Negotiable certificates of								
deposit	56,166	(1,609)	30,716	27,059	45,518	79	_	45,439
Deposits received under								
repurchase agreements	8,876	5,912		2,964	11,235	8,399		2,836
TOTAL	384,541	16,147	54,447	313,947	324,685	18,770	9,647	296,268
Comprises:								
Amounts owed to								
depositors	339,562	_	_	_	292,292		_	_
Amounts owed to banks	44,979	_	_		32,393			_
Time units e wee to earning im								
TOTAL	384,541	_	_	_	324,685	_	_	_
Castanal analysis								
Sectoral analysis:	44.070				22 202			
Banks	44,979	_	_	_	32,393	_	_	_
Government and public	20.021				26.944			
sectorIndividuals	28,921 134,028	_	_	_	102,481	_	_	_
Business sector	176,613	_	_	_	162,867	_	_	_
Busiless sector	170,013				102,007			
TOTAL	384,541	_	_	_	324,685	_	_	_
Geographical analysis:								
South Africa	354,459	_	_	_	300,506	_	_	_
Other African countries	8,541	_	_	_	7,937	_	_	_
Europe	18,009	_	_	_	13,321	_	_	_
Asia	838	_	_	_	951	_	_	_
USA	294	_	_	_	686	_	_	_
Other	2,400				1,284			
TOTAL	384,541	_	_	_	324,685	_	_	_

^{*} Notes: "FVTPL" means Fair Value through profit and loss.

Based on the behaviour of the Bank's clients, it is estimated that more than 74 per cent. of the total deposit base is stable in nature.

New Financings and Draw-downs

Global liquidity needs have increased recently following the banking crisis in international markets. This has reduced the Bank's ability to raise longer-term funding via securitisation and subordinated debt issues due to contagion into the South African capital markets. The result is that these funds have to be raised in the money market which has reduced the Bank's ability to diversify funding sources and adversely impacted the lengthening of the funding profile this year. The shorter term raisings adversely impact the Bank's liquidity profile.

Replacement sources of deposits for these shortfalls have included credit linked notes, foreign funding through syndicated club loans, a Schuldscheindarlehen loan and by tapping the domestic money market. The syndicated loan and Schuldscheindarlehen entered into by the Bank in 28 March 2008 and 16 July 2008 respectively have added to the Bank's funding profile and helped in diversifying the existing foreign deposit base.

The Bank has no material subordinated debt maturities in 2008.

Net interbank reliance

The Bank participates in its share of the interbank market. This net position is closely monitored by ALCO as a key indicator of the marginal deposit source on closing each day.

Deposits growth in the six months ended 30 June 2008 was largely concentrated in the wholesale market due to the low savings levels experienced in South Africa and continuing disintermediation across the deposit base. In addition, depositors have had a preference for shorter dated deposits, particularly before monetary policy committee meetings due to persistent upside risk to interest rates. Accordingly, management has focused on optimising the funding mix and funding profile of the Group, through alternate funding sources, a focused effort on the retail and business banking deposit bases and pricing competitively for retail and wholesale term deposits.

The ongoing international market turbulence that has negatively affected many financial markets around the world, has focused attention on the crucial role liquidity plays in assuring the effective functioning of the banking sector and related markets. Although the impact of these events on the Bank has not been material and has largely been restricted to the capital markets, the Bank's appropriate risk committees continue to monitor these developments closely to identify any early signs of contagion within the South African markets in order to manage such risk appropriately.

As at the date of the Prospectus, the Group retained access to sources of quick liquidity, including a marketable asset portfolio in excess of prudential liquid asset requirements, of approximately R50 billion.

Securitisation

The Group entered the securitisation market during 2004 and currently has three securitisation programmes:

- Synthesis Funding Limited ("Synthesis"), an asset-backed commercial paper programme ("ABCP programme") launched during 2004;
- Octane ABS 1 (Pty) Limited ("Octane"), a securitisation programme of motor vehicle loans advanced by Imperial Bank Limited through its subsidiary Motor Finance Corporation, which was launched in July 2007; and
- GreenHouse Funding (Pty) Limited ("GreenHouse"), a residential-mortgage-backed securitisation programme ("RMBS programme") launched in December 2007.

The Bank views securitisation primarily as a funding diversification tool, which is an ALCO and Executive Risk Committee initiative. The Bank has an established inhouse securitisation team within Nedbank Capital.

Synthesis is an ABCP programme that invests in longer-term rated bonds and offers capital market funding to South African corporates at attractive rates. These assets are funded through the issuance of short-dated investment-grade commercial paper to institutional investors. All the commercial paper issued by Synthesis is assigned the highest short-term RSA local-currency credit rating by both Fitch Ratings and Moody's Investors Service, and is listed on BESA.

The Bank currently fulfils a number of roles in relation to Synthesis, including acting as sponsor, liquidity facility provider, credit enhancement facility provider, swap provider and investor. The exposures to Synthesis that the Bank assumes are assessed, from a regulatory point of view, by using the ratings-based approach and the standardised formula approach under the internal ratings-based approach for securitisation exposures, thereby aligning with the methodology adopted across the wider Group. Synthesis is consolidated under the Bank in terms of IFRS.

GreenHouse is a RMBS programme established in December 2007 to securitise the Bank's residential mortgages. The inaugural transaction under GreenHouse entailed the securitisation of R2 billion of residential mortgages under GreenHouse Series 1. The Bank currently fulfils a number of roles in relation to GreenHouse Series 1, including acting as originator, service provider, credit enhancement (subordinated loan) facility provider, swap provider and investor. The commercial paper issued by GreenHouse Series 1 has been assigned credit ratings by both Fitch Ratings and Moody's Investors Services and is listed on BESA. The assets of GreenHouse continue to be recognised on the balance sheet of Group Limited and the Bank in terms of IFRS and GreenHouse is consolidated under Group Limited.

The inaugural transaction under Octane entailed the securitisation of R2 billion of auto loans under Octane Series 1. Group companies currently fulfil a number of roles in relation to Octane Series 1, including acting as originator, service provider, credit enhancement (subordinated loan) facility provider, swap provider and investor. The commercial paper issued by Octane Series 1 has been assigned credit ratings by Fitch Ratings and is listed on BESA. The assets of Octane continue to be recognised on the balance sheet of Group Limited in terms of IFRS and Octane is consolidated under Group Limited.

The outstanding securitisation balances as at 30 June 2008, 31 December 2007 and 31 December 2006 were as follows:

	As at 30 J	une 2008	As a	t 31 December 2	007	As a	t 31 December 2	006
	Total amount securitised	Liquidity facility	Amount retained/ purchased	Total amount securitised	Liquidity facility	Amount retained/ purchased	Total amount securitised	Liquidity facility
	Section Prisers	jaciniy	pui criuscu	(Rn	, ,	purchasea	beeth wibeth	jaciii
Synthesis	8,356	8,463	_	9,233	-,		7,619	$7,623^{1}$
Octane	2,000	_	276	2,000	_	292	_	_
Greenhouse	$2,000^2$	_	229	$2,000^2$	226	_	_	
Total	12,356	8,463	505	13,233	9,390	518	7,619	7,623

Note:

Risk Management

The Bank has adopted a comprehensive risk management strategy and methodology, enterprise-wide risk management, which has the principles of corporate governance best practice embedded in its foundation.

The Enterprise-wide Risk Management Framework ("ERMF") consists of three components:

- enterprise-wide risk management forums, internal control environment and individual responsibilities;
- risk management and corporate governance structures; and
- internal and external audit functions to detect any deficiencies in processes or controls.

A key-issues control log has been developed as a tool to assist in achieving good governance. It represents a comprehensive yet focused view of any issues that require attention, raising concerns around these and the actions taken to address them.

Risk Governance

The Bank defines risk as any source of uncertainty about the future operating environment that can affect profits or result in adverse outcomes, including reputational damage. The enterprise-wide risk management ("ERM") function of the Group is responsible for the independent oversight and discipline required to continuously drive improvement of the Group's risk management capabilities in a challenging and ever changing operating environment. The objective of the risk management programme is not only to protect, but also to add enterprise value to the Group's strategy, people, processes, technology and knowledge. Risk management is embedded in the Group's strategy and is integrated into its day-to-day operating activities. Direction and oversight of risk management occur at the executive management level.

Risk Management Framework

The Bank sees strong risk governance applied pragmatically and consistently as the foundation for successful risk management. This strong emphasis on risk governance is based on the above mentioned "three lines of defence" concept, which is the backbone of the Group's ERMF. The ERMF places a strong emphasis on accountability, responsibility, independence, reporting, communications and transparency, both internally and with all key external stakeholders.

The ERMF governs the risk management process and provides a matrix of business, strategic, financial and non-financial risks that the Group will monitor. In terms of the framework, risk management is vested as an integral part of management's functions at all levels of the Group and includes the management of governance, strategy, business performance, competitiveness, human

⁽¹⁾ These amounts relate to the provision of a liquidity facility to Synthesis.

⁽²⁾ The Bank has until 10 December 2008 to transfer remaining mortgages into Greenhouse.

resources, processes, information technology, and operational, financial and tax risk. The ERMF, fully embedded across the Group, is supplemented by individual subframeworks such as those for credit risk, market risk, liquidity risk, operational risk and capital risk.

The ERMF facilitates effective communication at executive management and Board levels, and strong interaction across the Bank between the businesses and central Bank services. At executive management level the Group Executive Committee is also assisted with its risk, strategic and operational responsibilities by eight subcommittees. The Advanced Internal Ratings Board ("AIRB") Credit Executive Committee ("AIRB Credit Exco") was added as a new subcommittee in 2006. The AIRB Credit Exco arose from the Bank's Basel II implementation and is an executive management body with delegated authority from the Board to approve, provide "effective challenge" and oversee all material aspects of the AIRB credit system across the Bank.

The framework aims to incorporate the risk management process into the overall management process. This process drives strategy, products, services and processes to generate profits and growth in a sustainable way, while the risk management process supports management by providing the checks and balances, through risk quantification, qualitative assessments, monitoring and the initiation of corrective measures, to ensure sustainability, performance, the achievement of the desired objectives and to avoid adverse outcomes and reputational damage.

The framework complies with statutory and regulatory requirements and is in line with King II and COSO requirements. The risk framework has been reviewed and benchmarked against international best practice and has proved to be thorough, effective and robust in fully supporting enterprise risk management principles.

Risk-Reward Appetite

Risk appetite is an articulation and allocation of the risk capacity or quantum of risk the Bank is willing to accept in pursuit of its strategy, duly set and monitored quarterly by the Board, and integrated into the Bank's strategy and business plans.

The Bank measures and expresses risk appetite in terms of quantitative risk measures. These include earnings at risk ("EaR") (or earnings volatility) and, related to this, the "chance of regulatory insolvency", "chance of experiencing a loss", economic-capital adequacy and various risk limits.

Earnings volatility is the level of potential deviation from expected financial performance that the Bank is prepared to sustain at relevant points on the risk profile. It is established with reference to the strategic objectives and business plans of the Group, including the achievement of financial targets, payment of dividends, funding of capital growth and maintenance of target capital ratios.

Qualitatively, the Bank also expresses risk appetite in terms of policies, procedures and controls meant to limit risks that may or may not be quantifiable.

The Bank's risk appetite is defined across five categories within the Board-approved risk appetite framework:

- group-level risk appetite metrics;
- specific risk-type limit setting clarifying across the Bank's businesses the mandate levels that are of an appropriate scale relative to the risk and reward of the underlying activities so as to minimise concentrations and operational risks that could lead to unexpected losses of a disproportionate scale;
- stakeholder targets (such as target debt rating for economic-capital adequacy and dividend policy);
- policies, procedures and controls; and
- zero-tolerance statements.

The Bank's group level risk appetite metrics are set out below:

Group metrics	Definition	Measurement methodology	Target achieved as at 31 December 2007
Earnings at risk (EaR)	Pretax economic earnings potentially lost over a one-year period	Measured as a 1-in-10- year event (i.e. 90 per cent. confidence level)	EaR less than 100 per cent. of pre-tax economic earnings
Chance of experiencing a loss	Event in which the Group experiences an annual loss (on an economic basis)	Utilises EaR by comparing with expected profit over the next year	Better than 1 in 10 years
Chance of regulatory insolvency	Event in which losses would result in the Bank being undercapitalised relative to minimum regulatory capital ratios (both Tier 1 and total capital ratios)	Utilises EaR and compares with capital buffer above regulatory minimum – expressed as a 1-in-x-year chance of regulatory insolvency	Basel II basis: 1 in 30 to 50 years
Economic-capital adequacy	The Bank adequately capitalised on an economic basis to its current international foreign-currency target debt rating	Measured by comparing available financial resources with economic capital requirement	Equivalent rating of A- or better

The allocation of limits, below cluster level, to individual business units is driven primarily using economic capital.

The Group has a cascading system of risk limits at all levels of the Group and for all financial risks, which is a core component of the implementation of the risk appetite framework. The size of the various limits is a direct reflection of the Board's risk appetite, given the business cycle, market environment, business plans and strategy, and capital planning.

Another key component of the ERMF is a comprehensive set of Board-approved policies and procedures, which are updated annually. The coordination and maintenance of this process rests with the head of ERM, who reports direct to the Chief Risk Officer.

Credit Risk

Credit risk is the risk of loss due to non-performance of a counterparty in respect of any financial or performance obligation due to deterioration in the financial status of the counterparty.

Credit risk arises from advances to customers, lending commitments, contingent products (e.g. letters of credit) and traded products such as derivative instruments. It could also arise from the decrease in value of an asset subsequent to the downgrading of a counterparty. It is by far the most significant risk type and accounts for approximately 70 per cent. of the Group's economic-capital requirement.

Country risk relates to the likelihood that changes in the business environment will occur that reduce the profitability of doing business in a country and ultimately may result in credit losses arising from cross-border transactions.

Governance structure of the Bank's AIRB credit system

Credit risk is managed across the Bank through GCRF, which encompasses comprehensive credit policy, mandate limits and governance structures. It is a key component of the Group's ERMF and the economic capital and risk appetite frameworks. Through the establishment of formal credit risk management and governance structures, policies, procedures and methodologies, the Group aims to achieve effective management of credit risk, to provide an adequate return on risk adjusted capital in line with the Group's risk-reward appetite.

The AIRB Credit Exco is the designated committee appointed by the Board to monitor, challenge and ultimately approve all material aspects of the Bank's credit rating and risk estimation processes.

In this regard the Board and its Group Credit Committee ("GCC") are required by the new Basel II regulations to possess a general understanding of the AIRB credit system and the related reports

generated. They also need to ensure the independence of the Bank's credit risk control unit, the Credit Models Validation Unit ("CMVU") and the effective functioning of the AIRB Exco.

The technical understanding required of senior management is greater than that required at Board level. Management must possess a detailed understanding of the AIRB credit system and the reports it generates. Management ensures the effective operation of the AIRB credit system assisted by the independent credit risk control units.

Divisional credit committees ("DCCs"), with chairpersons independent of the business units, operate for all major business units across the Group. The DCCs are responsible for approving and recommending credit and credit policy, as well as reviewing divisional-level credit portfolios, parameters, impairments, expected loss and credit capital levels.

An independent Group Credit Risk Monitoring ("GCRM") unit is part of Group Risk. The GCRM unit is responsible for the ongoing enhancement of credit risk management across the Group, the GCRF and AIRB credit system, monitors credit portfolios and reports to executive management, DCCs, the AIRB Credit Exco and ultimately the GCC on a regular basis. As part of GCRM the CMVU has overall responsibility for the Basel II AIRB methodology across the Group and ensuring consistency in the rating processes as well as ultimate responsibility for independent model validation.

In each of the three business clusters credit risk management functions operate independently of credit origination, reporting into the cluster head of risk, who in turn reports to the cluster managing director. In line with the Basel II AIRB methodology, each cluster has implemented economic-capital quantification and economic-profit performance measurements. Each cluster also has cluster credit units that are responsible for the ongoing expert design, implementation, validation and performance of their business cluster's internal rating systems, with input and oversight by the CMVU.

The Bank's AIRB credit system forms the basis of its measurement and management of credit risk across the Bank. The Bank requires that ratings be performed for all transactions, not only to achieve Basel II regulatory compliance but, more importantly, to allow the Bank to measure credit risk consistently and accurately across its portfolio. The Group Credit Portfolio Management Unit in the Group Capital Management Division strives to manage and optimise the Group's credit portfolios and credit concentration risk. For this purpose the Group uses a sophisticated and tailored Credit Portfolio Model, which calculates credit economic capital (or credit value at risk) and provides other key inputs for best-practice credit risk and capital measurement.

Credit Risk Management

Credit risk is managed through comprehensive policies and processes that ensure adequate identification, measurement, monitoring and control as well as reporting of credit risk exposure. The objectives of the policies and processes are to ensure a sound credit risk management environment with appropriate credit granting, administration, measurement and monitoring through the implementation of adequate risk management controls.

Based on the Group's credit risk appetite and competitive credit strategies, credit risk is managed with reference to risk-reward principles. The reward is managed through pricing for risk on an individual and portfolio basis.

Group credit policy incorporates the relevant credit risk principles in the new regulations relating to banks as well as best practice. This policy is implemented across the Group, with detailed and documented policies and procedures, suitably adopted for either the retail, commercial or corporate business units, forming the cornerstone of sound credit risk management. This provides a firm framework for credit granting as well as the subsequent monitoring of credit risk exposures.

In respect of credit approvals, knowing the client, identifying and understanding all the risks and having an adequate free cashflow to service the loan remain key drivers in granting good credit. Following credit approval, all facilities/portfolios are subject to an ongoing credit risk management process as well as annual review. In terms of this process credit exposures are identified, classified, measured, managed, controlled and monitored on a continuous basis and regularly reported on. There is considerable emphasis on the early identification of high-risk loans, which, together with a proactive intervention and workout approach, ensures an acceptable cure rate of such loans. In addition, renewed focus on the risk/reward relationship and the resultant pricing for risk ensure that credit risk is managed within the predetermined credit risk appetite of the Group.

Credit risk mitigation

Where prudent lending considerations warrant it, covenants and the provision of collateral may be negotiated to protect the Bank against the effect of unforeseen circumstances. The primary consideration in the assessment of any lending opportunity remains a borrower's financial position and its ability to repay from its own resources and cash flow. Collateral mitigates the risk (ie the expected loss ("EL")) of an exposure by affecting its pricing through the decrease of the LGD of an exposure.

Information on the collateral obtained to mitigate risk is contracted, documented and safely stored. This information is loaded on the Bank's electronic collateral management system that is integrated with the Bank's exposure management system and linked to borrower facilities. The borrower rating data, together with exposure, facility and collateral data is used by the Bank to calculate the relevant credit risk parameters used for calculating regulatory and economic capital requirements. Typical collateral loaded in the collateral system include sureties, guarantees, mortgage bonds, fixed deposits and moveable assets. Collateral may also include some derivative instruments, particularly for counterparty credit risk in the market risk environment.

Other forms of credit risk mitigation that take place are on- and off-balance sheet netting and set-off. Off-balance sheet netting usually occurs in the over-the-counter (OTC) environment whilst set-off (subject to all legal requirements) and on-balance sheet netting takes place in the banking book.

The credit portfolio is constantly monitored and managed using all the credit risk parameters generated by the Bank's credit risk systems.

Credit risk concentrations

Concentration risk originates from within the various credit portfolios and the Bank recognises and manages the following risks:

- Risk ratings: The banking book is reported and managed in terms of a spread of risk ratings as the business units pursue a balanced distribution across the various levels of risk ratings;
- Risk products: A distribution of lending across the various products lines aims to ensure, amongst other benefits, a cost efficient flow of income and a balanced presence in the market place;
- Industry sector and sub sector: The Bank safeguards against concentrations of exposure, not only to mainstream industries operating in similar environments, but also to peripheral industries that depend on a single or major debtor and/or supplier as well as correlations within industries:
- Non-standard portfolios: Non-standard portfolios are an aggregation of credits of a specialised
 nature which cannot totally support their required level of facilities, based on the Bank's normal
 criteria, but where there are extenuating factors and sufficient credit risk mitigation in place to
 award such a portfolio. Non-standard portfolios are supported by dedicated policies including
 assessment, monitoring and management directives;
- Geography (excluding South Africa): The Bank seeks to avoid significant levels of exposure concentration, particularly in geographical areas with similar characteristics that may be sensitive to changes;
- Sovereign risk: Maximum credit appetite levels are set in terms of all sovereign risk;
- Collateral/credit risk mitigation: The Bank reviews any high levels of concentration of collateral security, including credit insurance and particularly equities due to frequent price movements; and
- Large exposures: Large wholesale exposures on individual names are recognised and reported to and approved by the large exposure credit approval committee, a sub-committee of the Board.

Credit risk measurement

Credit risk measurement forms an integral part of the management of credit risk. Through the implementation of the Basel II requirements for the AIRB approach for credit risk in the Bank, the rating systems used provide a consistent focus on credit risk measurement. These risk parameters have been used in the calculation of regulatory capital for the Bank from the live date of Basel II, being 1 January 2008.

The Bank uses two master rating scales for measuring credit risk. The first measures borrower risk without the effect of collateral and any credit risk mitigation (ie PD rating only), while the second

measures transaction risk (ie EL), which incorporates the effect of collateral and any credit risk mitigation.

All credit applications are required to carry the borrower PD rating from the NGR master rating scale, estimate of LGD and overall transaction rating from the Bank's transaction rating master rating scale.

The comprehensive PD rating scale, which is mapped to default probabilities and external rating agency rating scales, enables the Bank to rate all borrowers on a single scale, whether they are the very best corporate or most risky borrower. The principal benefit thereof is that comparisons can be made between the riskiness of borrowers making up various portfolios. A brief explanation of the scale follows (the same rating scale is used for Basel II credit risk capital calculations):

NGR01 to NGR20 reflect a profile of credit risk starting with very-low-risk borrowers with a PD as low as 0.01 per cent., to risky borrowers with a default probability as high as approximately 8 per cent.

NGR21 to NGR25 represent very-high-risk borrowers with default probabilities of 10 per cent. or more. While many banks would generally not expose themselves to this degree of risk, these rating grades exist for three reasons:

- being an emerging market, there are times when local banks would be willing to take on this level of risk, while pricing appropriately;
- it caters for borrowers that were healthy but have migrated down the rating scale to the point of being near default; and
- from time to time the Bank may grant facilities to very risky borrowers on the basis of significant collateral offered. This particular rating scale measures only the likelihood of the borrower defaulting and does not recognise that a very high level of default risk may well have been successfully mitigated.

The final ratings on the scale represent those borrowers that have defaulted. NP1 applies to recent defaults, NP2 represents those accounts in respect of which the Bank is proceeding to legal recovery of moneys owing and NP3 is for long-term legal cases, exceeding a period of 12 months.

Basel II specifically requires that AIRB banks maintain two ratings, one measuring the probability of the borrower defaulting and the second considering facility characteristics. The NTR scale reflects EL as a percentage of exposure at default ("EAD") and contains 10 rating bands – the first three bands representing facilities of very low risk, the next three bands being for facilities of average or acceptable risk and the final four bands indicating facilities of high or very high risk.

The NTR scale measures the total or overall credit risk (ie expected loss) in individual exposures, thereby allowing credit officers to consider the mitigating effect of collateral, other credit risk mitigation and recovery rates on borrower risk. This reflects the true or complete measurement of credit risk, incorporating not only PD, but importantly also LGD.

Both rating scales are based on the requirements of Basel II, namely that defaults that are 90 days or more past due date be consistently recognised across the Group as exposures, unless there are other qualitative considerations that render default classification prior to that point. All estimates are also based on a through-the-cycle ("TTC") view of risk. Basel II requires banks to base their LGD estimates for regulatory-capital requirements on a downturn scenario (ie downturn LGD), rather than an average TTC loss estimate. Downturn LGD therefore represents what could be expected in downturn economic conditions in the trough of a business cycle.

Non-Performing Loans and Impairment Policy

The Group regularly assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has (or events have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;

- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cashflows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group (including adverse changes in the payment status of borrower in the Group or national or local economic conditions that correlate with defaults on the assets in the Group).

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cashflows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

The Group first assesses whether there is objective evidence of impairment individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that there is no objective evidence of impairment for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal may not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date on which the impairment is reversed. The amount of the reversal is recognised in profit or loss for the period.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value, because its fair value cannot be reliably measured, or on a derivative asset that is linked to and has to be settled by delivery of such an unquoted equity instrument, or a financial asset that is carried at cost because its fair value could not be determined, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and that present value of estimated future cashflows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised directly in equity is removed from equity and recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss of an investment in equity instrument classified as available-for-sale are not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss for the period.

Maximum credit risk

Credit risk arises principally from loans and advances to clients, investment securities derivatives and irrevocable commitments to provide facilities. The maximum credit risk is typically the gross carrying amount, net of any amounts offset and impairment losses. The maximum credit exposure for loan

commitments is the full amount of the commitment if the loan cannot be settled net in cash or using another financial asset.

Principal Rating Processes

An overview of the principal rating processes follows:

Corporate including small and medium enterprises ("SMEs"), specialised lending and purchased corporate receivables, sovereign and bank

The Bank's corporate lending portfolio includes a number of subportfolios, including:

- large corporates;
- large private firms;
- SMEs;
- commercial property finance;
- property development finance;
- project finance;
- leveraged buyouts and BEE finance;
- commodity finance;
- exposures to sovereigns; and
- exposures to other banks.

A range of bespoke rating models has been developed to rate these various subportfolios and to produce estimates of PD, LGD and EAD. All models are developed in accordance with international best practice and are, wherever possible, based on the Bank's own internal data and long-run default experience. For certain low-default portfolios, such as exposures to other banks, the Bank simply does not have sufficient default experience to allow robust statistical modelling. In these instances suitable data has been sourced from appropriate data bureaus and the models developed in terms thereof. When external data is used to develop the models, great care is taken to ensure it is both appropriate and relevant.

When utilising models to rate corporate exposures, a pure statistical approach is not always the best option. While the Bank's models include both financial and qualitative factors, it is not always possible or even appropriate to include all relevant qualitative information in model inputs. For this reason all corporate ratings are subject to review by suitable experts, who have the authority to override model-based ratings within well-defined authority levels.

All subportfolios utilise the Basel II standard definition of default of 90 days overdue, although the earlier recognition of default is encouraged, when appropriate.

For one subportfolio (property development finance) the Bank makes use of the supervisory slotting approach to map internal ratings to five supervisory categories, each of which is associated with a specific risk weight. A rating model is under development for the property development finance (high-volatility commercial real estate) portfolio, which will allow the Bank to utilise its own estimates of PD for this portfolio.

Equities

The Bank utilises the simple risk-weighted method for equity exposures that are held in its banking book, other than in respect of investments in property holding and development companies where the PD/LGD approach is utilised. These equity exposures typically originate when the Bank takes an equity stake in a property company over and above normal lending exposure to such entity, and both the equity and lending exposures are accorded the same PD, although the prescribed supervisory LGD of 90 per cent. is used for the equity exposure.

Retail

The Bank's retail portfolio comprises a number of subportfolios, including the following:

- residential mortgages;
- vehicle and asset finance;
- credit cards;
- personal loans;

- retail SMEs; and
- overdrafts.

All applications are rated at the time of application by way of a number of bespoke rating scorecards tailored to the various segments that make up the portfolio. These scorecards have been internally developed and are based on the Bank's own default experience for this portfolio and developed on internal data, relevant credit bureau data or a suitable combination thereof.

The existing subportfolios are rerated monthly via a range of bespoke behavioural scorecards that have been developed based on the Bank's own internal data and experience of the portfolios.

Given the volumes of default data that exist in respect of retail portfolios, a pure statistical approach has been followed in respect of all rating models, including PD, LGD and EAD. Models are developed in accordance with best-practice methodologies. As the large data volumes used to develop these models mean that the likelihood of statistical anomalies is considerably reduced, rating overrides are not permitted on retail exposures.

The Bank has implemented processes within its AIRB Framework to conduct back-testing and so actively monitor the performance of all models, including analysing model predictions against actual outcomes. A direct comparison is not appropriate as models are calibrated to cycle neutral default rates, but we are able to neutralise the impact of changes in the economic cycle when doing such comparisons. Formal back-testing of the models takes place at least annually and the models are also monitored on an ongoing basis to ensure that they remain predictive.

Market Risk

Market risk, being the risk of revaluation of any financial instrument as a consequence of changes in market prices or rates, exists in all trading, banking and investment portfolios. Market risk in the Group arises in three main areas:

- market risk (or position risk) in the trading book arises exclusively in Nedbank Capital;
- equity (investment) risk in the banking book arises in the private-equity and property portfolios within the Nedbank Capital and Nedbank Corporate clusters respectively, and in other strategic investments of the Group; and
- interest rate risk in the banking book ("IRRBB") arising from repricing and/or maturity mismatches between on and off-balance-sheet components originated across all the business clusters. This is covered in the "Asset and Liability Management" section.

Market risk governance structures and processes

The Board approves the market risk appetite and related limits for both the banking book (asset and liability management and investments) and trading book. Group Market Risk Monitoring reports on the market risk portfolio and is instrumental in ensuring that market risk limits are compatible with a level of risk acceptable to the Board. Risk taking in the trading activities remained within the Group's market risk appetite and limits at all times during the year.

Market (position) risk (ie risk from taking proprietary trading positions) means the risk of loss in on and off-balance-sheet positions arising from movements in market prices. This risk covers trading book:

- interest rate risk:
- equity position risk;
- foreign exchange risk, including gold;
- commodities risk; and
- options risk (in each of the above risks).

The above risks are managed in terms of the Market Risk Framework referred to above, which ensures that market risks are identified and managed. Relevant Group, Bank and business level policy and methodology documentation supports this framework.

Market (position) risk measurement and reporting systems

Market risk exposures for trading activities are measured using value at risk ("VaR"), supplemented by sensitivity and stress scenario analyses, and limit structures are set accordingly.

The VaR risk measure estimates the potential loss in pre-tax profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach

that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99 per cent. VaR number used by the Group reflects the 99 per cent. probability that the daily loss will not exceed the reported VaR.

VaR methodologies, employed to calculate daily risk numbers, utilise the historical approach to calculate exposure.

While VaR captures the Bank's exposure under normal market conditions, sensitivity and stress scenario analyses (and in particular stress testing) are used to add insight to the possible outcomes under abnormal market conditions. The Group uses a number of stress scenarios to measure the impact on portfolio values of extreme moves in markets, based on historical experience as well as hypothetical scenarios. The stress-testing methodology assumes that all market factors move adversely at the same time and that no actions are taken during the stress events to mitigate risk, reflecting the decreased liquidity that frequently accompanies market shocks.

A comprehensive revision of the market risk management and reporting system was undertaken during 2007. The revision provides for additional flexibility in reporting and monitoring market risk exposures as well as providing an improved capability to rerun components of the environment.

Market risk reports are available at a variety of levels and with a variety of details, ranging from individual trader level right through to a Group level view of market risk. Market risk limits are approved at Board level and are reviewed periodically, but at least annually. The limits approved by the Board are VaR and stress trigger limits. These limits are then allocated to the business clusters, and exposures against these limits are reported to management and Bank executives on a daily basis.

The market risk management environment also makes extensive use of sensitivity and stress testing to ensure that conditions that may not be highlighted by the VaR methodology utilised are identified and appropriately managed within limit structures approved at cluster level. Market risk exposures are measured and reported on a daily basis. Documented policy and procedures are in place to ensure that exceptions are resolved in a timely manner.

The Bank currently has regulatory approval for the standardised approach for market (position) risk.

Asset and liability management

ALM addresses three of the Bank's major risk types, namely liquidity risk, interest rate risk in the banking book and foreign currency translation risk in respect of foreign investments and/or foreign loans or borrowings.

ALM is one of three support functions to ALCO, specifically facilitating this committee's responsibility regarding these three important risks. ALM, which reports direct to the Group Chief Financial Officer, is supported by an established ALM desk and maintains close interaction with the centralised funding desk, both of which are located in the Treasury dealing room. These desks facilitate the implementation of on and off-balance-sheet strategies by providing access to products and tools available within Group Treasury.

Liquidity Risk

Liquidity risk is the risk that the Bank will not meet all payment obligations as liabilities fall due. It also represents the risk associated with not being able to realise assets to meet depositor repayment obligations in a stress scenario.

The Bank's role in financial intermediation is the transformation of short-term deposits into longer-term loans. This mismatch arises due to a depositor's requirement to have short to medium-term access to its asset versus a borrower's requirement to service debt over the long term in order to ensure affordability. This makes banks inherently susceptible to liquidity mismatches, particularly in times of distress. Accordingly, banks rely on ready access to money and capital markets to source liquidity from bank and non-bank participants with surplus liquidity. In an orderly functioning market, banks manage these mismatches with relative ease through a combination of strategic initiatives.

The recent international market turbulence that continues to affect many financial markets around the world has sharply focused attention on the crucial role liquidity plays in assuring the effective functioning of the banking sector and related markets. The significant reduction of liquidity in short-term international money markets and virtual drying-up of liquidity in the securitisation market, coupled with problems in accessing funding in the secured financing markets even for highly rated

assets have caused severe liquidity difficulties for many international companies in funding their on and off-balance-sheet liquidity requirements.

The impact of these events on the Bank, however, has not been material, primarily because of the Group's immaterial foreign-funding requirements, small relative international footprint and relatively small conduit business that has no foreign balance sheet components. In addition the Bank has and continues to have no direct exposure to the US subprime market.

Although the impact of recent global liquidity developments has not been significant for the Bank, ALCO continues to monitor these developments closely to identify any early signs of contagion within the South African markets in order to manage such risk appropriately.

Liquidity risk governance structures

The Group is exposed to potential liquidity risk throughout its operations because of the natural liquidity mismatches discussed above. Accordingly, liquidity management is a vital risk function in all entities across all jurisdictions and currencies, and is a key focus of the Group.

Ultimate responsibility for liquidity risk management rests with the Board, which has approved an appropriate liquidity risk management framework for the management of the Group's funding requirements and liquidity mismatches. This framework includes, *inter alia*, appropriately constituted non-executive and executive risk committees, a funding strategy forum, a centralised funding desk and divisional pricing/interest rate committees. It also includes appropriately defined charters for these forums as well as supporting policies and limits defining the risk appetite.

Liquidity risk management

To manage this risk, the liquidity team is responsible for the following:

- industry benchmarking;
- analysing and decreasing the concentration of short term funding maturities;
- diversifying the range of products offered to financial institutions;
- maintaining and managing a portfolio of available liquid securities;
- performing assumptions based sensitivity analysis to assess potential cash flows at risk;
- monitoring sources of funding for contingency funding needs;
- monitoring daily cash flow movements across the Bank's various payment streams;
- actively managing the daily settlements and collateral management processes;
- creating and monitoring liquidity risk limits; and
- maintaining an appropriate term mix of funding.

Management of the Bank's funding profile

Funding risk is the risk that the Bank does not have an appropriate mix of funding sources. This represents the risk of not having a diversified funding base by market segment, term structure (term to maturity), product range and client mix. High concentration in any one of these categories poses the risk that the Bank may have insufficient funding opportunities for advances growth or during a liquidity stress scenario.

The Bank's overall funding profile is managed through funds transfer pricing principles, involvement in the relevant product development and pricing committees of the Bank and development of funding product and pricing solutions with certain business units. The Bank's funding base is compared monthly with its industry peers to ensure that it is well diversified in terms of term structure and market segment of funding (financial institutions, government, corporates and retail clients). On both counts, the Bank is in line with market norms and has a well diversified funding portfolio.

Liquidity contingency planning

Product behaviour assumptions are assessed and stress analysis is performed on the current liquidity position in order to assess potential cash flows at risk. Consideration is given to a variety of appropriate contingency funding mechanisms aimed at ensuring the Bank remains liquid during stress conditions. In addition, the ALM team monitors and manages the Bank's portfolio of available liquid sources against these stress assumptions.

IRRBB

IRRBB is a normal part of banking and can be an important source of profitability and shareholder value. It arises primarily from repricing differences between assets and liabilities associated with banking (i.e. non-trading) activities. Changes in interest rates can impact the Bank's earnings as well as the economic value of assets and liabilities. Interest rate risk in the banking book can be measured by the sensitivity of the balance sheet and income statement due to changes in interest rates.

IRRBB governance

The interest rate risk of the Group is governed by its ALCO. Interest rate risk in the banking book is reported to ALCO on a monthly basis. ALCO monitors the risk exposures and the effectiveness of the interest rate risk management and reports to the Group Risk and Capital Management Committee and the Board. The committee meets monthly and is chaired by the CFO.

IRRBB management

IRRBB is managed through a combination of on and off-balance-sheet strategies, including hedging activities. The principal interest-rate-related contracts used in the year ended 31 December 2007 included interest rate swaps and forward rate agreements. Basis products, caps, floors and swaptions are used to a lesser extent. IRRBB strategies are evaluated regularly to align with interest rate views and defined risk appetite, ensuring that optimal on and off-balance-sheet strategies are applied, either positioning the balance sheet or protecting interest income through different interest rate cycles. The balance sheet was well-positioned for interest rate increases experienced in 2007, enhancing net interest income during this period.

The Bank is exposed to interest rate risk primarily because:

- the Bank writes a large quantum of prime-linked assets;
- funding is prudently raised across the curve at fixed-term deposit rates that reprice only on maturity;
- short-term demand funding products reprice to different short-end base rates;
- certain accounts with non-determinant maturity dates (typically current and savings accounts) are non-rate sensitive; and
- the Bank has a mismatch in net non-rate-sensitive balances, including shareholders' funds that do not reprice for interest rate changes.

IRRBB measurement

The Group employs various analytical techniques to measure interest rate sensitivity within the banking book. This includes a static reprice gap analysis, simulated modelling of the Bank's EaR and economic value of equity for a standard interest rate shock, as well as stress-testing EaR and economic value of equity for a number of stressed interest rate scenarios. These analyses include the application of parallel and non-parallel interest rate shocks and rate ramps.

Operating Risks – business and operational risks

Business risk

Business risk is the risk of adverse outcomes resulting from a weak competitive position or from a poor choice of strategy, markets, products, activities or structures. Major potential sources of business risk include revenue volatility owing to factors such as macroeconomic conditions, inflexible cost structures, uncompetitive products or pricing, and structural inefficiencies.

The Group actively manages business risk through the various management structures, as set out in the ERMF, and within Group Capital Management by using an EaR risk methodology similar to the Group's risk appetite metrics. It is one of the major risk types within the Group's Economic Capital Model.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and/or from external events, including legal risk but not strategic or reputational risk.

Operational risk governance

To minimise the exposure to operational risk that arises as a consequence of the Group's financial risk-taking (credit and market) and operating activities, the Bank has embedded the Group

Operational Risk Management Framework ("GORF"), which facilitates a consistent approach to operational risk management ("ORM").

Operational risk is inherent in most of the Group's activities and other key risk types, and there are a variety of operational risk sources. This necessitates an integrated approach to the identification, measurement, management and monitoring of operational risk.

The Group has approval from the Registrar of Banks to use the standardised approach to operational risk for Basel II regulatory capital from 1 January 2008.

Operational-risk management

Business management is responsible for the identification, management and monitoring of risk. Operational risk is addressed at the divisional enterprise-wide risk committees ("ERCOs"). Significant operational risks are escalated to the cluster operational-risk committees and then, if warranted, to the Board's Group Risk and Capital Management Committee. Operational-risk officers, who are tasked with coordinating the implementation and maintenance of the operational-risk management processes and GORF in the business, support management in the execution of its duties.

Group Operational-risk Monitoring ("GORM") functions in the second line of defence, its primary responsibilities being to maintain the Operational-risk Management Framework (which incorporates Basel II requirements), policies and enablers to support operational-risk management in the business. GORM also oversees the implementation of the Basel II requirements for operational risk.

Specialist functions in Group Risk, for example Forensic Services, Business Continuity Planning, Group Legal and Corporate Insurance, also assist frontline businesses with specialist advice, policies and standard setting. Pervasive operational-risk trends are monitored and reported to the Group Risk and Capital Management Committee.

Group Internal Audit (the third line of defence) and Enterprise Governance and Compliance provide assurance to the Board that the Operational-risk Management Framework is sound and that the policies and processes related to operational-risk management are adhered to.

Operational-risk measurement, policies and reporting systems

The three primary operational-risk management processes in the Group are risk assessment, loss data collection and the tracking of key risk indicators, which are designed to function in a mutually reinforcing manner.

Risk and control self-assessments are designed to be forward-looking. In other words, management is identifying risks that could threaten the achievability of business objectives, together with the required set of controls and actions, to mitigate the risks. Loss data collection and tracking are backward-looking and enable the monitoring of trends and the analysing of the root causes of loss events. Key risk indicators are designed to be both forward and backward-looking in the sense that they function not only as early-warning indicators but also as escalation triggers where set risk tolerance levels have been exceeded.

The results of the three processes are utilised to enhance the internal control environment, with the ultimate aim of reducing losses incurred, improving process efficiency and reducing earnings volatility.

Risk profiles, loss trends and risk mitigation actions are reported to and monitored by the risk governance structures of the Group.

Management is responsible for developing and maintaining control environments to mitigate operational risks inherent in their business. Specific mitigating action is reported at the ERCOs.

The Group is in the process of finalising operational-risk tolerance levels and incorporating these into the overall risk-adjusted performance calculations of the Group that will drive performance measurement and recognition of the Group. As at the date of this Prospectus the Basel II standardised-approach capital requirements are used in the Group's Economic Capital Model.

The Board annually reviews and approves Group level policies.

There are several other important operational-risk specialist functions that assist the Bank in managing operational risk. These functions include but are not limited to:

- information security;
- safety and security services;
- regulatory-risk services (including money-laundering control, financial advice and the new credit legislation awareness);

- forensic services;
- business continuity planning and disaster recovery;
- legal-risk management; and
- the Group insurance programme.

The Group considers financial crime to be a major operational risk. For this reason the Group pursues a vigorous policy of mitigating this risk through the following measures:

- pursuance of a zero-tolerance policy in respect of staff dishonesty;
- proactive identification and prevention of criminal activity against the Group;
- reactive investigation and recovery of losses; and
- close cooperation with government and industry roleplayers to ensure the successful apprehension and conviction of the perpetrators of financial crime.

Recent Developments

The Bank's results as at and for the six months ended 30 June 2008 and the major changes since 31 December 2007 were as follows:

- total assets increased to R520.1 billion from R460.6 billion;
- advances increased to R438.7 billion from R389.3 billion;
- deposits increased to R408.3 billion from R373.2 billion;
- headline earnings at R2,778 million were slightly down on the comparative figure for the first six months of 2007, where headline earnings were R2,809 million; and
- Tier 1 and capital adequacy increased to 8.6 per cent. and 11.8 per cent. from 7.7 per cent. and 11.2 per cent.

In the context of a tougher economic environment the Bank's wholesale businesses continued to perform well, but earnings in the retail businesses decreased as a result of higher impairment charges.

The deteriorating macroeconomic outlook has made 2008 significantly more challenging for the South African economy and the banking sector. There has been underlying growth in assets and net interest income, but impairment levels, arising mainly from the retail portfolios, have now risen above the Bank's through-the-cycle expectations of 0.55 to 0.85 per cent. of average interest earnings advances.

To manage the business through the current high interest rate cycle the Bank has, for some time, been strengthening collection and risk processes, controlling cost growth and improving capital ratios. At the same time the Bank continues to focus on and invest in areas with medium- to long-term growth potential and capitalise on the opportunities created by more volatile market conditions.

The South African economic environment continued to deteriorate during the first half of 2008. Supply-side inflationary pressure led to further interest rate increases in April and June, adding to the credit stress levels of consumers. The resultant slowdown in economic growth is reflected in lower retail sales, vehicle sales and house prices. Credit provisioning levels have increased in Nedbank Retail and Imperial.

The Bank's wholesale banking bias has provided support within the current environment. Corporate advances growth remained resilient, boosted by the downstream activity from increasing fixed investment.

THE BANKING SECTOR IN SOUTH AFRICA

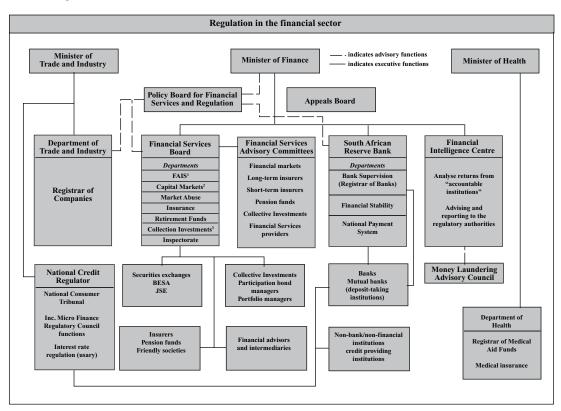
The South African banking system is well developed and effectively regulated, comprising a central bank, several large, financially strong banks and investment institutions, and a number of smaller banks. Many foreign banks and investment institutions have also established operations in South Africa over the past decade. The South African Government is a subscriber to the IMF and World Bank regulations and policies. South African banks are regulated by the Banking Supervision Department of the South African Reserve Bank ("SARB") and are required to comply with the Regulations Relating to Banks issued under the Banks Act 1990, which implements Basel II in South Africa. South Africa is a member of the International Liaison Group of the Basel Committee.

The National Payment System Act of 1998 was introduced to bring the South African financial settlement system in line with international practice and systematic risk management procedures. The Payment Association of South Africa, under the supervision of the SARB, has facilitated the introduction of payment clearing house agreements. It has also introduced agreements pertaining to settlement, clearing and netting agreements, and rules to create certainty and reduce systemic and other risks in inter-bank settlement. These developments have brought South Africa in line with international inter-bank settlement practice. Electronic banking facilities are extensive, with a nationwide network of automatic teller machines (ATMs) and internet banking being available.

South Africa is considered to have a sophisticated financial system and banking sector which compares favourably with those of other industrialised countries.

Regulation

Financial regulation in South Africa is currently performed by several agencies. The financial regulatory structure for the regulation of the financial system, financial intermediaries and advisers is shown in the diagram overleaf.



Notes:

- (1) Financial Advisory and Intermediary Services.
- (2) The Registrar may also regulate or prohibit the sale of unlisted securities.
- (3) Absolute (hedge) funds are not regulated at this time.

Source: Financial Sector Forum at www.finforum.co.za, 26 September 2006.

Financial regulation legislation in South Africa is increasingly following international best practice through the accords of international bodies such as the Bank of International Settlements (BIS); the

International Organization of Securities Commissions (IOSCO); and the International Association of Insurance Supervisors (IAIS). Banks in South Africa are governed by various acts and legislation, most significantly the Banks Act, 1990 (the "Banks Act") which is primarily based on similar legislation in the United Kingdom, Australia and Canada.

As a result of the increasingly diversified business activities of South African banks and their central role in the provision of credit in the retail market, legislation aimed at protecting certain types of consumers has been enacted in South Africa. The National Credit Act, 2005 (the "NCA") regulates, among others the granting of consumer credit and advanced standards of consumer information and has made significant changes to the interest, costs and fees which retail banks and other credit providers may charge consumers in South Africa. The maximum prescribed interest rates which may be levied on credit agreements are set out in the regulations to the NCA. The NCA further stipulates a closed list of costs and fees which may be recovered under a credit agreement in addition to the capital amount and interest. These are an initiation fee, a monthly service fee, default administration costs and collection costs. The initiation fee for arranging the credit agreement may not exceed the maximum prescribed amount, monthly service fees for the banks administration of the agreement are currently capped at a maximum of R50.00, default administration charges must be levied in accordance with the Magistrates' Court Act, 1944 and collection costs are also limited. Other charges which may be applicable are strictly regulated and may only be levied if specifically listed in the NCA, and to the extent permitted. The NCA also requires each credit provider to register with the National Credit Regulator. In addition, certain credit agreements which contain unlawful provisions in terms of the NCA could potentially be rendered void ab initio.

The Competition Commission launched an independent public enquiry into particular aspects of competition in retail banking and the national payment system in South Africa in August 2006 (the "Enquiry"). The broad focus of the Enquiry is on:

- 1. ATM Fees, Customer allocation and other related issues
- 2. Payment Cards and Interchange Fees
- 3. The National Payment System
- 4. Pricing Behaviour and Market Power

After a number of information requests to South African banks and a number of public hearings in the first half of 2007, the Competition Commission held a number of working group sessions in the fourth quarter of 2007, focusing on the possible introduction of a direct charging model for ATM transactions and a methodology for revising the level of interchange fees for payment card transactions. In July 2008, the Enquiry published an executive summary of its findings and recommendations to address any competition concerns. The Enquiry's full report is expected to be published by the end of 2008. Upon release of the Enquiry's full report, the Competition Commissioner is expected, in consultation with key stakeholders (including financial institutions and consumer organisations), to consider whether any of the Enquiry's recommendations should be implemented.

SARB

SARB is responsible for bank regulation and supervision in South Africa with the purpose of achieving a sound, efficient banking system in the interest of the depositors of banks and the economy as a whole. It performs this function through the Office of the Registrar of Banks which issues banking licences to institutions and monitors their activities under the applicable legislation. The Registrar of Banks has extensive regulatory and supervisory powers. Every bank is obliged to furnish certain prescribed returns to the Registrar of Banks in order to enable him to monitor compliance with the formal, prudential and other requirements imposed on banks by, inter alia, the Banks Act. Such regulations may be and are amended from time to time in order to provide for amendments and additions to the prescribed returns, and the frequency of submission thereof. The Registrar of Banks acts with relative autonomy in executing his duties, but has to report annually to the Minister of Finance, who in turn has to table this report in Parliament. The extent of supervision entails the establishment of certain capital and liquidity requirements and the continuous monitoring of bank's adherence to legal requirements and other guidelines. The performance of individual banks is also monitored on an ongoing basis against developments in the banking sector as a whole. If deemed necessary, inspectors can be appointed to inspect the affairs of any bank, or any institution or person not registered as a bank if there is reason to suspect that such an institution or person is carrying on the business of banking.

The prescriptions contained in Basel II have necessitated a review of the regulations relating to banks. Currently the banking industry works within a three tiered framework the Banks Act, regulations and Banks Act circulars. Effecting changes to the Banks Act requires Parliamentary approval and changes to the regulations require the approval of the Minister of Finance. The Steering Committee of the Accord Implementation Forum has proposed that the third tier be expanded to include guidance notes to detail agreed market practice. These guidance notes will not empower the regulator to create regulations but will provide for more flexibility in clarifying market practice within the confines of the Banks Act and regulations as agreed between market participants (Accord Implementation Forum Steering Committee Position Paper 63).

In particular, certain provisions of the Banks Act have been amended, with effect from 1 January 2008, as read with the "Regulations Relating to Banks" promulgated under section 90 of the Banks Act (the "Regulations Relating to Banks"), in order, among other things, to provide for the issue by a bank of:

- "hybrid-debt instruments", substantially on the terms and conditions set out in Regulation 38(13) (as amended) of the Regulations Relating to Banks, and for the proceeds of the issue of such "hybrid-debt instruments" to qualify as Primary Share Capital;
- "hybrid-debt instruments", substantially on the terms and conditions set out in Regulation 38(14)(a) of the Regulations Relating to Banks, and for the proceeds of the issue of such "hybrid-debt instruments" to qualify as Undated Secondary Capital;
- term debt instruments, substantially on the terms and conditions set out in Regulation 38(14)(b) of the Regulations Relating to Banks, and for the proceeds of the issue of such term debt instruments to qualify as Dated Secondary Capital;
- debt instruments, substantially on the terms and conditions set out in Regulation 38(16) of the Regulations Relating to Banks, and for the proceeds of the issue of such debt instruments to qualify as Tertiary Capital.

The Bank holds a full banking licence issued by the Registrar of Banks. It is an authorised dealer in foreign exchange in terms of the Exchange Control Regulations of the SARB. It is a Central Securities Depository Participant in Strate Limited, and is a full member of The Bond Exchange of South Africa Limited. It is also a member of the JSE Limited. It is an authorised financial services provider licensed by the Registrar of Financial Services Providers.

The Banks Act and regulations and circulars issued by the Registrar of Banks set out the framework governing the formal relationship between South African banks and SARB. Pursuant to this legislation, the Bank and representatives of the Registrar of Banks meet at regular bi-lateral meetings, annual trilateral meetings (with the Bank's auditors) and annual prudential meetings (with the heads of each of the Bank's business divisions). The Bank also engages in quarterly "group discussions" with the Registrar of Banks to assess its performance against its peer group and it is subject to onsite reviews.

The Bank's relationship with the Registrar of Banks is managed by a dedicated regulatory and compliance department (which reports to the CEO's office) to ensure open, constructive and transparent lines of communication. Informal meetings, updates, trends and strategies are reported to the Registrar of Banks on a regular basis. The Bank also employs a senior, independent compliance officer to ensure adherence to the applicable legislation.

The Bank views its relationship with the Registrar of Banks as being of the utmost importance and it is committed to fostering sound banking principles for the industry as a whole. In this regard, the Bank is a leading member of the Banking Association of South Africa whose role is to establish and maintain the best possible platform on which banking groups can conduct competitive, profitable and responsible banking.

Current Environment

As at 31 December 2007, there were 80 banks operating in South Africa – 17 registered banks, one bank under the *Supervision of Financial Institutions Rationalisation Act*, two registered mutual banks, 14 registered local branches of foreign banks and 46 approved representative offices of foreign banks (source: 2007 Annual Report of the Banking Supervision Department of the SARB). The five largest commercial banks are Absa Bank Limited, FirstRand Bank Limited, Investec Bank Limited, Nedbank Limited and The Standard Bank of South Africa Limited which continue to consolidate their position in the retail market (accounting for some 92 per cent. of deposits and 91 per cent. of assets).

Investment and merchant banking remains the most competitive sector in the industry. According to SARB, the banking sector in South Africa had total assets of R2.952 trillion at 30 June 2008 (source: SARB DI900 Report, June 2008).

Banking loans have grown with a compound annual growth rate of 40 per cent. between 2002 and 2007, representing a four-fold increase. Mortgage loans currently constitute the largest portion of total loans and advances in the South African banking sector, followed by overdrafts. It is expected that the growth of the percentage of population in the 15-64 year age group will lead to an increase in the demand for such banking products as loans for education, housing and personal use. Take up of insurance policies, mutual funds and other related products is also expected to rise. The SARB has controlled monetary activities by establishing cash reserve requirements whereby banks are required to hold 2.5 per cent. of their liabilities in cash at the SARB (bearing no interest).

The South African economy has grown at a rate of approximately 5 per cent. in each of the past three years, a level which is estimated to be slightly above potential. Real GDP growth is projected by the IMF at 4.8 per cent. for 2007 and 3.8 per cent. for 2008, from 5.0 per cent. in 2006. The National Treasury has a more optimistic growth projection of about five percent based on stronger capital formation and employment growth as well as continued strong total factor productivity growth.

The current account deficit reflects a private sector savings-investment imbalance and that rising investment (leading to capacity constraints and rising imports of basic inputs such as cement and steel) becomes an increasingly important driver of the deficit. Over the longer term the increased capacity should reduce the demand for import goods, whilst raising export competitiveness.

Government is confident that the higher current account deficit is a short to medium term phenomenon caused primarily by rising domestic investment and secondarily by healthy household consumption driven by rising real incomes. It is expected that capital inflows will remain high in the medium term, as the South African economy continues to grow rapidly.

The widening of the current account deficit and high reliance on portfolio equity inflows relative to other emerging market economies have raised vulnerability to external shocks (e.g. a weaker appetite for emerging market assets, a substantial rise in global interest rates or a sharp decline in commodity prices) and to a "sudden stop" in capital flows. A deteriorating international environment combined with South Africa's significant current account deficit has led government to increase domestic savings through a stronger fiscal position.

South Africa's strong fundamentals (including a flexible exchange rate regime and low external debt compared to other emerging market economies) should mitigate the impact of adverse external shocks on the economy. According to the IMF, external debt would remain below 30 percent of GDP even if the current account deficit increased by one percent of GDP over the next five years. South Africa and the IMF agree on the need to continue prudent fiscal and monetary policies in order to improve external vulnerability.

In 2000, the SARB implemented an inflation-targeting monetary framework characterised by the announcement of a numeric target for the inflation rate, to be achieved over a specified period of time. The current target is three to 6 per cent. of the South African consumer price index. Allowance can be made for the price effects of serious supply shocks such as changes in the international price of crude oil, higher food prices resulting from unfavourable weather conditions and dramatic changes in the international exchange rate of the Rand.

In its role of implementing policy, the SARB uses open-market operations on a weekly basis to determine the amount of liquidity made available to banks. The interest rate for repurchase transactions ("repo rate") is set by the Monetary Policy Committee which meets bi-monthly. The SARB raised the repo rate to 13.5 per cent. in September 2002 given a dramatic depreciation of the Rand. Following the subsequent stabilisation of the Rand, the repo rate reduced to a historic low of 7 per cent. in April 2005. However, concerns about credit extension and creeping inflation rate, has led to the SARB increasing the repo rate 10 times, to reach 12 per cent. in June 2008. The current inflation rate was 13.6 per cent. as at 30 September 2008. The SARB has changed the repo rate at three of its last five meetings (in December 2007, April 2008 and June 2008), and remains concerned about the continued rate of credit extension and increase in maize and oil prices.

The net saving ratio of the household sector (net savings to disposable income) reached a historic low of 0.7 per cent. in Q1 2008, reflecting the population's strong consumer appetite. It has since stabilised at or below these levels, reflecting a diminishing consumer appetite.

Credit extension by banks to the private sector has continued at high levels but have moderated from the very high levels seen in 2006 as a result of the increase in interest rates as well as the enactment of the NCA. Growth in total loans and advances to households has been on a somewhat declining trend compared to the strong upward trend in credit extension to the corporate sector.

EXCHANGE CONTROL

The information below is not intended as legal advice and it does not purport to describe all of the considerations that may be relevant to a prospective purchaser of notices. Prospective purchasers of notes who are non-South African residents or emigrants from the Common Monetary Area (defined below) are urged to seek further professional advice in regard to the purchase of Notes.

Exchange controls restrict the export of capital from South Africa, Namibia and the Kingdoms of Swaziland and Lesotho (collectively the "Common Monetary Area"). These exchange controls are administered by the ExCon and regulate transactions involving South African residents. The purpose of exchange controls is to mitigate the decline of foreign capital reserves in South Africa. The Issuer expects that South African exchange controls will continue to operate for the foreseeable future. The South African government has, however, committed itself to gradually relaxing exchange controls and significant relaxation has occurred in recent years. It is the stated objective of the South African authorities to achieve equality of treatment between South African residents and non-South African residents in relation to inflows and outflows of capital. This gradual approach towards the abolition of exchange controls adopted by the South African government is designed to allow the economy to adjust more smoothly to the removal of controls that have been in place for a considerable period of time.

The prior written approval of ExCon is required for the issuance of each Tranche of Notes issued under the Programme. The Issuer will obtain the prior written approval of ExCon for the issuance of each Tranche of the Notes under the Programme. The Final Terms applicable to each Tranche of Notes issued under the Programme will be required to contain a statement that the requisite ExCon approval has been obtained for that issuance.

In addition, no South African residents and/or their offshore subsidiaries may, without the prior written approval of ExCon, subscribe for or purchase any Note or beneficially hold or own any Note.

ExCon may (and is currently expected to) impose certain conditions on the issue of each Tranche of Notes under the Programme, for example, with regard to maturity, issue size and listing.

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport tobe a complete analysis of all tax considerations relating to the Notes, whether in that country or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

South African Taxation

Withholding Tax

Under current taxation law in South Africa, all payments made under the Notes to resident and nonresident Noteholders will be made free of withholding or deduction for or on account of any taxes, duties, assessments or governmental charges in South Africa.

Securities Transfer Tax

No securities transfer tax is payable on the issue or transfer of the Notes in terms of the Securities Transfer Tax Act, 2007.

Income Tax

Under current taxation law effective in South Africa a "resident" (as defined in section 1 of the South African Income Tax Act, 1962 (the "Income Tax Act") is subject to income tax on his/her world-wide income. Accordingly, all Noteholders who are tax resident in South Africa will generally be liable to pay income tax, subject to available deductions, allowances and exemptions, on any interest earned in relation to the Notes. Non-residents of South Africa are subject to income tax on all income derived from a South African source (subject to applicable double taxation treaties). Interest income is deemed to be derived from a South African source if it is derived from the utilisation or application in South Africa by any person of funds or credit obtained in terms of any form of "interest-bearing arrangement". The Notes will constitute an "interest-bearing arrangement". The place of utilisation or application of funds will, unless the contrary is proved, be deemed, in the case of a juristic person, to be that juristic person's place of effective management. The Issuer has its place of effective management in South Africa as at the date of this Prospectus. Accordingly, if the funds raised from the issuance of any Tranche of Notes are applied by the Issuer in South Africa, the interest earned by a Noteholder will be deemed to be from a South African source and subject to South African income tax unless such interest income is exempt from South African income tax under section 10(1)(h) of the Income Tax Act (see below).

However, under section 10(1)(h) of the Income Tax Act, interest received by or accruing to a Noteholder who, or which, is not a resident of South Africa during any year of assessment is exempt from income tax, unless that person:

- (a) is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during that year of assessment; or
- (b) at any time during that year of assessment carried on business through a permanent establishment in South Africa.

If a Noteholder does not qualify for the exemption under section 10(1)(h) of the Income Tax Act exemption from or reduction of any South African tax liability may be available under an applicable double taxation treaty. Furthermore, certain entities may be exempt from income tax. Purchasers are advised to consult their own professional advisers as to whether the interest income earned on the Notes will be exempt under section 10(1)(h) of the Income Tax Act or under an applicable double taxation treaty.

In terms of section 24J of the Income Tax Act, any discount or premium to the Nominal Amount of a Note is treated as part of the interest income on the Note. Interest income which accrues (or is deemed to accrue) to a Noteholder is deemed, in accordance with section 24J of the Income Tax Act, to accrue on a day-today basis until that Noteholder disposes of the Note or until maturity unless an election has been made by the Noteholder (if the Noteholder is entitled under Section 24J of the Income Tax Act to make such election) to treat its Notes as trading stock on a mark-to-market basis.

This day-to-day basis accrual is determined by calculating the yield to maturity and applying it to the capital involved for the relevant tax period. In practice the premium or discount is treated as interest for the purposes of the exemption under section 10(1)(h) of the Income Tax Act.

However, due to the elective nature of the Issuer's interest payment obligations under the Tier 1 Notes and the Undated Tier 2 Notes, it is unlikely that section 24J of the Income Tax Act will apply to deem interest actually paid by the Issuer on the Tier 1 Notes and the Undated Tier 2 Notes to accrue on the aforesaid day-to-day basis. Interest actually paid by the Issuer on Tier 1 Notes and the Undated Tier 2 Notes will, however, still be subject to South African income tax unless such interest income is exempt from South African income tax under section 10(1)(h) of the Income Tax Act.

Capital Gains Tax

Capital gains and losses of residents of South Africa on the disposal of Notes are subject to capital gains tax unless the Notes are purchased for re-sale in the short term as part of a scheme of profit making, in which case the proceeds will be subject to income tax. Any discount or premium on acquisition which has already been treated as interest for income tax purposes under section 24J of the Income Tax Act will not be taken into account when determining any capital gain or loss. Under section 24J(4A) of the Income Tax Act a loss on disposal will, to the extent that it has previously been included in taxable income (as interest), be allowed as a deduction from the taxable income of the holder when it is incurred and accordingly will not give rise to a capital loss.

Capital gains tax under the Eighth Schedule to the Income Tax Act will not be levied in relation to Notes disposed of by a person who is not a resident of South Africa unless the Notes disposed of are attributable to a permanent establishment of that person through which a trade is carried on in South Africa during the relevant year of assessment.

Purchasers are advised to consult their own professional advisers as to whether a disposal of Notes will result in a liability to capital gains tax.

Definition of interest

The references to "interest" above mean "interest" as understood in South African tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may created by the Terms and Conditions of the Notes or any related documentation.

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also with effect from 1 July 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of HSBC Bank plc and Nedbank Limited (acting through its Nedbank Capital division) (the "Dealers"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a Dealer Agreement dated 12 December 2008 (the "Dealer Agreement") and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act.

Each Dealer has represented, warranted and agreed that, and each further dealer appointed under the Programme will be required to agree that, it will not offer, sell or deliver the Notes within the United States except in accordance with Rule 903 or Regulation S or Rule 144A under the Securities Act.

In addition, until 40 days after the commencement of an offering of Notes, an offer or sale of Notes within the United States by any dealer whether or not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise that in accordance with Rule 144A.

Public Offer Selling Restriction Under The Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) Authorised institutions

At any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) Significant enterprises

At any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR43,000,000 and (3) an annual net turnover of more than EUR50,000,000, all as shown in its last annual or consolidated accounts:

(c) Fewer than 100 offerees

At any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) Other exempt offers

At any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Selling Restrictions Addressing Additional United Kingdom Securities Laws:

Each Dealer has represented, warranted and agreed that:

(a) No deposit-taking

In relation to any Notes having a maturity of less than one year:

- (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
- (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) Financial promotion

It has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(c) General compliance

It has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Selling Restrictions Addressing Additional Securities Laws:

South Africa

In relation to South Africa, each Dealer has (or will have) represented, warranted and agreed that it will not make an "offer to the public" (as such expression is defined in the South African Companies Act, 1973 (the "SA Companies Act")) of Notes (whether for subscription, purchase or sale) in South Africa. Accordingly, no offer of Notes will be made to any person in South Africa and accordingly this Prospectus does not, nor is it intended to, constitute a prospectus prepared and registered under the SA Companies Act.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Prospectus.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Prospectus, any other offering material or any Final Terms, in all cases at its own expense, and neither the Issuer nor any other Dealer shall have responsibility therefor.

TRANSFER RESTRICTIONS

Rule 144A Notes

Each purchaser of Notes issued pursuant to Rule 144A, by accepting delivery of this Prospectus, will be deemed to have represented, warranted and agreed that:

- (1) It is (a) a qualified institutional buyer within the meaning of Rule 144A, (b) acquiring Notes for its own account or for the account of a qualified institutional buyer and (c) aware, and each beneficial owner of Notes has been advised, that the sale of the Notes to it is being made in reliance on Rule 144A.
- (2) It understands that such Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a qualified institutional buyer purchasing for its own account or for the account of a qualified institutional buyer, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States.
- (3) It understands that such Notes will bear a legend to the following effect:
 - THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A) IN ACCORDANCE WITH RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION.
- (4) The Issuer, the Dealers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements. If it is acquiring any Notes for the account of one or more qualified institutional buyers, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.
- (5) It understands that the Notes offered in reliance on Rule 144A will be represented by one or more Rule 144A Global Note Certificates. Before any interest in a Rule 144A Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note Certificate, it will be required to provide a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.
- (6) Distribution of this Prospectus, or disclosure of any of its contents to any person other than such purchaser and those persons, if any, retained to advise such purchaser with respect thereto is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Notes outside the United States pursuant to Regulation S, by accepting delivery of this Prospectus, will be deemed to have represented, warranted and agreed that:

- (1) It (a) is aware that the sale of the Notes to it is being made pursuant to and in accordance with Rule 903 or 904 of Regulation S, (b) is, or at the time such Notes are purchased will be, the beneficial owner of those Notes and (c) is purchasing such Notes in an offshore transaction meeting the requirements of Regulation S.
- (2) It understands that such Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any State of the United States.
- (3) It is not an affiliate of the Issuer or a person acting on behalf of such affiliate.

FORM OF FINAL TERMS OF THE UNSUBORDINATED, TIER 2 AND TIER 3 NOTES

Final Terms dated [●]



NEDBANK LIMITED

(Registration Number 1951/000009/06) (incorporated with limited liability in South Africa)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the U.S.\$2,000,000,000

Euro Medium Term Note Programme

Issue Price: [●] per cent.

[Name(s) of Manager(s)]

The Final Terms in respect of each Tranche of Unsubordinated, Tier 2 and Tier 3 Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Unsubordinated, Tier 2 and Tier 3 Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated [●]

1

Issuer:

NEDBANK LIMITED

(Registration Number 1951/000009/06)
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the "Notes")
under the U.S.\$2,000,000,000

Euro Medium Term Note Programme

PART A - CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes set forth in the Prospectus dated 12 December 2008 [and the supplement to the Prospectus dated [●]] which [together] constitute[s] a base prospectus (the "Prospectus") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive"). This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Prospectus.

Full information on the Issuer and the Notes described herein is only available on the basis of a combination of these Final Terms and the Prospectus. The Prospectus is available for viewing at The Document Viewing Facility, Financial Services Authority, 25 The North Colonnade, London E14 5HS and on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/en-gb/pricenews/marketnews/ and copies may be obtained from the registered office of Nedbank Limited at 135 Rivonia Road, Sandown, Sandton 2196, South Africa.

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]

[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

Nedbank Limited

Notes which are to be admitted to trading on a Regulated Market in the European Economic Area or

circumstances where a Prospectus is required to be published under the Prospectus Directive may not have a minimum denomination of less than EUR50,000 (or

offered in the European Economic Area in

nearly equivalent in another currency)

2	[(i) Series Number:	[●]
	[(ii) Tranche Number: (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).	L - 10
3	Specified Currency or Currencies:	[●]
4	Aggregate Nominal Amount:	[●]
	[(i)] Series:	[●]
	[(ii) Tranche:	[●]]
5	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)].
6	(i) Specified Denominations:	

- (ii) Calculation Amount:

7 [(i)] Issue Date:

Maturity Date:

8

- [(ii) Interest Commencement Date:

[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]

[Specify/Issue Date/Not Applicable]]

[Subject to the applicable Capital Regulations, (i) Dated Tier 2 Notes must have a minimum Maturity Period of five years and one day, and (ii) Tier 3 Notes must have a minimum Maturity Period of two years and one day.]

If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the FSMA must be available.

9 Interest Basis: [[●] per cent. Fixed Rate] [[specify reference rate] +/-] [per cent. Floating Rate]

[Zero Coupon]

[Index-Linked Interest]

[Other (specify)]

(further particulars specified below)

10 Redemption/Payment Basis: [Redemption at par]

[Index-Linked Redemption]

[Dual Currency] [Instalment] [Other (specify)]

11 Change of Interest Redemption/ Payment Basis:

[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]

Put/Call Options: 12

[Investor Put] [Issuer Call]

[(further particulars specified below)]

13 [(i)] Status of the Notes: [Unsubordinated Notes]

[Subordinated Notes: Undated Tier 2 Notes/Dated Tier 2 Notes/Tier 3 Notes]

[(ii)] Additional Conditions:

[Applicable/Not Applicable] (if applicable give details)

[(iii)] [Date [Board] approval for issuance of Notes obtained:

(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)

[(iv)] [Date of approval(s) of Registrar of Banks issuance of obtained:

Required for each issue

[(v)] [Date of approval(s) of Exchange Control Department of the South African Reserve Bank for issuance of Notes obtained]

Required for each issue of Subordinated Notes

14 Method of distribution:

[Syndicated/Non-syndicated]

Provisions Relating to Interest (if Any) Payable

15 Fixed Rate Note Provisions

[Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Rate[(s)] of Interest:

- [•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear].
- (ii) Interest Payment Date(s):
- [•] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Additional Business Centre(s) for the definition of "Business Day"]/not adjusted].
- (iii) Fixed Coupon Amount[(s)]
- [per Calculation Amount.

(iv) Broken Amount(s):

- [ullet] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ullet].
- (v) Day Count Fraction:
- [30/360/Actual/Actual (ICMA/ISDA)/other]
- [(vi) Determination Dates:
- [] in each year (insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)].
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:

[Not Applicable/give details]

16 Floating Rate Note Provisions

[Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph.)

(i) Specified Period:

(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable".)

(ii) Specified Interest Payment Dates:

(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable".)

- (iii) First Interest Payment Date:
- (iv) Business Day Convention:

[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other (give details)]

- (v) Additional Business Centre (s):
- [Not Applicable/give details]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined:
- [Screen Rate Determination/ISDA Determination/ other (give details)]
- (vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent):

[[Name] shall be the Calculation Agent (no need to specify if the Fiscal Agent is to perform this function)].

(viii) Screen Rate Determination:

[For example, LIBOR or EURIBOR]

– Reference Rate:

- Interest Determination Date(s):
- Relevant Screen Page:
- Relevant Time:
- Relevant Financial Centre:

[The second day on which the TARGET system is open prior to the start of each Interest Period/The first day of each Interest Period/other (give details)].

[For example, Reuters LIBOR 01/EURIBOR 01]

[For example, 11.00 a.m. London time/Brussels time]

[For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]

- (ix) ISDA Determination:
 - Floating Rate Option:
 - Designated Maturity:
 - Reset Date:
- (x) Margin(s):
- (xi) Minimum Rate of Interest:
- (xii) Maximum Rate of Interest:
- (xiii) Day Count Fraction:
- (xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:

- [ullet]

[+/-][●] Per cent. Per annum

- [per cent. per annum
- [per cent. per annum
- [ullet]

17 Zero Coupon Note Provisions

(i) [Amortisation/Accrual] Yield:

(ii) Reference Price:

Index/Formula:

18

(i)

(iii) Any other formula/basis determining amount payable:

Index-Linked Interest Note Provisions

[Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- [per cent. per annum

[Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition 12(i)]

[Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

[Give or annex details]

- [•]
- (ii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent):
- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:
- (iv) Specified Period

- [left]

(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable".)

(v) Specified Interest Payment Dates:

(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable".)

(vi) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other (give details)] (vii) Additional Business Centre (s): (viii) Minimum Rate of Interest: [per cent. per annum (ix) Maximum Rate of Interest: [per cent. per annum Day Count Fraction: (xi) Market Disruption or Settlement [Describe any market disruption or settlement disruption events that affect the Index.] Disruption Events: [Applicable/Not Applicable] **Dual Currency Note Provisions** (If not applicable, delete the remaining sub-paragraphs of this paragraph) (i) of Exchange/method [Give details] calculating Rate of Exchange: Party, any, responsible calculating the principal and/or interest due (if not the Fiscal Agent): (iii) Provisions applicable where [ullet]calculation by reference to Rate of Exchange impossible or impracticable: (iv) Person at whose option Specified Currency(ies) is/are payable: **Provisions Relating to Redemption Call Option** [Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph) Consent of Registrar of Banks will be necessary where Notes are Subordinated Notes (i) Optional Redemption Date(s): Optional Redemption Amount(s) of [per Calculation Amount (ii) each Note and method, if any, of calculation of such amount(s): (iii) If redeemable in part: Minimum Redemption Amount: [per Calculation Amount (b) Maximum Redemption [per Calculation Amount Amount: (iv) Notice period: [Applicable/Not Applicable] Approval(s) of Registrar of Banks: (N.B. Only relevant where the Notes are Subordinated Notes) **Put Option** [Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)

21

19

20

Only applicable to Unsubordinated Notes

- (i) Optional Redemption Date(s):
- Optional Redemption Amount(s) and (ii) method, if any, of calculation of such amount(s):
- [] per Calculation Amount

(iii) Notice period:

(iv) Approval(s) of Registrar of Banks:

[Applicable/Not Applicable]

(N.B. Only relevant where the Notes are Subordinated Notes)

22 Final Redemption Amount of each Note

In cases where the Final Redemption Amount is Index-Linked or other variablelinked:

[[●] per Calculation Amount

[give or annex details]

- Index/Formula/variable: (i)
- Party responsible for calculating the Final Redemption Amount (if not the Fiscal Agent):
- Provisions for determining Final Redemption Amount where calculated by reference to Index and/ or Formula and/or other variable:
- (iv) Determination Date(s):
- Provisions for determining (v) Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:
- (vi) Payment Date:
- (vii) Minimum Final Redemption Amount:
- (viii) Maximum Final Redemption

- [leftharpoont]

[left]

- Amount:
- [] per Calculation Amount
- [per Calculation Amount

23 **Early Redemption Amounts**

- Early Redemption Amount (Regulatory) per Calculation Amount:
- Early Redemption Amount (Tax) per Calculation Amount:
- (iii) Make Whole Redemption Price:
- Early Termination Amount:

Make Whole Redemption Price

In the case of paragraph (a) of Tax Event, principal amount plus accrued interest (if any) to the date fixed for redemption

In the case of paragraph (b) of Tax Event, the Make Whole Redemption Price

[Not Applicable (if the Early Termination Amount is the principal amount of the NotesIspecify the Early Termination Amount if different from the principal amount of the Notes)]

General Provisions Applicable to the Notes

24 Form of Notes: Registered Notes:

[Rule 144A/Regulation S] Global Note Certificate exchangeable for individual Note Certificates in the limited circumstances specified in the Global Note Certificate.

- Additional Financial Centre(s) or other 25 provisions relating to Payment special Dates:
- 26 Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:
- 27 Other terms or special conditions:

[Not Applicable/give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 16(ii), 17(iv) and 19(vii) relate]

[Not Applicable/give details]

[Not Applicable/give details]

[(For Subordinated Notes, specify the Additional Conditions (if any) prescribed by the Registrar of Banks and those of the applicable Capital Regulations (if any) which are not set out in the Terms and Conditions and/or these Final Terms)]

(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)

Distribution

28 (i) If syndicated, names of Managers: [Not Applicable/give names] (ii) Stabilising Manager (if any): [Not Applicable/give name]

(iii) Date of Subscription Agreement [●]

29 If non-syndicated, name and address of Dealer:

[Not Applicable/give name and address]

30 TEFRA: Not Applicable

31 Total commission and concession: [●] per cent. of the Aggregate nominal amount

32 Additional selling restrictions: [Not Applicable/give details]

[Purpose of Final Terms

These Final Terms comprise the final terms required for issue and admission to trading on the [Regulated Market of the London Stock Exchange] of the Notes described herein pursuant to the U.S.\$2,000,000,000 Euro Medium Term Note Programme of Nedbank Limited.]

Responsibility

The Issuer accepts responsibility for the information contained in these Final Terms. [$[\bullet]$] has been extracted from $[\bullet]$. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by $[\bullet]$, no facts have been omitted which would render the reproduced inaccurate or misleading.]

_		
By:	 	
Duly authorised		

Signed on behalf of Nedbank Limited:

PART B – OTHER INFORMATION

1 **Listing And Admission to Trading**

Listing: [London/other (specify)[None] (i)

(ii) Admission to trading: [Application has been made by the Issuer (or on its

behalf) for the Notes to be admitted to trading on the Regulated Market of the London Stock Exchange/ [other] with effect from [●].] [Not Applicable.] (Where documenting a fungible issue need to indicate that original securities are already admitted to

trading.)

(iii) Estimate of total expenses related to admission to trading

[left]

2 **Ratings**

Ratings: The Notes to be issued have been rated:

> [Fitch: [•]] [Moody's: [●]] [[Other]: [•]]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been

specifically rated, that rating.)

3 [Interests of Natural and Legal Persons Involved in the [Issue/Offer]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in "Subscription and Sale", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]

(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)

Reasons for the Offer, Estimated Net Proceeds and Total Expenses 4

Reasons for the offer [•]

> (See "Use of Proceeds" wording in Prospectus - if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)

(ii) Estimated net proceeds:

(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state

amount and sources of other funding.)

[(iii)] Estimated total expenses [[Include breakdown of expenses.]

> (Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)]

5 [Fixed Rate Notes Only - Yield

Indication of yield:

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6 [Index-Linked Or Other Variable-Linked Notes Only – Performance of Index/Formula/Other Variable and Other Information Concerning the Underlying

Need to include details of where past and future performance and volatility of the index/formulal other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]

(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)

The Issuer does not intend to provide post-issuance information.

7 [Dual Currency Notes Only – Performance of Rate[s] of Exchange

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]

(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)

8 Operational Information

-	
ISIN Code:	[●]
Common Code:	[●]
CUSIP:	[●]
Any clearing system(s) other than Euroclear Bank S.A./N.V., Clearstream Banking, société anonyme and/or DTC and the relevant identification number(s):	[Not Applicable/give name(s) and number(s)]
Delivery:	Delivery [against/free of] payment
Names and addresses of initial Paying Agent(s)	[●]
Names and addresses of additional Paying Agent(s) (if any):	[●]

FORM OF FINAL TERMS OF THE TIER 1 NOTES

Final Terms dated [●]



NEDBANK LIMITED

(Registration Number 1951/000009/06) (incorporated with limited liability in South Africa)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the U.S.\$2,000,000,000

Euro Medium Term Note Programme

Issue Price: [●] per cent.

[Name(s) of Manager(s)]

The Final Terms in respect of each Tranche of Tier 1 Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Tier 1 Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated [●]

NEDBANK LIMITED

(Registration Number 1951/00009/06)
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the "Notes")
under the U.S.\$2,000,000,000

Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions of the Tier 1 Notes set forth in the Prospectus dated 12 December 2008 [and the supplement to the Prospectus dated [●]] which [together] constitute[s] a base prospectus (the "Prospectus") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive"). This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Prospectus.

Full information on the Issuer and the Notes described herein is only available on the basis of a combination of these Final Terms and the Prospectus. The Prospectus is available for viewing at The Document Viewing Facility, Financial Services Authority, 25 The North Colonnade, London E14 5HS and on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/en-gb/pricenews/marketnews/ and copies may be obtained from the registered office of Nedbank Limited at Nedbank, 135 Rivonia Road, Sandown, Sandton 2196, South Africa.

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]

[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

1	Issuer:	Nedbank Limited
2	[(i) Series Number:	[●]
	[ii) Tranche Number: (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).	
3	Specified Currency or Currencies:	[●]
4	Aggregate Nominal Amount:	
	[(i)] Series:	[●]
	[(ii) Tranche:	[●]
5	Issue Price:	[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)].
6	(i) Specified Denominations:	[●]

Notes which are to be admitted to trading on a Regulated Market in the European Economic Area or offered in the European Economic Area in circumstances where a Prospectus is required to be published under the Prospectus Directive may not have a minimum denomination of less than EUR50,000 (or nearly equivalent in another currency)

(ii) Calculation Amount: **[]** 7 [(i)] Issue Date: [(ii) Interest Commencement Date: Specify/Issuer Date/Not Applicable] 8 Interest Basis: [| per cent. Fixed Rate] [[specify reference rate] +/- [●] per cent. Floating Rate] [Other (specify)] (further particulars specified below) 9 Redemption/Payment Basis: [Redemption at par] [Dual Currency] [Other (specify)] [Specify details of any provision for convertibility of 10 Change of Interest or Redemption/ Payment Basis Notes into another interest or redemption/payment basis] 11 Call Options: Issuer Call (further particulars specified below) 12 Status of the Notes: Subordinated Notes: Tier 1 Notes [(ii)] Additional Conditions: [Applicable/Not Applicable] (if applicable give details) [(iii)] [Date [Board] approval for issuance of Notes obtained: (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of [(iv)] Date of approval(s) of Registrar of Required for each issue Banks for issuance of Notes obtained: [(v)] Date of approval(s) of Exchange Required for each issue Control Department of the South African Reserve Bank for issuance of Notes obtained: Method of distribution: 13 [Syndicated/Non-syndicated] Provisions Relating to Interest (if Any) Payable 14 **Fixed Rate Note Provisions** [Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph) (i) [per cent. per annum [payable [annually/semi-Rate[(s)] of Interest: annually/quarterly/monthly] in arrear]. [] in each year [adjusted in accordance with [specify (ii) Interest Payment Date(s): Business Day Convention and any applicable Additional Business Centre(s) for the definition of "Business Day"]/not adjusted]. (iii) Fixed Coupon Amount[(s)]: [per Calculation Amount. (iv) Broken Amount(s): per Calculation Amount payable on the Interest Payment Date falling [in/on] [
]. [30/360/Actual/Actual (ICMA/ISDA)/other] (v) Day Count Fraction: (vi) [Determination Dates: [] in each year (insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual(Actual (ICMA))] (vii) Other terms relating to the method [Not Applicable/give details]

of calculating interest for Fixed Rate

Notes:

15 Floating Rate Note Provisions

[Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph.)

(i) Specified Period:

[]

(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable".)

(ii) Specified Interest Payment Dates:

[•]

(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable".)

(iii) First Interest Payment Date:

[]

(iv) Business Day Convention:

[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other (give details)]

(v) Additional Business Centre (s):

[Not Applicable/give details]

(vi) Manner in which the Rate(s) of Interest is/are to be determined:

[Screen Rate Determination/ISDA Determination/ other (give details)]

(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent):

[[Name] shall be the Calculation Agent (no need to specify if the Fiscal Agent is to perform this function)].

(viii) Screen Rate Determination:

– Reference Rate:

[For example, LIBOR or EURIBOR]

Interest Determination Date(s):

[The second day on which the TARGET system is open prior to the start of each Interest Period/The first day of each Interest Period/other (give details)].

Relevant Screen Page:

[For example, Reuters LIBOR 01/EURIBOR 01]

– Relevant Time:

[For example, 11.00 a.m. London time/Brussels time]

Relevant Financial Centre:

[For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]

(ix) ISDA Determination:

Floating Rate Option:

Designated Maturity:

[ullet]

- Reset Date:

Margin(s):

(x)

[ullet]

[+/-][●] Per cent. Per annum

(xi) Minimum Rate of Interest:

[per cent. per annum

(xii) Maximum Rate of Interest:

[per cent. per annum

(xiii) Day Count Fraction:

[ullet]

(xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:

16 **Dual Currency Note Provisions**

[Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

[Give details]

Rate of Exchange/method of (i) calculating Rate of Exchange:

Party, if any, responsible for (ii) calculating the principal and/or interest due (if not the Fiscal Agent):

Provisions applicable where calculation by reference to Rate of Exchange impossible or

(iv) Person at whose option Specified Currency (ies) is/are payable:

[left]

[ullet]

Provisions Relating to Redemption

impracticable:

Call Option 17

First Optional Redemption Date: (i)

(ii) Optional Redemption Date(s):

(iii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):

Applicable

[left]

[●] per Note of [●] specified denomination

18 **Early Redemption Amounts**

Early Redemption Amount (Regulatory) per Calculation Amount:

Early Redemption Amount (Tax) per (ii)

Calculation Amount:

(iii) Make Whole Redemption Price:

(iv) Early Termination Amount:

Make Whole Redemption Price

In the case of paragraph (a) of Tax Event, principal amount plus accrued interest (if any) to the date fixed for redemption

In the case of paragraph (b) of Tax Event, the Make Whole Redemption Price

[Not Applicable (if the Early Termination Amount is the principal amount of the Notes/specify the Early Termination Amount if different from the principal *amount of the Notes)*]

General Provisions Applicable to the Notes

Form of Notes:

[Rule 144A/Regulation S] Registered Notes:

Global Note Certificate exchangeable for individual Note Certificates in the limited circumstances specified in the Global Note Certificate.

20 Additional Financial Centre(s) or other special provisions relating to Payment Dates:

[Not Applicable/give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 16(ii), 17(iv) and 19(vii) relate]

21 Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:

[Not Applicable/give details]

Other terms or special conditions: 22

[Not Applicable/give details]

[(Specify the Additional Conditions (if any) prescribed by the Registrar of Banks and those conditions of the applicable Capital Regulations (if any) which are not set out in the Term and Conditions andlor these Final Terms)]

(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)

Distribution

23 (i) If syndicated, names of Managers: [Not Applicable/give names]
(ii) Stabilising Manager (if any): [Not Applicable/give name]

(iii) Date of Subscription Agreement: [●]

24 If non-syndicated, name and address of Dealer:

[Not Applicable/give name and address]

25 TEFRA: Not Applicable

26 Total commission and concession: [●] per cent. of the Aggregate nominal amount.

27 Additional selling restrictions: [Not Applicable/give details]

[Purpose of Final Terms

These Final Terms comprise the final terms required for issue and admission to trading on the [Regulated Market of the London Stock Exchange] of the Notes described herein pursuant to the U.S.\$2,000,000,000 Euro Medium Term Note Programme of Nedbank Limited.]

Responsibility

The Issuer accepts responsibility for the information contained in these Final Terms. [$[\bullet]$] has been extracted from $[\bullet]$. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by $[\bullet]$, no facts have been omitted which would render the reproduced inaccurate or misleading.]

Signed	on	behalf	of N	edbank	Limi	ited:	
Ву:							
Dul	v au	thorise	ed				

PART B – OTHER INFORMATION

1 Listing and Admission to Trading

(i) Listing: [London/other (specify)/None]

(ii) Admission to trading: [Application has been made by the Issuer (or on its

behalf) for the Notes to be admitted to trading on the Regulated Market of the London Stock Exchange/ [other] with effect from [●].] [Not Applicable.] (Where documenting a fungible issue need to indicate that original securities are already admitted to

trading.)

(iii) Estimate of total expenses related to admission to trading

[]

2 Ratings

Ratings: The Notes to be issued have been rated:

[Fitch: [●]] [Moody's: [●]] [[Other]: [●]]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been

specifically rated, that rating.)

3 [Interests of Natural and Legal Persons Involved in the [Issue/Offer]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in "Subscription and Sale", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."

(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)

4 Reasons for the Offer, Estimated Net Proceeds and Total Expenses

(i) Reasons for the offer:

[●] (See

(See "Use of Proceeds" wording in Prospectus – if reasons for offer different from making profit andlor hedging certain risks will need to include those reasons here.)

(ii) Estimated net proceeds:

(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

(iii) Estimated total expenses:

[●].[Include breakdown of expenses]

(Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)

5 [Fixed Rate Notes Only - Yield

Indication of yield:

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6 [Dual Currency Notes Only – PERFORMANCE OF RATE[S] OF EXCHANGE

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]

(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)

7 Operational Information

ISIN Code: Common Code: **[]** CUSIP: Any clearing system(s) other than [Not Applicable/give name(s) and number(s)] Euroclear Bank S.A./N.V., Clearstream Banking, société anonyme and/or DTC and the relevant identification number (s): Delivery: Delivery [against/free of] payment Names and addresses of initial Paying Agent(s): Names and addresses of additional Paying Agent(s) (if any):

GENERAL INFORMATION

1 Listing

The listing of the Notes on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that each Tranche of the Notes which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of a Global Note Certificate in respect of each Tranche. The listing of the Programme in respect of the Notes is expected to be granted on or before 17 December 2008. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions on the Market will normally be effected for delivery on the third working day after the day of the transaction. However, unlisted Notes may be issued pursuant to the Programme.

2 Authorisations

The establishment of the Programme was authorised by written resolutions of the Board of Directors of the Issuer passed on 1 August 2008. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

3 Significant/Material Change

There has been no significant change in the financial or trading position of the Issuer or of the Group since 30 June 2008 and no material adverse change in the prospects of the Issuer or of the Group since 31 December 2007.

4 Auditors

The audited consolidated financial statements of the Issuer for the years ended 31 December 2007 and 31 December 2006 have been audited without qualification by KPMG Inc. whose address is KPMG Crescent, 85 Empire Road, Parktown 2193, Johannesburg, South Africa and Deloitte & Touche whose address is Deloitte Place, The Woodlands, 20 Woodlands Drive, Woodmead 2199, South Africa.

5 Approvals

Notes, the proceeds of which are intended to qualify as Primary Share Capital, Dated Secondary Capital, Undated Secondary Capital or Tertiary Capital, to be issued under the Programme are "debt instruments" as contemplated by section 79(1)(b) of the Banks Act. Accordingly, the Issuer requires the consent of the Registrar of Banks in accordance with section 79(1)(b) of the Banks Act and Regulation 38 of the Regulations Relating to Banks, for permission to issue Notes the proceeds of which are intended to qualify as Primary Share Capital, Dated Secondary Capital, Undated Secondary Capital or Tertiary Capital under the Programme. No authorisation is required from the Registrar of Banks to issue Unsubordinated Notes. The Issuer will also have to obtain the approval of the Exchange Control Department of the South African Reserve Bank for the issue of each Tranche of Notes under the Programme.

6 Documents on Display

Copies of the following documents may be inspected during normal business hours at the specified offices of the Fiscal Agent and from the registered office of the Issuer for 12 months from the date of this Prospectus:

- (a) the Certificate of Incorporation, Memorandum of Association and Articles of Association of the Issuer;
- (b) the audited consolidated financial statements of the Issuer for the years ended 31 December 2007 and 31 December 2006;
- (c) the reviewed interim consolidated financial statements of the Issuer for the six months ended 30 June 2008;
- (d) the Agency Agreement dated 12 December 2008 entered into by the Issuer, The Bank of New York (Luxembourg) S.A., The Bank of New York Mellon and the paying agents named therein.;
- (e) the Deed of Covenant dated 12 December 2008 entered into by the Issuer; and

(f) the Dividend Restriction Deed of Covenant dated 12 December 2008 entered into by the Issuer and Controlling Company.

7 Clearing of the Notes

The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC. The appropriate common code, the International Securities Identification Number and, where appropriate, the Committee on the Uniform Security Identification Procedure number in relation to the Notes of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street New York, New York 10041. The address of any alternative clearing system will be specified in the applicable Final Terms.

8 Use of Proceeds

The net proceeds of the issue of each Tranche of Notes will be applied by the Issuer for its general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

9 Post Issuance Information

The Issuer does not intend to provide any post-issuance information in relation to any Note issues.

FINANCIAL STATEMENTS AND AUDITORS REPORTS

Contents

Auditors' review report and interim consolidated financial statements of the Issuer as at and	
for the six months ended 30 June 2008	F-2
Auditors' audit report, consolidated financial statements, remuneration report and risk and	
capital management report of the Issuer as at and for the year ended 31 December 2007*	F-6
Auditors' audit report, consolidated financial statements, remuneration report and risk and	
capital management report of the Issuer as at and for the year ended 31 December 2006	F-171

^{*}In Note 5 to the Consolidated Financial Statements of the Issuer as at and for the year ended 31 December 2007, on page F-41, the 2006 comparative numbers in the "Derivative Financial Instruments" line item should appear in the "Government and Other Securities" line item, and vice-versa.

Deloitte



INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF NEDBANK LIMITED

Introduction

We have reviewed the interim financial statements of Nedbank Limited, which comprise the consolidated balance sheet at 30 June 2008, and the consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and selected explanatory notes.

Directors' Responsibility for the Interim Financial Statements

The company's directors are responsible for the preparation and presentation of the interim financial statements in accordance with recognition and measurement criteria of International Financial Reporting Standards and the presentation and disclosure requirements of International Accounting Standard 34: *Interim Financial Reporting*, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and presentation of the interim financial statements that are free from material misstatements, whether due to fraud and error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express a conclusion on these interim financial statements based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte & Touche Registered Auditors Financial Services Team - FIST Deloitte Place The Woodlands Woodlands Drive Woodmead Sandton Docex 10 Johannesburg

Private Bag X6 Gallo Manor 2052 South Africa

Tel: +27 (0)11 806 5200 Fax: +27 (0)11 806 5222 www.deloitte.com Tel: +27 (0)11 647 7111 Fax: +27 (0)11 647 8000 www.kpmg.co.za

KPMG Inc

KPMG Crescent

South Africa

85 Empire Road Parktown 2193

Docex 472 Johannesburg

Private Bag 9 Parkview 2122

KPMG Inc, a company incorated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

KPMG is a Registered Auditor, in public practice, in terms of the Auditing Professional Act, 26 of 2005 Registration number 1999/021543/21

Policy Board
Chief Executive: RM Kgosana
Executive Directors: TH Bashall DC Duffield A Hari TH Hoole FB Leith
JS McIntosh AM Mokgabudi D van Heerden
Other Directors: LP Fourie A Jaffer E Magondo S Motau CM Read
Y Suleman (Chairman of the Board) A Thunström JM Vice

National Executive: GG Gelink Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit DL Kennedy Tax & Legal and Financial Advisory L Geeringh Consulting L Bam Corporate Finance CR Beukman Finance TJ Brown Clients & Markets NT Mtoba Chairman of the Board

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection. F-2

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with the recognition and measurement criteria of International Financial Reporting Standards and the presentation and disclosure requirements of International Accounting Standard 34: *Interim Financial Reporting*, and in the manner required by the Companies Act of South Africa.

KPMG Inc.

Registered Auditors

Deloitte & Touche

DOONTE : TOUCHE

Per Darren Shipp

Partner

5 August 2008

Per Tracy Middlemiss

Chartered Accountants (SA)

Middlenus

Registered Auditors

Director

5 August 2008



NEDBANK

Reviewed interim financial results

for the six months ended 30 June 2008

A Member of the OLD MUTUAL Group

Nedbank Sandton, 135 Rivonia Road, Sandown, 2196 PO Box 1144, Johannesburg, 2000

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

Directors: Dr RJ Khoza (Chairman), Prof MM Katz (Vice-chairman),
MI. Ndlovu (Vice-chairman), Ta Boardman* (Chief Executive), CJW Ball**,
MWT Brown* (Chief Financial Officer), TCP Chikane, MA Enus-Brey,
Prof B de I- Figaij, R Harris (British), RM Head (British), JB Magwaza,
ME Miswanzai, CT Serobe, JH Sutcliffe (British)

* Executive **Senior independent non-executive director

Company Secretary: GS Nienab

dbank Limited Reg No 1951/000009/06

JSE share code: NBKP ISIN: 7AF000043667

Overview

Nedbank Limited ('Nedbank') is a wholly owned subsidiary of Nedbank Group Limited, which is listed on ISE Limited. These consolidated interim financial results are published to provide information to holders of Nedbank's listed non-redeemable non-cumulative

Commentary relating to the Nedbank consolidated interim financial results is included in the Nedbank Group Limited group results, as presented to shareholders on 6 August 2008. Further information is provided on the website www.nedbankgroup.co.za

Board changes during the year

Cedric Savage retired as an independent non-executive director (14 May 2008) and Barry Davison resigned as an independent nonexecutive director (2 August 2008).

Accounting policies

Nedbank is a company domiciled in South Africa. The consolidated interim financial results of the company at and for the half year ended 30 June 2008 comprised those of the company and its subsidiaries (together referred to as the 'group') and the group's interests in associates and jointly controlled entities.

Nedbank's principal accounting policies have been applied consistently over the current and prior financial years, except for the adoption of IFRIC 11: IFRS 2 – Group and Treasury Share Transactions in the current year. The prior years' comparative figures have

Nedbank's consolidated interim financial results have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and the presentation and disclosure requirements of International Accounting Standard 34: Interim Financial

In the preparation of these consolidated interim financial results the group has applied key assumptions concerning the future and other indeterminate sources in recording various assets and liabilities. These assumptions were applied consistently to the group consolidated interim financial results for the six months ended 30 June 2008. These assumptions are subject to ongoing review and pos-

Reviewed results - auditors' opinion

KPMG Inc and Deloitte & Touche, Nedbank's independent auditors, have reviewed the consolidated interim financial results contained in this interim report and have expressed an unmodified conclusion on the consolidated interim financial results. The revie report is available for inspection at Nedbank's registered office.

Nedbank non-redeemable non-cumulative preference shares - declaration of dividend no 11

Notice is hereby given that preference dividend no 11 of 55,02048 cents per share has been declared for the period from 1 January 2008 to 30 June 2008, payable on Monday, 1 September 2008, to shareholders of the non-redeemable non-cumulative preference shares recorded in the books of the company at the close of business on Friday, 29 August 2008

In accordance with the provisions of Strate, the electronic settlement and custody system used by ISE Limited, the relevant dates for the payment of the dividend are as follows:

Last day to trade cum dividend Friday, 22 August 2008 Shares trade ex dividend Monday, 25 August 2008 Record date Friday, 29 August 2008

Share certificates may not be dematerialised or rematerialised between Monday, 25 August 2008, and Friday, 29 August 2008, both

Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on payment date. In the absence of specific mandates, dividend cheques will be posted to shareholders. Shareholders who have dematerialised their share certificates will have their accounts, at their participant or broker, credited on Monday, 1 September 2008.

For and on behalf of the board

Chief Executive 6 August 2008

Consolidated income statement

for the period ended	Reviewed	Reviewed	Audited
Rm	June 2008	June 2007	December 2007
Interest and similar income	25 477	18 319	40 185
Interest and similar income Interest expense and similar charges	17 942	11 961	26 631
Net interest income	7 535	6 358	13 554
Impairment charge on loans and advances	1 865	1 009	2 115
Income from lending activities	5 670	5 349	11 439
Non-interest revenue	4 541	4 679	9 725
Operating income	10 211	10 028	21 164
Total expenses	6 191	5 943	12 768
Operating expenses*	6 087	5 873	12 633
BEE transaction expenses	104	70	135
Indirect taxation	182	129	298
Profit from operations before non-trading and capital items	3 838	3 956	8 098
Non-trading and capital items	766	19	25
Profit on sale of subsidiaries, investments and property and equipment Net impairment of investments, property and equipment, and	766	21	27
capitalised development costs		(2)	(2)
Profit from operations	4 604	3 975	8 123
Share of profits of associates and joint ventures	7	55	54
Profit before direct taxation	4 611	4 030	8 177
Total direct taxation	1 068	1 054	2 185
Direct taxation*	958	1 056	2 185
Taxation on non-trading and capital items	110	(2)	
Profit for the period	3 543	2 976	5 992
Attributable to:			
Profit attributable to equity holders of the parent	3 434	2 830	5 681
Profit attributable to minority interest – ordinary shareholders	102	139	298
– preference shareholders	7	7	13
Profit for the period	3 543	2 976	5 992

^{*} June and December 2007 restated.

Earnings reconciliation

for the period ended		Reviewed June 2008		wed 007	Audited December 2007	
Rm	Gross	Net	Gross	Net	Gross	Net
Profit attributable to equity holders of the parent		3 434		2 830		5 681
Less: non-trading and capital items	766	656	19	21	25	25
Net profit on sale of subsidiaries, investments and property and equipment Net impairment of investments, property and equipment, and capitalised development costs	766	656	21 (2)	23	27	27 (2)
Headline earnings		2 778		2 809		5 656

Condensed consolidated cashflow statement

for the period ended Rm	Reviewed	Reviewed	Audited
	June	June	December
	2008	2007	2007
Cash generated by operations* Change in funds for operating activities*	6 219	5 649	11 882
	(2 675)	(1 670)	(10 560)
Net cash generated from operating activities before taxation	3 544	3 979	1 322
Taxation paid	(1 127)	(1 245)	(2 126)
Cashflows from/(utilised in) operating activities Cashflows utilised in investing activities Cashflows (utilised in)/from financing activities	2 417	2 734	(804)
	(236)	(930)	(1 418)
	(478)	1 780	1 927
Net increase/(decrease) in cash and cash equivalents Cash and cash equivalents at the beginning of the period**	1 703	3 584	(295)
	17 896	18 191	18 191
Cash and cash equivalents at the end of the period**	19 599	21 775	17 896

^{*} June and December 2007 restated.

Adoption of IFRIC 11: IFRS 2 – Group and Treasury Share Transactions

IFRIC 11 is an interpretation of IFRS 2 - Share-based Payment and requires that, where the parent grants rights to its equity instruments to employees of its subsidiary and the share-based payment arrangement is accounted for as equity settled in the consolidated financial statements of the parent, it should be treated as equity settled at the subsidiary level. Rights to Nedbank Group Limited shares under three share-based payment arrangements were historically treated as cash-settled in the Nedbank Limited financial statements and as equity-settled in the Nedbank Group Limited consolidated financial statements. The adoption of IFRIC 11 has required that the Nedbank Limited financial statements for prior years be restated. The resultant effects can be summarised as follows

for the period ended Rm	Audited December 2006	Reviewed June 2007	Audited December 2007
Balance sheet			
Increase in share-based payment reserve	(259)	(294)	(352)
Increase in retained income	(278)	(252)	(262)
Decrease in share-based payment liability	537	546	614
Income statement			
Decrease in share-based payment expense		(75)	(159)
Increase in direct taxation		22	46
Effect after taxation		(53)	(113)

^{*} Including mandatory reserve deposits with central bank.

Consolidated balance sheet

at	Reviewed	Reviewed	Audited
	June	June	December
Rm	2008	2007	2007
Assets			
Cash and cash equivalents	10 122	14 046	9 545
Other short-term securities	16 517	14 175	11 775
Derivative financial instruments	18 082	9 189	9 924
Government and other securities	36 188	25 107	29 271
Loans and advances	408 325	346 299	373 185
Other assets	6 547	5 021	4 920
Clients' indebtedness for acceptances	3 121	2 651	2 236
Current taxation receivable	2	832	29
Investment securities	2 667	2 850	2 739
Non-current assets held for sale		25	
Investments in associate companies and joint ventures	788	839	735
Deferred taxation asset	78	85	65
Investment property	75	66	75
Property and equipment	3 757	3 411	3 757
Long-term employee benefit assets	1 528	1 409	1 305
Computer software and capitalised development costs	1 473	1 235	1 323
Mandatory reserve deposits with central bank	9 477	7 729	8 351
Goodwill	1 390	1 369	1 392
Total assets	520 137	436 338	460 627
Equity and liabilities			
Ordinary share capital	27	27	27
Ordinary share premium	14 422	14 422	14 422
Reserves*	15 691	12 232	13 954
Total equity attributable to equity holders of the parent	30 140	26 681	28 403
Preference share capital and premium	3 122	3 131	3 122
Minority shareholders' equity attributable to			
– ordinary shareholders	1 307	1 230	1 307
– preference shareholders	300	300	300
Total equity	34 869	31 342	33 132
Derivative financial instruments	16 952	10 089	10 336
Amounts owed to depositors	438 728	368 233	389 290
Other liabilities*	10 388	9 588	10 419
Liabilities under acceptances	3 121	2 651	2 236
Current taxation liabilities	210	249	275
Deferred taxation liabilities	1 670	1 933	1 470
Long-term employee benefit liabilities	1 251	1 225	1 145
Long-term debt instruments	12 948	11 028	12 324
Total liabilities	485 268	404 996	427 495
Total equity and liabilities	520 137	436 338	460 627

^{*} June and December 2007 restated.

Condensed consolidated statement of changes in equity

	Total equity		Minority shareholders'	Minority shareholders'	
	attributable	D., 6,	equity	equity	
	to equity holders of	Preference share capital	attributable to preference	attributable to ordinary	Total
Rm	the parent	and premium	shareholders	shareholders	equity
Balance at 31 December 2006	24 032	2 770	300	955	28 057
Net effect of adopting IFRIC 11* Restated balance at 31 December 2006	537 24 569	2 770	300	955	28 594
Ordinary minority shareholders' share of	24 309	2110			26 394
preference dividends paid Dividends to ordinary shareholders	(623)		6	(6) (11)	(634)
Dividends to ordinary shareholders	(122)		(13)	(11)	(135)
Issues of shares net of expenses		361		450	361
Shares issued by subsidiary Total income and expense for the period	2 857	_	7	150 142	150 3 006
Profit for the period*	2 830		7	139	2 976
Net income recognised directly in equity	27	-	_	3	30
Foreign currency translation reserve movement	6				6
Available-for-sale reserve movement Property revaluation reserve movement	3				3
Share-based payment reserve movement*	14				14
Other movements*	3			3	6
Restated balance at 30 June 2007 Ordinary minority shareholders' share of	26 681	3 131	300	1 230	31 342
preference dividends paid	4		7	(7)	-
Dividends to ordinary shareholders Dividends to preference shareholders	(1 325) (137)	(9)	(13)	(10)	(1 335) (159)
Issues of shares net of expenses	` 1	(5)	, ,		` 1
Total income and expense for the period	3 183		6	94	3 283
Profit for the period* Net income recognised directly in equity	2 851 332	-	6 –	159 (65)	3 016 267
Foreign currency translation reserve movement	(2)				(2)
Available-for-sale reserve movement Property revaluation reserve movement	(77) 353				(77) 353
Share-based payment reserve movement*	64				64
Disposal of subsidiaries Buyout of minorities				(54) (23)	(54) (23)
Other movements*	(6)			12	6
Restated balance at 31 December 2007	28 403	3 122	300	1 307	33 132
Ordinary minority shareholders' share of preference dividends paid			7	(7)	
Dividends to ordinary shareholders	(934)		•	(67)	(1 001)
Dividends to preference shareholders	(161)		(14)	74	(175)
Total income and expense for the period Profit for the period	2 832 3 434		7	102	2 913 3 543
Net income recognised directly in equity	(602)	-	-	(28)	(630)
Foreign currency translation reserve movement	17				17
Available-for-sale reserve movement Property revaluation reserve movement	(298)				(298)
Share-based payment reserve movement	(328)			/	(328)
Disposal of subsidiaries Other movements	(1)			(29) 1	(29)
Balance at 30 June 2008	30 140	3 122	300	1 307	34 869

^{*} Restated

Condensed operational segmental reporting

for the period ended	Reviewed	Reviewed	Audited	Reviewed	Reviewed	Audited	Reviewed	Reviewed	Audited
· · · · · · · · · · · · · · · · · · ·	June 2008	June 2007	December 2007	June 2008	June 2007	December 2007	June 2008	June 2007	December 2007
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
	Total	Total	Total	Operating	Operating	Operating	Headline	Headline	Headline
	assets	assets	assets	income	income	income	earnings	earnings	earnings
Nedbank Corporate	228 331	183 220	208 387	3 954	3 939	8 215	1 503	1 344	2 632
Nedbank Capital	173 075	149 412	143 419	1 349	1 178	2 655	600	500	1 174
Nedbank Retail	166 839	142 448	154 144	4 926	4 690	10 024	728	894	1 876
Imperial Bank	43 560	34 004	38 195	543	541	1 207	88	107	227
Shared Services	6 217	6 452	6 683	59	65	162	27	41	(15)
Central Management	38 104	18 935	20 580	225	11	412	(3)	(111)	27
Eliminations	(107 119)	(73 639)	(82 552)	(36)	(130)	(247)			
Total per Nedbank Group	549 007	460 832	488 856	11 020	10 294	22 428	2 943	2 775	5 921
Fellow-subsidiary adjustments	(28 870)	(24 494)	(28 229)	(809)	(266)	(1 264)	(165)	34	(265)
Total	520 137	436 338	460 627	10 211	10 028	21 164	2 778	2 809	5 656

Segmental comparatives have been restated in line with the group's implementation of economic-value-based management. From 2008 economic profit (EP) replaces ROE as the primary internal financial performance measure in the group. EP is a best-practice measure since it incentivises an appropriate balance between return and growth, and better aligns with shareholder value creation.

Condensed geographical segmental reporting

for the period ended Rm	Reviewed June 2008 Operating income	Reviewed June 2007 Operating income	Audited December 2007 Operating income	Reviewed June 2008 Headline earnings	Reviewed June 2007 Headline earnings	Audited December 2007 Headline earnings
South Africa	10 224	9 627	21 024	2 769	2 631	5 623
Business operations BEE transaction expenses Profit attributable to minority interest – preference shareholders	10 224	9 627	21 024	3 042 (105) (168)	2 839 (79) (129)	6 039 (144) (272)
Rest of Africa	379	288	669	70	50	116
Business operations BEE transaction expenses	379	288	669	71 (1)	51 (1)	119 (3)
Rest of world – business operations	417	379	735	104	94	182
Total per Nedbank Group Fellow-subsidiary adjustments	11 020 (809)	10 294 (266)	22 428 (1 264)	2 943 (165)	2 775 34	5 921 (265)
Total	10 211	10 028	21 164	2 778	2 809	5 656

 $These\ results\ and\ additional\ information\ are\ available\ on\ www.nedbank group.co.za.$





Independent Auditors' Report to the members of Nedbank Limited

Report on the financial statements

We have audited the group annual financial statements of Nedbank Limited, which comprise the Directors' Report; the balance sheet at 31 December 2007; the income statement, statement of changes in equity and cash flow statement for the year then ended; a summary of significant accounting policies and other explanatory notes; and the Remuneration Report, as set out on pages 10 to 127.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall financial statements presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of Nedbank Limited as at 31 December 2007, and of its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc

Registered Auditors

Per TA Middlemiss Chartered Accountant (SA) Registered Auditor Director

KPMG Crescent 85 Empire Road, Parktown 2193 Johannesburg

Policy board:

RM Kgosana (Chief Executive) Executive Directors: TH Bashall, DC Duffield, A Hari,

TH Hoole, FB Leith, JS McIntosh, AM Mokgabudi, D van Heerden, Other Directors: LP Fourie, A Jaffer, E Magondo, S Motau, CM Read, Y Suleman (Chairman of the Board), A Thunström, JM Vice

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of directors' names is available for inspection on request.

Deloitte & Touche

Per CG Troskie Partner

Deloitte Place, The Woodlands Woodlands Drive, Woodmead Sandton

lelotte « Touche

National Executive:

GG Gelink (Chief Executive), AE Swiegers (Chief Operating Officer), GM Pinnock (Audit), DL Kennedy (Tax), L Geeringh (Consulting), L Bam (Strategy), CR Beukman (Finance), TJ Brown (Clients & Markets), NT Mtoba (Chairman of the Board), J Rhynes (Deputy Chairman of the Board)

A full list of partners and directors is available on request.

Sandown 10 March 2008

F-6

Group income statement

for the year ended 31 December

	Notes	2007 Rm	2006 Rm
Interest and similar income Interest expense and similar charges	9 10	40 185 26 631	27 089 16 600
Net interest income Impairments charge on loans and advances	25.1	13 554 2 115	10 489 1 465
Income from lending activities Non-interest revenue	11	11 439 9 725	9 024 8 566
Operating income Total operating expenses		21 164 12 927	17 590 11 725
Operating expenses BEE transaction expenses	12 13	12 792 135	11 581 144
Indirect taxation	14	298	334
Profit from operations before non-trading and capital items Non-trading and capital items	15	7 939 25	5 531 183
Profit from operations Share of profits of associates and joint ventures	29.2	7 964 54	5 714 68
Profit before direct taxation Direct taxation	16.1	8 018 2 139	5 782 1 669
Profit for the year		5 879	4 113
Profit attributable to: Equity holders of the parent Minority interest – ordinary shareholders Minority interest – preference shareholders		5 568 298 13	3 870 243
		5 879	4 113
Basic earnings per share (cents) Diluted earnings per share (cents) Dividend paid per share (cents) Dividend declared per share (cents)	17.1 17.1 18.1 18.1	20 441 20 441 7 160 6 219	14 206 14 206 2 473 1 926

Group balance sheet

at 31 December

	Notes	2007 Rm	2006 Rm
	Notes	KIII	KIII
Assets			
Cash and cash equivalents	19	9 545	11 165
Other short-term securities	20	11 775	13 855
Derivative financial instruments	21	9 924	10 314
Government and other securities	23	29 271	22 031
Loans and advances*	24	373 185	319 180
Other assets	26	4 920	5 120
Clients' indebtedness for acceptances		2 236	2 544
Current taxation receivable	27	29	138
Investment securities	28	2 739	2 385
Non-current assets held for sale	30		41
Investments in associate companies and joint ventures	29	735	690
Deferred taxation asset	31	65	48
Investment property	32	75	66
Property and equipment	33	3 757	3 323
Long-term employee benefit assets	34	1 305	1 357
Computer software and capitalised development costs	35	1 323	1 236
Mandatory reserve deposits with central bank	19	8 351	7 026
Goodwill	36	1 392	1 369
Total assets		460 627	401 888
Equity and liabilities			
Ordinary share capital	37.1	27	27
Ordinary share premium		14 422	14 422
Reserves		13 340	9 583
Total equity attributable to equity holders of the parent		27 789	24 032
Preference share capital and premium	37.2	3 122	2 770
Minority shareholders' equity attributable to:			
– ordinary shareholders		1 307	955
– preference shareholders	37.3	300	300
Total equity		32 518	28 057
Derivative financial instruments	21	10 336	11 549
Amounts owed to depositors**	38	389 290	339 164
Other liabilities	39.1	11 033	9 098
Liabilities under acceptances	55.1	2 236	2 544
Current taxation liabilities	27	275	338
Deferred taxation liabilities	31	1 470	1 410
Long-term employee benefit liabilities	34	1 145	1 210
Long-term debt instruments	40	12 324	8 518
Total liabilities		428 109	373 831
Total equity and liabilities		460 627	401 888
Guarantees on behalf of clients	41	20 564	15 235

^{*} Included in loans and advances are loans to fellow subsidiaries amounting to R20,2 billion (2006: R18,2 billion).

** Included in amounts owed to depositors are deposits from fellow subsidiaries amounting to R22,0 billion (2006: R27,6 billion).

Group currency-adjusted income statement

for the year ended 31 December

	2007 Rm	2006 Rm	
Interest and similar income Interest expense and similar charges	40 185 26 631	27 089 16 600	
Net interest income Impairments charge on loans and advances	13 554 2 115	10 489 1 465	
Income from lending activities Non-interest revenue	11 439 9 725	9 024 8 566	
Operating income Total operating expenses	21 164 12 927	17 590 11 725	
Operating expenses BEE transaction expenses	12 792 135	11 581 144	
Indirect taxation	298	334	
Profit from operations before non-trading and capital items Non-trading and capital items	7 939 25	5 531 183	
Profit from operations Share of profits of associates and joint ventures	7 964 54	5 714 68	
Profit before direct taxation Direct taxation	8 018 2 139	5 782 1 669	
Profit for the year Minority interest attributable to ordinary shareholders Minority interest attributable to preference shareholders	5 879 298 13	4 113 243	
Profit attributable to equity holders of the parent Less: non-trading and capital items	5 568 25	3 870 159	
Non-trading and capital itemsTax on non-trading and capital items	25	183 (24)	
Headline earnings	5 543	3 711	
Average exchange rate at 31 December for R1	1	1	

The income statement in South African rand has been translated into other currencies at the average exchange rates for the year.

continued

2007 US\$m	2006 US\$m	2007 UK£m	2006 UK£m	2007 €m	2006 €m
5 722 3 792	3 974 2 435	2 853 1 891	2 140 1 311	4 151 2 751	3 140 1 924
1 930 301	1 539 215	962 150	829 116	1 400 218	1 216 170
1 629 1 385	1 324 1 257	812 690	713 677	1 182 1 005	1 046 993
3 014 1 841	2 581 1 720	1 502 918	1 390 926	2 187 1 335	2 039 1 359
1 822 19	1 699 21	908 10	915 11	1 321 14	1 342 17
42	49	21	26	31	39
1 131 4	812 27	563 2	438 14	821 3	641 21
1 135 8	839 10	565 4	452 6	824 6	662 8
1 143 305	849 245	569 152	458 132	830 221	670 193
838 42 2	604 36	417 21 1	326 19	609 31 1	477 28
794 4	568 23	395 2	307 12	577 3	449 18
4	27 (4)	2	14 (2)	3	21 (3)
790	545	393	295	574	431
 0,1424	0,1467	0,0710	0,0790	0,1033	0,1159

Group currency-adjusted balance sheet

at 31 December

	2007	2006	
	Rm	Rm	
Assets	0.545	11 165	
Cash and cash equivalents	9 545	11 165	
Other short-term securities	11 775	13 855	
Derivative financial instruments	9 924	10 314	
Government and other securities	29 271	22 031	
Loans and advances	373 185	319 180	
Other assets	4 920	5 120	
Clients' indebtedness for acceptances	2 236	2 544	
Current taxation receivable	29	138	
Investment securities	2 739	2 385	
Non-current assets held for sale		41	
Investments in associate companies and joint ventures	735	690	
Deferred taxation asset	65	48	
Investment property	75	66	
Property and equipment	3 757	3 323	
Long-term employee benefit assets	1 305	1 357	
Computer software and capitalised development costs	1 323	1 236	
Mandatory reserve deposits with central bank	8 351	7 026	
Goodwill	1 392	1 369	
Total assets	460 627	401 888	
Equity and liabilities			
Ordinary share capital	27	27	
Ordinary share premium	14 422	14 422	
Reserves	13 340	9 583	
Total equity attributable to equity holders of the parent	27 789	24 032	
Preference share capital and premium	3 122	2 770	
Minority shareholders' equity attributable to:			
– ordinary shareholders	1 307	955	
– preference shareholders	300	300	
Total equity	32 518	28 057	
Derivative financial instruments	10 336	11 549	
	389 290	339 164	
Amounts owed to depositors			
Other liabilities	11 033 2 236	9 098 2 544	
Liabilities under acceptances Current taxation liabilities	275	338	
Deferred taxation liabilities	1 470	1 410	
Long town dobt instruments	1 145	1 210	
Long-term debt instruments	12 324	8 518	
Total liabilities	428 109	373 831	
Total equity and liabilities	460 627	401 888	
Guarantees on behalf of clients	20 564	15 235	
Exchange rate at 31 December for R1	1	1	

The balance sheet reported in South African rand has been translated into other currencies at the closing exchange rate at 31 December.

continued

2007	2006	2007	2006	2007	2006
US\$m	US\$m	UK£m	UK£m	€m	€m
1 399	1 595	699	813	952	1 211
1 726	1 980	862	1 009	1 174	1 503
1 455	1 474	726	751	989	1 119
4 291	3 148	2 143	1 604	2 918	2 390
54 709	45 611	27 317	23 236	37 207	34 631
721	732	360	373	491	556
328	364	164	185	223	276
4	20	2	10	3	15
402	341	200	174	273	259
402	6	200	3	213	4
108	99	54	50	73	
108	7			6	75 5
11	9	5 5	3 5	7	7
551	475		242	375	361
191	194	275 96	99	130	147
191	194	97		132	
			90 F11		134
1 224	1 004	611	511	833	762
204	196	102	100	139	149
67 528	57 432	33 718	29 258	45 925	43 604
4	4	2	2	3	3
2 114	2 061	1 056	1 050	1 438	1 564
1 956	1 370	976	698	1 330	1 039
4 074	3 435	2 034	1 750	2 771	2 606
458	396	228	202	311	301
404	126	0.0	70	400	40.4
191	136	96	70	130	104
44	43	22	22	30	33
4 767	4 010	2 380	2 044	3 242	3 044
1 515	1 651	757	841	1 030	1 253
57 070	48 467	28 496	24 690	38 812	36 798
1 617	1 300	808	662	1 100	987
328	364	164	185	223	276
40	48	20	25	28	37
216	202	107	103	147	154
168	173	84	88	114	131
1 807	1 217	902	620	1 229	924
62 761	53 422	31 338	27 214	42 683	40 560
67 528	57 432	33 718	29 258	45 925	43 604
3 015	2 177	1 505	1 109	2 050	1 653
0,1466	0,1429	0,0732	0,0728	0,0997	0,1085
0, 1400	0,1423	0,0732	0,0720	0,0331	0,1003

Group statement of changes in total shareholders' equity

for the year ended 31 December

	Number of ordinary shares	Ordinary share capital Rm	Ordinary share premium Rm	Foreign currency translation reserve Rm	
Balance at 31 December 2005 Shares issued/(repurchased) by subsidiary Preference share dividends paid Dividends to shareholders Total income and expense for the year	27 240 023	27	14 422 _	(122)	
Profit for the year Net income/(expense) recognised directly in equity		_	_	88	
 Transfer from/(to) reserves Foreign currency translation reserve movements Property revaluation reserve movements Share-based payments reserve movements Available-for-sale reserve movements Other 				88	
Balance at 31 December 2006 Shares issued by subsidiary Shares issued Share issue expenses Ordinary minority shareholders' share of preference dividends paid Preference share dividends paid Dividends to shareholders Total income and expense for the year	27 240 023	27	14 422	(34)	
Profit for the year Net income/(expense) recognised directly in equity		_	_	4	
 Transfer from/(to) reserves Foreign currency translation reserve movements Property revaluation reserve movements Share-based payments reserve movements Available-for-sale reserve movements Disposal of subsidiaries Buyout of minorities Other 				4	
Balance at 31 December 2007	27 240 023	27	14 422	(30)	

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

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

continued

Property revaluation reserve Rm	Share-based payments reserve Rm	Other non- distributable reserves* Rm	Available- for-sale reserve Rm	Other distributable reserves** Rm	Total equity attributable to equity holders of the parent Rm	Preference share capital and premium Rm	Minority shareholders' equity attributable to preference shareholders Rm	Minority shareholders' equity attributable to ordinary shareholders Rm	Total equity Rm
415	28	188 78	404 58	5 350 (219) (668) 3 788	20 712 - (219) (668) 4 207	2 770	_ 300 _	872 (150) (10) 243	24 354 150 (219) (678) 4 450
68	127	78	58	3 870 (82)	3 870 337	-	-	243 –	4 113 337
(7) 75	(7) 134	(5)	58	(69) (13)	- 88 75 134 58 (18)				- 88 75 134 58 (18)
483	155	266	462 (70)	8 251 (259) (1 948) 5 445	24 032 - - - - (259) (1 948) 5 964	2 770 364 (3) (9)	300 13 (26) 13	955 150 (13) (21) 236	28 057 150 364 (3) - (294) (1 969) 6 213
341	112	132	(70)	5 568	5 568 396	_	13 –	298 (62)	5 879 334
(13) 354	(3)	132	4	(120)	- 4 354				- 4 354
	115		(74)	(3)	115 (74) – – (3)			(54) (23) 15	115 (74) (54) (23) 12
824	267	398	392	11 489	27 789	3 122	300	1 307	32 518

Group cashflow statement

for the year ended 31 December

Note	es	2007 Rm	2006 Rm
Cash generated by operations 45.	.1	11 723	8 114
Cash received from clients 45. Cash paid to clients, employees and suppliers 45. Dividends received on investments Recoveries on loans previously written off Effects of exchange rate changes on cash and cash equivalents (excluding		49 766 (38 580) 119 414	35 484 (27 469) 164 296
foreign borrowings)		4	(361)
Change in funds for operating activities		(10 401)	(5 267)
Increase in operating assets 45. Increase in operating liabilities 45.		(65 688) 55 287	(74 299) 69 032
Net cash from operating activities before taxation Taxation paid 45.	.6	1 322 (2 126)	2 847 (752)
Cashflows (utilised by)/from operating activities Cashflows utilised by investing activities		(804) (1 418)	2 095 (730)
Acquisition of property and equipment Proceeds on disposal of property and equipment Net movement on non-current assets Net disposal of investment banking assets (Acquisition)/Disposal of investments in associate companies and other investments Disposal of investments in subsidiary companies net of cash 45. Acquisition of investments in subsidiary companies net of cash 45.		(1 086) 37 41 25 (511) 282 (206)	(1 067) 57 25 6 249
Cashflows from financing activities		1 927	508
Net proceeds from issue of preference shares Increase in long-term debt instruments Capital contribution by minority Dividends paid to ordinary shareholders Preference share dividend paid	.9	361 3 808 (1 948) (294)	1 245 150 (668) (219)
Net (decrease)/increase in cash and cash equivalents Cash and cash equivalents at the beginning of the year (including mandatory reserve deposits with central bank)		(295) 18 191	1 873 16 318
Cash and cash equivalents at the end of the year (including mandatory reserve deposits with central bank)	9	17 896	18 191

Operational segmental reporting

for the year ended 31 December

	Nedbar 2007	nk Limited 2006	Fellow s 2007	ubsidiaries 2006	Nedbank Corpora 2007 20		
Balance sheet (Rbn) Cash and cash equivalents Other short-term securities Derivative financial instruments Government and other securities Loans and advances Other assets Intergroup assets	18 12 10 29 373 19	18 14 10 22 319 19	(1) (14) 1 (1) (1) (12)	(1) (12) (5) 10 (15)	1 1 1 154 4 52	2 1 1 133 5 33	
Total assets	461	402	(28)	(23)	213	175	
Equity and liabilities Amounts owed to depositors Other liabilities Derivative financial instruments Intergroup liabilities	389 17 10	339 14 12	4 (29) (1)	14 (35) (1)	194 5	158 5	
Long-term debt instruments Allocated capital	12 33	9 28	(2)	(1)	14	12	
Total liabilities	461	402	(28)	(23)	213	175	
Income statement (Rm) Net interest income Impairments charge on loans and advances	13 554 2 115	10 489 1 465	(592) (49)	(474) (18)	5 818 158	4 863 176	
Income from lending activities Non-interest revenue	11 439 9 725	9 024 8 566	(543) (721)	(456) (902)	5 660 3 198	4 687 2 909	
Operating income Total expenses	21 164 12 927	17 590 11 725	(1 264) (562)	(1 358) (161)	8 858 4 478	7 596 3 976	
Operating expenses BEE transaction expenses	12 792 135	11 581 144	(549) (13)	(159) (2)	4 446 32	3 924 52	
Indirect taxation	298	334	(7)	(11)	29	35	
Profit/(Loss) from operations Share of profits of associates and joint ventures	7 939 54	5 531 68	(695) (185)	(1 186) (85)	4 351 54	3 585 64	
Profit/(Loss) before direct taxation Direct taxation	7 993 2 139	5 599 1 645	(880) (197)	(1 271) (262)	4 405 1 274	3 649 1 071	
Profit/(Loss) after taxation Profit attributable to minority interest	5 854	3 954	(683)	(1 009)	3 131	2 578	
ordinary shareholders preference shareholders	298 13	243	(46) (259)	(66) (219)	68	63	
Headline earnings	5 543	3 711	(378)	(724)	3 063	2 515	
Selected ratios* Average interest-earning banking assets (Rbn) Return on average assets (%) Return on average equity (%) Return on equity, excluding goodwill (%) Interest margin (%) Non-interest revenue to gross income (%) Credit loss ratio (%) Efficiency ratio (%) Efficiency ratio (excluding BEE transaction	375 1,3* 21,4* 22,6* 4,1 41,8 0,60 55,5	259 1,0+ 16,6+ 14,9+ 4,1 45,0 0,51 61,5			188 1,6 21,4 21,4 3,09 35,5 0,11 49,7	148 1,7 21,6 21,6 3,28 37,4 0,15 51,2	
expense) (%) Effective taxation rate (%) Number of employees	55,0 26,8 24 467	60,8 29,0 22 823	(2 055)	(1 211)	49,3 28,9 6 143	50,5 29,4 5 677	

⁺ These ratios were calculated on simple average assets and equity.

Depreciation of R518 million (2006: R441 million) and amortisation of R418 million (2006: R429 million) of property, equipment, computer software and capitalised development costs are charged on an activity-justified transfer-pricing methodology by the segment owning the assets to the segment utilising the benefits thereof.

 $^{{\}color{blue}*} \textit{ These ratios (unless otherwise stated) were calculated using amounts to Rm to provide more accurate information.}$

Operational segmental reporting

for the year ended 31 December continued

	Nedbank Capital		Nedbank Retail		
	2007	2006	2007	2006	
Balance sheet (Rbn)					
Cash and cash equivalents	5	8	2	2	
Other short-term securities	17	18	7	6	
Derivative financial instruments	9	15			
Government and other securities	22	17			
Loans and advances	51	41	133	107	
Other assets	6	8	12	10	
Intergroup assets	34	31			
Total assets	144	138	154	125	
Equity and liabilities					
Amounts owed to depositors	101	89	87	77	
Other liabilities	29	32	9	8	
Derivative financial instruments	11	13			
Intergroup liabilities			48	34	
Long-term debt instruments	_		2		
Allocated capital	3	4	8	6	
Total liabilities	144	138	154	125	
Income statement (Rm)					
Net interest income	693	675	6 941	5 442	
Impairments charge on loans and advances	25	118	1 572	1 047	
Income from lending activities	668	557	5 369	4 395	
Non-interest revenue	2 135	2 048	4 851	4 196	
Operating income	2 803	2 605	10 220	8 591	
Total expenses	1 284	1 171	7 367	6 389	
Operating expenses	1 253	1 149	7 325	6 346	
Operating expenses BEE transaction expenses	31	22	7 323 42	43	
				75	
Indirect taxation	21	29	135	157	
Profit/(Loss) from operations	1 498	1 405	2 718	2 045	
Share of profits of associates and joint ventures	1		184	83	
Profit/(Loss) before direct taxation	1 499	1 405	2 902	2 128	
Direct taxation	227	242	858	630	
Profit/(Loss) after taxation	1 272	1 163	2 044	1 498	
Profit attributable to minority interest					
– ordinary shareholders		18	36	35	
– preference shareholders					
Headline earnings	1 272	1 145	2 008	1 463	
Selected ratios*					
Average interest-earning banking assets (Rbn)	81	56	131	100	
Return on average assets (%)	0,9	1,0	1,4	1,4	
Return on average equity (%)	36,8	31,3	24,3	23,0	
Return on equity, excluding goodwill (%)	36,8	31,3	24,3	23,1	
Interest margin (%)	0,85	1,20	5,31	5,44	
Non-interest revenue to gross income (%)	75,5	75,2	41,1	43,5	
Credit loss ratio (%)	0,05	0,28	1,26	1,10	
Efficiency ratio (%)	45,4	43,0	62,5	66,3	
Efficiency ratio (excluding BEE transaction expense) (%)	44,3	42,2	62,1	65,9	
Effective taxation rate (%)	15,1	17,2	29,6	29,6	
Number of employees	625	626	15 356	13 442	

⁺ These ratios were calculated on simple average assets and equity,

 $^{{\}color{blue}*} \textit{ These ratios (unless otherwise stated) were calculated using amounts to Rm to provide more accurate information.}$

Imperial Bank 2007 2006		Shar 2007	ed Services 2006	Central N 2007	Management 2006	Elim 2007	ninations 2006
1 1	1	1	1	9	5		
35	28		7	7 1	4		
1		6	7	2	4	(86)	(64)
38	30	7	8	19	13	(86)	(64)
2		3	1 3	1	1		
32 1 3	27 1 2	3	3 1	3 9 6	8 4	(86)	(64)
38	30	7	8	19	13	(86)	(64)
1 491 412	1 079 211	(299) (4)	(197) (72)	(498) 1	(899) 3		
1 079 128	868 64	(295) 408	(125) 411	(499) (27)	(902) 43	– (247)	_ (203)
1 207 489	932 405	113 115	286 174	(526) 3	(859) (26)	(247) (247)	(203) (203)
489	405	67 48	149 25	8 (5)	(30)	(247)	(203)
34	21	87	101	(1)	2		
684	506	(89)	11 6	(528)	(835)	_	-
684 205	506 120	(89) (77)	17 155	(528) (151)	(835) (311)	-	-
479	386	(12)	(138)	(377)	(524)	_	-
239 13	193			1 259	219		
227	193	(12)	(138)	(637)	(743)	-	-
33 1,4 23,9	24 1,5 24,7				3	(74)	(51)
23,9 4,59 7,9 1,28 30,2	24,7 4,47 5,6 0,87 35,4						
30,2 30,0 1 008	35,4 23,7 873	3 369	3 399	21	17		

Geographical segmental reporting

for the year ended 31 December

	Nedbank Limited 2007 2006			Fellow 2007		
Balance sheet (Rbn)						
Assets						
Cash and cash equivalents	18	18		(1)	(1)	
Other short-term securities	12	14		(14)	(12)	
Government and other securities	29	17		(1)	(5)	
Derivative financial instruments	10	15		1	,	
Loans and advances	373	319		(1)	10	
Other assets	19	19		(12)	(15)	
Intergroup assets	_	_		` '	, ,	
Total assets	461	402		(28)	(23)	
Equity and liabilities						
Amounts owed to depositors	389	339		354	14	
Other liabilities	17	14		6	(35)	
Derivative financial instruments	10	12		(375)	(1)	
Intergroup liabilities	_	_		(46)	()	
Long-term debt instruments	12	9		12		
Allocated capital	33	28		21	(1)	
Total equity and liabilities	461	402		(28)	(23)	
Income statement (Rm)						
Net interest income	13 554	10 489		(592)	(474)	
Impairments charge on loans and advances	2 115	1 465		(49)	(18)	
Income from lending activities	11 439	9 024		(543)	(456)	
Non-interest revenue	9 725	8 566		(721)	(902)	
Operating income	21 164	17 590		(1 264)	(1 358)	
Total operating expenses	12 927	11 725		(562)	(161)	
 Operating expenses 	12 792	11 581		(549)	(159)	
 BEE transaction expenses 	135	144		(13)	(2)	
Indirect taxation	298	334		(7)	(11)	
Profit/(Loss) from operations	7 939	5 531		(695)	(1 186)	
Share of profits of associates and joint ventures	54	68		(185)	(85)	
	7.003	F F00				
Profit/(Loss) before direct taxation	7 993	5 599		(880)	(1 271)	
Direct taxation	2 139	1 645		(197)	(262)	
Profit/(Loss) after taxation	5 854	3 954		(683)	(1 009)	
Profit attributable to minority interest						
 ordinary shareholders 	298	243		(46)	(66)	
– preference shareholders	13	_		(259)	(219)	
Headline earnings	5 543	3 711		(378)	(724)	
					` /	

South Africa			Rest	t of Africa	Rest of world		
2007	2006		2007	2006		2007	2006
17	17		1	1		1	1
17 17	17 18		1 1	1 1		1 8	1 7
29	20			•		1	2
9	15					·	_
354	295		7	5		13	9
28	30		1	1		2	3
(1)	(3)			1		1	2
453	392		10	9		26	24
30 11	301 48		1	7 1		4	17
363 46	13 (3)		7			15	3
(9) 12	9 24		2	1		7	4
453	392		10	9		26	24
13 336 2 087	10 158 1 458		441 17	513 19		369 60	292 6
11 249 9 775	8 700 8 916		424 245	494 163		309 426	286 389
21 024 12 538	17 616 11 009		669 461	657 445		735 490	675 432
12 393 145	10 886 123		458 3	422 23		490	432
298	337		3	2		4	6
8 188 238	6 270 151		205 1	210 2		241	237
8 426 2 247	6 421 1 778		206 57	212 101		241 32	237 28
6 179	4 643		149	111		209	209
284 272	248 219		33	35		27	26
5 623	4 176		116	76		182	183

for the year ended 31 December

1 Principal accounting policies

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

1.1 Basis of preparation

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

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

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

1.2 Foreign currency translation

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the respective entities in the group at the date of such transactions by applying to the foreign currency the spot exchange rate ruling at the transaction date. The functional currency of the respective entities in the group is the currency of the primary economic environment in which these entities operate. The results and financial position of each individual entity in the group are translated into the functional currency of the entity.

Monetary assets and liabilities in foreign currencies are translated into the functional currency of the respective group entities at the spot exchange rate ruling at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the respective functional currencies of the group entities using the foreign exchange rates ruling at the dates when the fair values were determined. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are converted into the functional currency of the respective group entities at the rate of exchange ruling at the date of the transaction and are not subsequently retranslated.

Exchange differences that arise on the settlement and translation of monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period they arise. Exchange differences for non-monetary items are recognised consistently with gains and losses on such items. For example, exchange differences relating to an item for which gains and losses are recognised direct in equity are recognised in equity. Conversely, exchange differences for non-monetary items for which gains and losses are recognised in profit or loss.

(ii) Investments in foreign operations

Nedbank Limited's presentation currency is South African rand (ZAR). The assets and liabilities, including goodwill, of foreign entities that have functional currencies other than ZAR are translated at the closing rate. Income and expenses are translated using the average exchange rate for the period. The differences that arise on translation are recognised directly in equity. All these exchange differences are recognised as a separate component of equity. On disposal of a foreign operation, the cumulative exchange differences deferred as a separate component of equity relating to the foreign operation being disposed of are recognised in profit or loss when the gain or loss on disposal is recognised. The primary major determinants of non-rand functional currencies are the economic factors that determine the sales price for goods and services and costs. Additional supplementary factors to be considered are funding, autonomy and cashflows.

1.3 Group accounting

(i) Subsidiary undertakings and special-purpose entities

Subsidiary undertakings are those entities, including unincorporated entities such as partnerships, that are controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities and is presumed to exist when the group owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity, unless, in exceptional circumstances, it can clearly be demonstrated that such ownership

does not constitute control. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the group has control.

Subsidiary undertakings include special-purpose entities (SPEs) that are created to accomplish a narrow, well-defined objective, and may take the form of a company, corporation, trust, partnership or unincorporated entity. The assessment of control for SPEs is based on the substance of the relationship between the group and the SPE. SPEs in which the group holds half or less of the voting rights, but which are controlled by the group by retaining the majority of risks or benefits, are also included in the group financial statements.

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are measured at fair value less cost to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the costs of the business combination, the excess is immediately recognised in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

The group financial statements include the assets, liabilities and results of the company and subsidiary undertakings (including SPEs) controlled by the group from the date of acquisition until the date the group ceases to control the subsidiary. Intragroup balances, transactions, income and expenses and profits and losses are eliminated in full in preparation of the group financial statements. Unrealised losses are not eliminated to the extent that they provide objective evidence of impairment.

The difference between the proceeds from the disposal of a subsidiary and its carrying amount as of the date of disposal, including the cumulative amount of any exchange differences that relate to the subsidiary in equity, is recognised in the group income statement as the gain or loss on the disposal of the subsidiary.

(ii) Associates

An associate is an entity, including an unincorporated entity such as a partnership, over which the group has the ability to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investment (that is neither a subsidiary nor an investment in a joint venture).

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included in the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss.

The results and assets and liabilities of associates are incorporated in the group financial statements using the equity method of accounting from the date significant influence commences until the date significant influence ceases. The carrying amount of such investments is reduced to recognise any impairment in the value of individual investments. When the group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil, inclusive of any debt outstanding, and recognition of further losses is discontinued, except to the extent that the group has incurred or guaranteed obligations in respect of the associate.

Where an entity within the group transacts with an associate of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the relevant associate.

Investments in associates held with the intention of disposing thereof within 12 months are accounted for as non-current assets held for sale.

Where the group has an investment in an associate company held by its venture capital divisions, the investment is classified as held-for-trading and is measured at fair value, with changes in fair value recognised in profit or loss in the period in which they occur.

for the year ended 31 December

1 Principal accounting policies (continued)

1.3 Group accounting (continued)

(iii) Joint ventures

Joint ventures are those entities over which the group has joint control in terms of a contractual agreement. Jointly controlled entities are incorporated in the group financial statements using the equity method of accounting. The carrying amount of such investments is reduced to recognise any impairment in the value of individual investments.

Where an entity within the group transacts with a joint venture of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the joint venture. When the group's share of losses exceeds the carrying amount of the joint venture, 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 joint venture. Investments in joint ventures held with the intention of disposing thereof within 12 months are accounted for as non-current assets held for sale.

Where the group has an investment in a jointly controlled entity held by its venture capital divisions, the investment is classified as held-for-trading and is measured at fair value, with changes in fair value recognised in profit or loss in the period in which they occur.

1.4 Investment contracts

(i) Investment contract liabilities

Liabilities for unit-linked and market-linked contracts are reported at fair value. For unit-linked contracts the fair value is calculated as the account value of the units, ie the number of units held multiplied by the bid price value of the assets in the underlying fund (adjusted for taxation). For market-linked contracts the fair value of the liability is determined with reference to the fair value of the underlying assets. This fair value is calculated in accordance with the financial soundness valuation basis, except that negative rand reserves arising from the capitalisation of future margins are not permitted. The fair value of the liability, at a minimum, reflects the initial deposit of the client, which is repayable on demand.

Investment contract liabilities (other than unit-linked and market-linked contracts) are measured at amortised cost.

Embedded derivatives included within investment contracts are separated and measured at fair value, and the host contract liability is measured on an amortised-cost basis.

(ii) Revenue on investment management contracts

Fees charged for investment management services provided in conjunction with an investment contract are recognised as revenue as the services are provided. Initial fees that exceed the level of recurring fees and relate to the future provision of services are deferred and amortised over the anticipated period over which services will be provided.

1.5 Financial instruments

Financial instruments, as reflected on the balance sheet, include all financial assets and financial liabilities, including derivative instruments, but exclude investments in subsidiaries, associated companies and joint ventures (other than private equity), employee benefit plans, property and equipment, investment property, provisions, deferred taxation, taxation payable/receivable, intangible assets, leases and goodwill. Financial instruments are accounted for under IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement. The group does not apply hedge accounting. This accounting policy should be read in conjunction with the group categorised balance sheet.

(i) Initial recognition

Financial instruments are recognised on the balance sheet when the group becomes a party to the contractual provisions of a financial instrument. All purchases of financial assets that require delivery within the time frame established by regulation or market convention ('regular way' purchases) are recognised at trade date, which is the date on which the group commits to purchase the asset. The liability to pay for 'regular way' purchases of financial assets is recognised on trade date, which is when the group becomes a party to the contractual provisions of the financial instrument.

Contracts that require or permit net settlement of the change in the value of the contract are not considered 'regular way' contracts and are treated as derivatives between the trade and settlement of the contract.

(ii) Initial measurement

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable

markets, the group defers such differences (day-one gains or losses). Day-one gains or losses are amortised on a straight-line basis over the life of the instrument. To the extent that the inputs determining the fair value of the instrument become observable, or when the instrument is derecognised, day-one gains or losses are recognised immediately in profit or loss.

(iii) Subsequent measurement

Subsequent to initial measurement, financial instruments are either measured at fair value or amortised cost, depending on their classification:

• Financial assets and financial liabilities at fair value through profit or loss
Financial instruments at fair value through profit or loss consist of trading instruments and instruments that the group has elected, on initial recognition date, to designate as at fair value through profit or loss.

Trading instruments are financial assets or financial liabilities acquired or incurred principally for the purpose of sale or repurchase in the near term that form part of a portfolio with a recent actual pattern of short-term profit-taking or that are derivatives. The group's derivative transactions include foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, and currency and interest rate options (both written and purchased).

Financial assets and financial liabilities that the group has elected, on initial recognition date, to designate at fair value through profit or loss are those that meet any one of the criteria below:

- the fair value through profit or loss designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from using different bases to measure and recognise the gains and losses on financial assets and financial liabilities, or
- the instrument forms part of a group of financial instruments that is managed, evaluated and reported to the appropriate level of management using a fair-value basis in accordance with a documented risk management or investment strategy, or
- the financial instrument contains an embedded derivative that significantly modifies the cashflows of the host contract or the embedded derivative clearly requires separation.

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, with fair value gains and losses (excluding interest income and interest expense calculated on the amortised-cost basis relating to interest-bearing instruments that have been designated as at fair value through profit or loss) reported in non-interest revenue as they arise. Interest income and interest expense calculated on the amortised-cost basis are reported in interest income and expense.

· Non-trading financial liabilities

All financial liabilities, other than those at fair value through profit or loss, are classified as non-trading financial liabilities and are measured at amortised cost.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative 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 meet the definition of loans and receivables or those that were designated as at fair value through profit or loss or available-for-sale. Held-to-maturity financial assets are measured at amortised cost, with interest income recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the group as at fair value through profit or loss or available-for-sale.

Financial assets classified as loans and receivables are carried at amortised cost, with interest income recognised in profit or loss. The majority of the group's advances are included in the loans and receivables category.

Available-for-sale financial assets

Financial assets are classified as available-for-sale where the intention with regard to the instrument and its origination and designation does 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.

Available-for-sale financial assets are measured at fair value, with fair value gains and losses recognised directly in equity along with the associated deferred taxation. Any foreign currency translation gains or losses or interest income, measured on an effective-yield basis, are removed from equity to profit or loss as they arise. 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 profit or loss.

for the year ended 31 December

1 Principal accounting policies (continued)

1.5 Financial instruments (continued)

(iv) Embedded derivatives

Embedded derivatives in financial and non-financial instruments, such as an equity conversion option in a convertible bond, are separated from the host contract, when all of the following conditions are met:

- · The economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.
- · A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
- · The combined contract is not measured at fair value, with changes in fair value recognised in profit or loss.

The host contract is accounted for:

- under IAS 39 if it is, itself, a financial instrument; and
- in accordance with other appropriate standards if it is not a financial instrument.

If an embedded derivative is required to be separated from its host contract but it is not possible separately to measure the fair value of the embedded derivative, either at acquisition or at a subsequent financial reporting date, the entire hybrid instrument is categorised as at fair value through profit or loss and measured at fair value.

(v) Measurement basis of financial instruments

Amortised cost

Amortised cost financial assets and financial liabilities are measured at fair value plus transaction costs on initial recognition, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, less any cumulative impairment losses.

Fair value

Directly attributable transaction costs are included in the initial fair value of financial assets and financial liabilities, other than those at fair value through profit or loss. The best evidence of the fair value of a financial asset or financial liability at initial recognition is the transaction price, unless the fair value of the instrument is evidenced by comparison with other current observable market transactions in the same instrument or based on a valuation technique whose variables include only market observable data.

Where quoted market prices or rates are available, such market data is used to determine the fair value of financial assets and financial liabilities that are measured at fair value. The bid price is used to measure financial assets held and the offer price is used to measure the fair value of financial liabilities. Mid-market prices are used to measure fair value only to the extent that the group has assets and liabilities with offsetting risk positions.

If quoted bid prices are unavailable, the fair value of financial assets and financial liabilities is estimated using pricing models or discounted cashflow techniques. Where discounted cashflow techniques are used, estimated future cashflows are based on management's best estimates and the discount rate used 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 (prices from observable current market transaction in the same instrument without modification or other observable market data) at the balance sheet date.

When market-related measures are not available, observable market data is modified to incorporate relevant factors that a market participant in an arm's length exchange motivated by normal business considerations would consider in determining the fair value of the financial instrument (non-observable market inputs). The *International Private Equity and Venture Capital Valuation Guidelines* and industry practice, which have demonstrated the capability to provide reliable estimates of prices obtained in actual market transactions, are used to determine the adjustments to observable market data. Consideration is given to the nature and circumstances of the financial instrument in determining the appropriate non-observable market input.

Non-observable market inputs are used to determine the fair values of, among others, private-equity investments, management buyouts and development capital. Valuation techniques applied by the group and that incorporate non-observable market inputs include, among others, earnings multiples, the price of recent investments, the value of the net assets of the underlying business and discounted cashflows.

The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. When the fair value of financial liabilities cannot be reliably determined, the liabilities are recorded at the amount due.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and have to be settled by delivery of such unquoted equity instruments, are measured at cost. Fair value is considered reliably measurable if

- the variability in the range of reasonable fair-value estimates is not significant for that instrument, or
- the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

(vi) Derecognition

The group derecognises a financial asset (or group of financial assets) or a part of a financial asset (or part of a group of financial assets) when and only when:

- · the contractual rights to the cashflows arising from the financial asset have expired; or
- · it transfers the financial asset, including substantially all the risks and rewards of ownership of the asset; or
- it transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retains control of the asset.

A financial liability (or part of a financial liability) is derecognised when and only when the liability is extinguished, ie when the obligation specified in the contract is discharged, cancelled or has expired.

The difference between the carrying amount of a financial asset or financial liability (or part thereof) that is derecognised and the consideration paid or received, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss for the period.

(vii) Impairment of financial assets

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has (or events have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the group about the following loss events:

- · significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the group would not otherwise consider;
- · it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- · the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cashflows from a group of
 financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the
 individual financial assets in the group, including
 - adverse changes in the payment status of borrowers in the group, or
 - national or local economic conditions that correlate with defaults on the assets in the group.
- Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cashflows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

The group first assesses whether there is objective evidence of impairment individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the group determines that there is no objective evidence of impairment for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

for the year ended 31 December

1 Principal accounting policies (continued)

1.5 Financial instruments (continued)

(vii) Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal may not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date on which the impairment is reversed. The amount of the reversal is recognised in profit or loss for the period.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value, because its fair value cannot be reliably measured, or on a derivative asset that is linked to and has to be settled by delivery of such an unquoted equity instrument, or a financial asset that is carried at cost because its fair value could not be determined, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cashflows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

· Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised directly in equity is removed from equity and recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss for the period.

Maximum credit risk

Credit risk arises principally from loans and advances to clients, investment securities derivatives and irrevocable commitments to provide facilities. The maximum credit risk is typically the gross carrying amount, net of any amounts offset and impairment losses. The maximum credit exposure for loan commitments is the full amount of the commitment if the loan cannot be settled net in cash or using another financial asset.

(viii) Offsetting financial instruments and related income

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off and there is an intention of settling on a net basis or realising the asset and settling the liability simultaneously. Income and expense items are offset only to the extent that their related instruments have been offset in the balance sheet.

(ix) Collateral

Financial and non-financial assets are held as collateral in respect of certain recognised financial assets. Such collateral is not recognised by the group, as the group does not retain the risks and rewards of ownership, and is obliged to return such collateral to counterparties upon settlement of the related obligations. Should a counterparty be unable to settle its obligations, the group takes possession of collateral or calls on other credit enhancements as full or part settlement of such amounts. These assets are recognised when the applicable recognition criteria under IFRS are met, and the group's accounting policies are applied from the date of recognition.

Collateral is also given to counterparties under certain financial arrangements, but such assets are not derecognised where the group retains the risks and rewards of ownership. Such assets are at risk to the extent that the group is unable to fulfil its obligations to counterparties.

(x) Interest income and expense

Interest income and expense are recognised in profit or loss using the effective-interest method taking into account the expected timing and amount of cashflows. The effective-interest method is a method of calculating the amortised cost

of a financial asset or financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. 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.

(xi) Non-interest revenue

Fees and commission

The group earns fees and commissions from a range of services it provides to clients and these are accounted for as follows:

- Income earned on the execution of a significant act is recognised when the significant act has been performed.
- Income earned from the provision of services is recognised as the service is rendered by reference to the stage of completion of the service.
- Income that forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in interest income.

Dividend income

Dividend income is recognised when the right to receive payment is established on the ex-dividend date for equity instruments and is included in dividend income.

Net trading income

Net trading income comprises all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading, together with the related interest, expense, costs and dividends. Interest earned while holding trading securities and interest incurred on trading liabilities is reported within non-interest revenue.

Income from investment contracts

See 1.4 (ii) for non-interest revenue arising on investment management contracts.

Other

Exchange and securities trading income, from investments and net gains on the sale of investment banking assets, is recognised in profit or loss 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.

Fair-value gains or losses on financial instruments at fair value through profit or loss, including derivatives, are included in non-interest revenue. These fair-value gains or losses are determined after deducting the interest component, which is recognised separately in interest income and expense.

Gains or losses on derecognition of any financial assets or financial liabilities are included in non-interest revenue.

(xii) Sale and repurchase agreements and lending of securities

Securities sold subject to linked repurchase agreements are retained in the financial statements as they do not qualify for derecognition. The group retains all risks and rewards of ownership of the securities. The securities are recorded as trading or investment securities and the counterparty liability is included in amounts owed to other depositors, deposits from other banks, or other money market deposits, as appropriate. Securities purchased under agreements to resell are recorded as loans and advances to other banks or clients, as appropriate. The difference between the sale and repurchase price is treated as interest and recognised over the duration of the agreements using the effective-interest method. Securities lent to counterparties are also retained in the financial statements and any interest earned is recognised in profit or loss using the effective-interest method.

Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale is recorded with the gain or loss included in non-interest revenue. The obligation to return them is recorded at fair value as a trading liability.

(xiii) Acceptances

Acceptances comprise undertakings by the group to pay bills of exchange drawn on clients. The group expects most acceptances to be settled simultaneously with the reimbursement from clients. Acceptances are disclosed as liabilities with the corresponding asset recorded in the balance sheet.

(xiv) Financial guarantee contracts

Financial guarantee contracts are recognised as insurance contracts. Liability adequacy testing is performed to ensure that the carrying amount of the liability for financial guarantee contracts is sufficient.

for the year ended 31 December

1 Principal accounting policies (continued)

1.6 Taxation

Taxation expense comprises current and deferred taxation. Income taxation is recognised in profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

(i) Current taxation

Current taxation is the expected taxation payable on the taxable income for the year, using taxation rates enacted or substantively enacted at the balance sheet date, and any adjustment to taxation payable in respect of previous years.

Secondary tax on companies (STC) that arises from the distribution of dividends is recognised at the same time as the liability to pay the related dividend.

(ii) Deferred taxation

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 taxation bases. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities and is measured at the taxation rates (enacted or substantively enacted at the reporting date) that are expected to be applied to the temporary differences when they reverse. Deferred taxation is charged to profit or loss for the period, 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 taxation rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to equity. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred taxation is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they will not reverse in the foreseeable future.

A deferred taxation asset is recognised to the extent that it is probable that future taxable income will be available against which the unutilised taxation losses and deductible temporary differences can be used. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefits will be realised.

1.7 Intangible assets

(i) Goodwill and goodwill impairment

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures. Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investments, the carrying amount of goodwill is included in the carrying amount of the investment.

All business combinations are accounted for by applying the purchase method of accounting. At acquisition date the group recognises the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their respective fair values. The cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued, in exchange for control, plus any costs directly attributable to the business combination. Any contingent purchase consideration is recognised to the extent that the adjustment is probable and can be measured reliably at the acquisition date. If a contingency that was not initially included in the purchase consideration subsequently becomes probable and measurable, the additional consideration shall be treated as an adjustment to the cost of the business combination. Any excess between the cost of the business combination and the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill in the balance sheet. Goodwill is adjusted for any subsequent remeasurement of contingent purchase consideration.

Goodwill is allocated to one or more cash-generating units (CGUs), being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Goodwill is allocated to the CGUs in which the synergies from the business combinations are expected. Each CGU containing goodwill is annually tested for impairment. An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to a CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

Impairment testing procedures

The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value in use. The fair value less cost to sell 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 cashflows from the CGU are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU.

Impairment losses relating to goodwill are not reversed and all impairment losses are recognised in profit and loss.

(ii) 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 profit or loss as the expense is incurred.

If costs can be reliably measured and future economic benefits are available, 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 employee 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 of computer software and development costs is charged to profit or loss on a straight-line basis over the estimated useful lives of these assets, which do not exceed five years. Subsequent expenditure relating to computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. 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 profit or loss in the period in which they are incurred. The profit or loss is the difference between the net disposal proceeds and the carrying amount of the asset.

1.8 Property and equipment

Items of property and equipment are initially recognised at cost if it is probable that any future economic benefits associated with the items will flow to the group and it has a cost that can be measured reliably. Certain items of property and equipment that had been revalued to fair value on 1 January 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. Subsequent expenditure is recognised in the carrying amount of items of property and equipment if it is measurable and it is probable that future economic benefits associated with the expenditure will flow to the group. All other expenses are recognised in profit or loss as an expense when incurred.

Subsequent to initial recognition, computer equipment, vehicles and furniture and other equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings, whose fair values can be reliably measured, are carried at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluation increases are credited directly to equity under the heading 'Revaluation reserve'. However, revaluation increases are recognised in profit or loss to the extent that they reverse a revaluation decrease of the same asset previously recognised in profit or loss. Revaluation decreases are recognised in profit or loss. However, decreases are debited directly to equity to the extent of any credit balance existing in the revaluation surplus in respect of the same asset. Land and buildings are revalued on the same basis as investment properties.

(i) Depreciation

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Items of property and equipment that are classified as held-for-sale under IFRS 5 are not depreciated. The depreciable amounts of property and equipment are charged to profit or loss on a straight-line basis over the estimated useful lives of the items of property and equipment, unless they are included in the carrying amount of another asset. Useful lives, residual values and depreciation methods are assessed on an annual basis.

On revaluation, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the item concerned and the net amount restated to the revalued amount. Subsequent depreciation charges are adjusted based on the revalued amount.

for the year ended 31 December

1 Principal accounting policies (continued)

1.8 Property and equipment (continued)

(i) Depreciation (continued)

Any difference between the depreciation charge on the revalued amount and that which would have been charged under historic cost is transferred net of any related deferred taxation between the revaluation reserve and retained earnings as the property is utilised.

Land is not depreciated.

The maximum estimated useful lives are as follows:

Computer equipment 5 years
Motor vehicles 6 years
Fixtures and furniture 10 years
Leasehold property 20 years
Significant leasehold property components 10 years
Freehold property 50 years
Significant freehold property components 5 years

(ii) Derecognition

Items of property and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is included in profit or loss and is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. On derecognition any surplus in the revaluation reserve in respect of an individual item of property and equipment is transferred directly to retained earnings. Compensation from third parties for items of property and equipment that were impaired, lost or given up is included in profit or loss when the compensation becomes receivable.

1.9 Impairment (all assets other than goodwill and financial instruments)

The group assesses all assets (other than goodwill and intangible assets not yet available for use) for indications of impairment or the reversal of a previously recognised impairment at each balance sheet date. These impairments (where the carrying amount of an asset exceeds its recoverable amount) or the reversal of a previously recognised impairment are recognised in profit or loss for the period.

Intangible assets not yet available for use are tested at least annually for impairment.

An impairment is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. The fair value less cost to sell 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 cashflows from the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset whose cashflows are largely dependent on those of other assets the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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.

1.10 Investment properties

Investment properties comprise real estate held to earn rentals or for capital appreciation. This does not include real estate held for use in the supply of services or for administrative purposes. Investment properties are initially measured at cost plus any directly attributable expenses.

Investment properties are stated at fair value. Internal professional valuers perform valuations annually. For practical reasons, valuations are carried out on a cyclical basis over a 12-month period due to the large number of properties involved. External valuations are obtained once every three years on a cyclical basis. In the event of a material change in market conditions between the valuation date and balance sheet date an internal valuation is performed and adjustments made to reflect any material changes in value.

The valuation methodology adopted is dependent on the nature of the property. Income-generating assets are valued using discounted cashflows. Vacant land, land holdings and residential flats are valued according to sales of comparable properties. Near-vacant properties are valued at land value less the estimated cost of demolition.

Surpluses and deficits arising from changes in fair value are recognised in profit or loss for the period.

For properties reclassified during the year from property and equipment to investment properties, any revaluation gain arising is initially recognised in profit or loss to the extent of previously charged impairment losses. Any residual excess is taken to the revaluation reserve. Revaluation deficits are recognised in the revaluation reserve to the extent of previously recognised gains and any residual deficit is accounted for in profit or loss.

Investment properties that are reclassified to owner-occupied property are revalued at the date of transfer, with any difference being taken to profit or loss.

1.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction and production of qualifying assets are capitalised as part of the costs of these assets. Qualifying assets are assets that necessarily take a substantial period of time to prepare for their intended use or sale. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

All other borrowing costs are expensed in the period in which they are incurred.

Details of borrowing costs capitalised are disclosed in the notes by asset category and are calculated at the group's average funding cost, except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

1.12 Employee benefits

Defined-benefit and defined-contribution plans have been established for eligible employees of the group, with assets held in separate trustee-administered funds.

(i) Defined-benefit plans

Pension obligations are accounted for in accordance with IAS 19 Employee Benefits. The projected-unit credit method is used to determine the defined-benefit obligations based on actuarial assessments, which incorporate not only the pension obligations known on the balance sheet date, but also information relevant to their expected future development. The discount rates used are determined based on the yields for government bonds that have maturity dates approximating the terms of the group's obligations.

Actuarial gains and losses are accounted for using the 'corridor method' and are not recognised in the statement of changes in equity. The portion of actuarial gains and losses to be recognised for each defined-benefit plan is the excess of the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period over the greater of 10% of the present value of the defined-benefit obligation at that date (before deducting plan assets) and 10% of the fair value of any plan assets at that date, divided by the expected average remaining working lives of the employees participating in that plan.

Where the calculation results in a benefit to the group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

(ii) Defined-contribution plans

Contributions in respect of defined-contribution benefits are recognised as an expense in profit or loss as incurred.

(iii) Postemployment benefit plans

Certain entities within the group provide postretirement medical benefits to eligible employees. Non-pension postemployment benefits are accounted for according to their nature, either as defined-contribution or defined-benefit plans. The expected costs of postretirement benefits that are defined-benefit plans in nature are accounted for in the same manner as in the case of defined-benefit pension plans.

(iv) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

for the year ended 31 December

1 Principal accounting policies (continued)

1.13 Share-based payments

(i) Equity-settled share-based payment transactions with employees

The services received in an equity-settled share-based payment transaction with employees are measured at the fair value of the equity instruments granted. The fair value of the equity instruments is measured at grant date.

If the equity instruments granted vest immediately and an employee is not required to complete a specified period of service before becoming unconditionally entitled to the instruments, the services received are recognised in profit or loss for the period in full on grant date with a corresponding increase in equity.

Where the equity instruments do not vest until the employee has completed a specified period of service, it is assumed that the services rendered by the employee, as consideration for the equity instruments, will be received in the future during the vesting period. The services are accounted for in profit or loss as they are rendered during the vesting period, with a corresponding increase in equity. The share-based payment expense is adjusted for non-market-related performance conditions.

Where the equity instruments are no longer outstanding, the accumulated share-based payment reserve in respect of those equity instruments is transferred to retained earnings.

(ii) Cash-settled share-based payment transactions with employees

The services received in cash-settled share-based payment transactions with employees and the liability to pay for those services are recognised at fair value as the employee renders the services. Until the liability is settled, the fair value of the liability is remeasured at each reporting date and at settlement date, with changes in fair value recognised in profit or loss.

If the equity instruments do not vest until the employee completes a specified period of service, it is presumed that the services to be rendered by the employee, as consideration for those equity instruments, will be received in the future during the vesting period. The group recognises these services in profit or loss as they are rendered during the vesting period, with a corresponding increase in liabilities.

(iii) Measurement of fair value of equity instruments granted

The equity instruments granted by the group are measured at fair value at measurement date using standard option pricing valuation models. The valuation technique is consistent with generally acceptable valuation methodologies for pricing financial instruments and incorporates all factors and assumptions that knowledgeable, willing market participants would consider in setting the price of the equity instruments. Vesting conditions, other than market conditions, are not taken into account in determining fair value. Vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount.

(iv) Share-based payment transactions with persons or entities other than employees

Transactions in which equity instruments are issued to historically disadvantaged individuals and organisations in South Africa are accounted for as share-based payments. Where the group has issued such instruments and expects to receive services in return for equity instruments, the share-based payments charge is spread over the related vesting (ie service) period of these instruments. In instances where such goods and services could not be identified, the cost has been expensed with immediate effect. The valuation techniques are consistent with those mentioned above.

1.14 Leases

(i) The group as lessee

Leases in respect of which the group bears substantially all risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the lease property or the present value of the minimum lease payments. Directly attributable costs incurred by the group are added to the carrying amount of the asset. Each lease payment is allocated between the liability and finance charges to achieve a constant periodic rate of interest on the balance outstanding. Contingent rentals are expensed in the period they are incurred. The depreciation policy for leased assets is consistent with that of depreciable assets owned. If the group does not have reasonable certainty that it will obtain ownership of the leased asset by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

Leases that are not classified as finance leases are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to income on a straight-line basis over the term of the lease. When another systematic basis is more representative of the time pattern of the user's benefit, then that method is used.

(ii) The group as lessor

Where assets are leased out under a finance lease arrangement, the present value of the lease payments is recognised as a receivable. Initial direct costs are included in the initial measurement of the receivable. The difference between the gross receivable and unearned finance income is presented in the balance sheet. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Assets leased out under operating leases are included under property and equipment in the balance sheet. Initial direct costs incurred in negotiating and arranging are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income. Leased assets are depreciated over their expected useful lives on a basis consistent with similar assets. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the term of the lease. When another systematic basis is more representative of the time pattern of the user's benefit, then that method is used.

(iii) Recognition of lease of land

Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. However, when a single lease covers both land and a building, the minimum lease payments at the inception of the lease (including any upfront payments) are allocated between the land and the building in proportion to the relative fair values of the respective leasehold interests. Any upfront premium allocated to the land element that is normally classified as an operating lease represents prepaid lease payments. These payments are amortised over the lease term in accordance with the time pattern of benefits provided. If the lease payments cannot be allocated reliably between these two elements, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases.

1.15 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than 90 days' maturity from the date of acquisition, including cash and balances with central banks that are not mandatory, other eligible bills and amounts due from other banks.

1.16 Other provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, in respect of which it is probable that an outflow of economic benefits will occur and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the reasonable estimate of the expenditure required to settle the obligation at the balance sheet date. Where the effect of discounting is material, provisions are discounted. The discount rate reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Gains from the expected disposal of assets are not taken into account in measuring provisions. Provisions are reviewed at each balance sheet date and adjusted to reflect the current reasonable estimate. If it is no longer probable that an outflow of resources will be required to settle the obligation, the provision is reversed.

(i) Reimbursements

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by a party outside the group, the reimbursement is recognised when it is virtually certain that it will be received if the group settles the obligation. The reimbursement is recorded as a separate asset at an amount not exceeding the related provision. The expense for the provision is presented net of the reimbursement in profit or loss. Specific policies described in (ii) and (iii) below apply.

(ii) 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.

(iii) Restructuring

A provision for restructuring is recognised when the group has a detailed formal plan for restructuring and has raised a valid expectation, among those parties directly affected, that the plan will be carried out, either by having begun implementation or by publicly announcing the plan's main features. Restructuring provisions include only those costs that arise directly from restructuring that is not associated with the ongoing activities of the group.

Future operating costs or losses are not provided for.

for the year ended 31 December

1 Principal accounting policies (continued)

1.17 Segment reporting

The group's primary segments are lines of business and its secondary segments are geographic. The group policy is to disclose mandatory segmental information under IAS 14 Segment Reporting and to disclose additional supplemental information for each business segment at the group's discretion. Where financial information is required for primary and secondary segments, this is provided by way of a matrix format.

The segmental disclosure of results by geography is determined by the origin of business transacted.

The accounting policies of the group's reported segments are the same as the accounting policies of the group. Assets, liabilities, revenues or expenses that are not directly attributable to a particular segment are allocated between segments where there is a reasonable basis for doing so. The group accounts for intersegment revenues and transfers as if the transactions were with third parties at current market prices.

1.18 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and the group will comply with the conditions attached to them. Grants that compensate the group for expenses or losses already incurred or for purposes of giving immediate financial support to the entity with no future-related costs are recognised as income in the period it becomes receivable. Grants that compensate the group for expenses to be incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses will be incurred. Grants that compensate the group for the cost of an asset are recognised in profit or loss as revenue on a systematic basis over the useful life of the asset.

1.19 Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held-for-sale when their carrying amount will be recovered principally through sale rather than use. The asset or disposal group must be available for immediate sale in its present condition and the sale should be highly probable, with an active programme to find a buyer and the appropriate level of management approving the sale. Immediately before classification as held-for-sale, all assets are remeasured in accordance with the group's accounting policies. Non-current assets (or disposal groups) held for sale are measured at the lower of carrying amount and fair value less incremental directly attributable cost to sell (excluding taxation and finance charges) and are not depreciated. Gains or losses recognised on initial classification as held-for-sale and subsequent remeasurements are recognised in profit or loss, regardless of whether the assets were previously measured at revalued amounts. The maximum gains that can be recognised are the cumulative impairment losses previously recognised in profit or loss. A disposal group continues to be consolidated while held for sale. Income and expenses continue to be recognised. However, assets are not depreciated or amortised. Non-current assets (or disposal groups) are reclassified from held-for-sale to held-for-use if they no longer meet the held-for-sale criteria. On reclassification, the non-current asset (or disposal group) is remeasured at the lower of its recoverable amount and the carrying amount that would have been recognised had the asset (or disposal group) never been classified as held-for-sale. Any gains or losses are recognised in profit or loss, unless the asset was carried at a revalued amount prior to classification as held-for-sale. Gains or losses on such assets are recognised as revaluation increases or decreases.

A discontinued operation is a clearly distinguishable component of the group's business that has been disposed of or is held for sale, which:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

1.20 Share capital

Ordinary share capital, preference share capital or any financial instrument issued by the group is classified as equity when:

- payment of cash, in the form of a dividend or redemption, is at the discretion of the group;
- the instrument does not provide for the exchange of financial instruments under conditions that are potentially unfavourable to the group;
- · settlement in the group's own equity instruments is for a fixed number of equity instruments at a fixed price; and
- · the instrument represents a residual interest in the assets of the group after deducting all of its liabilities.

The group's ordinary and preference share capital is classified as equity.

Consideration paid or received for equity instruments is recognised directly in equity. Equity instruments are initially measured at the proceeds received, less incremental directly attributable issue costs (net of any related income tax benefit). No gain is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's equity instruments.

When the group issues a compound instrument, ie an instrument that contains both a liability and equity component, the equity component is initially measured at the residual amount after deducting from the fair value of the compound instrument the amount separately determined for the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

Distributions to holders of equity instruments are recognised as dividends within equity in the period in which they are payable. Dividends for the year that are declared after the balance sheet date are disclosed in the notes.

1.21 Treasury shares

When the group acquires its own share capital, the amount of the consideration paid, including directly attributable costs (net of any related tax benefit), is recognised as a change in equity. Shares repurchased by the issuing entity are cancelled. Shares repurchased by group entities are classified as treasury shares and are held at cost. These shares are treated as a deduction from the issued and weighted average number 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.

2 Standards and interpretations issued but not yet effective

2.1 New standards

The following standards, mandatory for the group's accounting periods commencing on or after 1 January 2008, have not been early-adopted by the group:

(i) IFRS 8 Operating Segments

IFRS 8 requires an entity to adopt a management approach to reporting the financial performance of its operating segments. Generally, the information to be reported would be what management is currently using internally for evaluating segment performance and deciding how to allocate resources to operating segments. The application of the IFRS is not expected to change the disclosure and measurement basis applied to segment reporting by the group and is not expected to have a significant impact on the group. The group will apply IFRS 8 from its effective date, which is for annual periods commencing on or after 1 January 2009.

2.2 Revised standards

The following revisions to International Accounting Standards have not been early-adopted by the group:

(i) IFRS 3 Business Combinations: Comprehensive revision on applying the acquisition method and consequential amendments to IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interest in Joint Ventures

The revised IFRS 3 retains the basic requirements of IFRS 3 (2004) to apply acquisition accounting for all business combinations within the scope of IFRS 3, to identify the acquirer and to determine the acquisition date for every business combination. The most significant change is a move from a purchase price allocation approach to a fair-value measurement principle. The revision applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revision is applicable prospectively and will not affect past business combinations.

(ii) IAS 1 Presentation of Financial Statements: Comprehensive revision including requiring a statement of comprehensive income

The changes made to IAS 1 require information in financial statements to be aggregated on the basis of shared characteristics and introduce a statement of comprehensive income. The revision includes changes in titles of financial statements to reflect their functions more clearly.

The revised standard will affect the disclosures in the annual report. The revision is effective for annual periods commencing on or after 1 January 2009. The group will adopt the revised standard on its effective date.

for the year ended 31 December

2 Standards and interpretations issued but not yet effective (continued)

2.2 Revised standards (continued)

(iii) IAS 23 Borrowing Costs

The revision removed the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The revision is effective for annual periods commencing on or after 1 January 2009.

The revision will not affect the group as it is the group's policy to capitalise borrowing costs on qualifying assets.

(iv) IFRS 2 Share-based Payment: Amendment relating to vesting conditions and cancellation

Under IFRS 2, a failure to meet a condition, other than a vesting condition, is treated as a cancellation. IFRS 2 specifies the accounting treatment of cancellations by the entity, but does not give guidance on the treatment of cancellations by parties other than the entity. The amendment requires cancellations by parties other than the entity to be accounted for in the same way as cancellations by the entity.

The amendment is not expected to affect the group's results. The amendment is effective for annual periods commencing on or after 1 January 2009. The group will adopt the amendment on its effective date.

(v) IAS 1 Presentation of Financial Statements: Amendment relating to disclosure of puttable instruments and obligations arising on liquidation

The amendment requires additional information to be presented on puttable instruments that are presented as equity. The amendment will not affect the group, as the group does not have puttable instruments that are presented within equity.

The amendment is effective for annual periods beginning on or after 1 January 2009. The group will apply the amendment from its effective date.

2.3 Interpretations

The following interpretations of existing standards are not yet effective and have not been early-adopted by the group:

(i) IFRIC 11 IFRS 2 Group and Treasury Share Transactions

This interpretation clarifies that, where a parent grants rights to its equity instruments to the employees of a subsidiary, the subsidiary shall measure the services received from its employees in accordance with the requirements applicable to equity-settled share-based payment transactions, with a corresponding increase in equity.

Nedbank Group Limited, the parent company, grants share options over its shares to employees of Nedbank Limited. Nedbank Limited measures the services received from its employees in accordance with the requirements applicable to cash-settled share-based payment transactions, with a corresponding increase in liabilities. This is due to the fact that, when share options are exercised by employees, Nedbank Limited is required to pay to Nedbank Group Limited the difference between the listing value and the exercise price of the share options.

The interpretation has no effect on the group. The interpretation will be applied from its effective date for annual periods beginning on or after 1 March 2007.

(ii) IFRIC 12 Service Concession Arrangements

The interpretation clarifies the application of existing IFRSs by concession operators for obligations under concession arrangements and rights received in service concession arrangements. The group will apply the requirements of the interpretation from its effective date, which is for annual periods commencing on or after 1 January 2008.

The group is not party to concession arrangements. As such, IFRIC 12 is not expected to have any impact on the group.

(iii) IFRIC 13 Customer Loyalty Programmes

The interpretation clarifies the application of IAS 18 to customer loyalty programmes. The interpretation requires an entity that grants loyalty award credits to allocate some of the initial proceeds from the initial revenue-generating transaction to the award credit as a liability (entity's obligation to provide award). The award is accounted for as a separate revenue-generating transaction. The interpretation is effective for annual periods commencing on or after 1 July 2008.

The application of IFRIC 13 will result in the group deferring a portion of income as a liability. The group will adopt the interpretation for its annual period commencing 1 January 2009.

(iv) IFRIC 14 IAS 19 The Limit on a Defined-benefit Asset, Minimum Funding Requirements and their Interaction

The interpretation addresses the implication of minimum funding requirements on the recognition of a defined-benefit obligation. The interpretation is effective for annual periods commencing on or after 1 January 2008.

The group will adopt the interpretation on its effective date. Currently, the group's defined-benefit plans are in an asset position. No effect is anticipated on adoption of the interpretation.

3 Key assumptions concerning the future and key sources of estimation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board. In the preparation of the financial statements the bank has assumed certain key sources of estimation in recording various assets and liabilities, as set out below.

3.1 Credit impairment of loans and advances

The group adopted an incurred-loss approach to impairment in accordance with accounting policy 1.5 (vii). Impairment losses are incurred only if there is objective evidence of impairment as a result of one or more past events that has occurred since initial recognition. This necessitates the establishment of 'impairment triggers' on the occurrence of which an impairment loss may be recognised.

Credit impairment is based on discounted estimated future cashflows on an asset or group of assets, where such objective evidence of impairment exists. The discount rate used to calculate the recoverable amount excludes consideration of any anticipated future credit losses.

The group has created a portfolio provision for incurred but not reported (IBNR) losses. The purpose of the IBNR provision is to allow for latent losses on a portfolio of loans and advances that have not yet been individually evidenced. Generally, a period of time will elapse between the occurrence of an impairment event and objective evidence of the impairment becoming evident, which is known as the 'emergence period'. The IBNR provision is based on the probability that loans that are ostensibly performing at the calculation date are impaired, and objective evidence of that impairment becomes evident during the emergence period.

The implementation of these principles are at a divisional level and will be specific to the nature of their individual loan portfolios and the loan loss data available to that division.

3.2 Goodwill impairment

The group determines the recoverable amount, being the higher of the fair value less cost to sell and the value in use, of individual cash-generating units by discounting the expected future cashflows of each of the identified cash-generating units. The risk-adjusted discount rate is approximately 10,8 percent. The recoverable amount is then compared to the carrying value of the respective cash-generating unit and an impairment loss is raised if required.

The calculation uses cashflow projections from business plans for the forthcoming three years, which are then extrapolated for two further years. Extrapolation is achieved using a long-term growth rate, which varies between three and five percent.

3.3 Provisions, contingent liabilities and contingent assets

The group, in the ordinary course of business, enters into transactions that expose the group to tax, legal and business risks. Refer to notes 41 and 42 for further information on provisions, contingent liabilities and contingent assets.

3.4 Fair value through profit or loss

For valuation methodologies utilised to fair value designated financial instruments through profit or loss, refer to note 22.

3.5 Private equity investment valuations

Private equity investments are based on the underlying value of the net assets within the investment vehicles concerned. These values are established either by independent valuers or the directors of those vehicles and are reviewed by Nedbank Limited's Investment Committee.

for the year ended 31 December

4 Group balance sheet – categories of financial instruments

				ue through or loss			Available-	** Financial	Non-
		Total	Held for trading	* Designated	Held-to- maturity investments	** Loans and receivables	for-sale financial assets	liabilities at amortised cost	financial assets and liabilities
	Notes	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
2007									
Assets									
Cash and cash equivalents	19	9 545				9 545			
Other short-term securities	20	11 775	7 545	4 230					
Derivative financial instruments	21	9 924	9 924						
Government and other securities	23	29 271	4 731	12 236	6 219	5 844	241		
Loans and advances	24	373 185	21 918	22 976		328 291			
Other assets	26	4 920		243		4 677			
Clients' indebtedness for acceptances		2 236							2 236
Current taxation receivable	27	29							29
Investment securities	28	2 739		1 856			883		
Non-current assets held for sale	30	-							
Investments in associate companies									
and joint ventures	29	735							735
Deferred taxation asset	31	65							65
Investment property	32	75							75
Property and equipment	33	3 757							3 757
Long-term employee benefit assets	34	1 305							1 305
Computer software and capitalised									
development costs	35	1 323							1 323
Mandatory reserve deposits with	10	0.054				0.254			
central bank	19	8 351				8 351			4 202
Goodwill	36	1 392							1 392
Total assets		460 627	44 118	41 541	6 219	356 708	1 124		10 917
Equity and liabilities									
Ordinary share capital	37.1	27							27
Ordinary share premium		14 422							14 422
Reserves		13 340							13 340
Total equity attributable to									
equity holders of the parent		27 789	-	-	-	-	-	-	27 789
Preference share capital and premium	37.2	3 122							3 122
Minority shareholders' equity									
attributable to:									
ordinary shareholders		1 307							1 307
 preference shareholders 	37.3	300							300
Total equity		32 518	_	_	_	_	_	_	32 518
Derivative financial instruments	21	10 336	10 336						
Amounts owed to depositors	38	389 290	15 570	54 443				319 277	
Other liabilities	39.1	11 033	4 340					6 693	
Liabilities under acceptances		2 236							2 236
Current taxation liabilities	27	275							275
Deferred taxation liabilities	31	1 470							1 470
Long-term employee benefit liabilities	s 34	1 145							1 145
Long-term debt instruments	40	12 324		7 725				4 599	
Total liabilities		428 109	30 246	62 168	-	_	_	330 569	5 126
Total equity and liabilities		460 627	30 246	62 168	-	-	_	330 569	37 644
Total equity and liabilities		460 627	30 246		-	-	-	330 569	37 64

				ue through or loss		**	Available-	** Financial	Non-
	Notes	Total Rm	Held for trading Rm	* Designated Rm	Held-to- maturity investments Rm	Loans and receivables	for-sale financial assets Rm	liabilities at amortised cost Rm	financial assets and liabilities Rm
2006									
Assets									
Cash and cash equivalents	19	11 165				11 165			
Other short-term securities	20	13 855	7 117	6 738					
Derivative financial instruments	21	10 314	10 314						
Government and other securities	23	22 031	3 066	10 219	3 599	5 147			
Loans and advances	24	319 180	22 261	25 805		271 114			
Other assets	26	5 120		277		4 843			
Clients' indebtedness for acceptances		2 544							2 544
Current taxation receivable	27	138		4 070			4.040		138
Investment securities	28	2 385		1 373			1 012		44
Non-current assets held for sale	30	41							41
Investments in associate companies	20	600							600
and joint ventures	29	690							690
Deferred taxation asset	31	48							48
Investment property	32	66							66
Property and equipment	33	3 323							3 323
Long-term employee benefit assets	34	1 357							1 357
Computer software and capitalised	35	1 236							1 236
development costs Mandatory reserve deposits with	55	1 230							1 230
central bank	19	7 026				7 026			
Goodwill	36	1 369				7 020			1 369
Total assets		401 888	42 758	44 412	3 599	299 295	1 012		10 812
Equity and liabilities									
Ordinary share capital	37.1	27							27
Ordinary share premium		14 422							14 422
Reserves		9 583							9 583
Total equity attributable to									
equity holders of the parent		24 032	_	_	_	_	_	_	24 032
Preference share capital and premiun	1 37.2	2 770							2 770
Minority shareholders' equity									
attributable to:									
ordinary shareholders		955							955
 preference shareholders 	37.3	300							300
Total equity		28 057							28 057
Derivative financial instruments	21	11 549	11 549						20 057
Amounts owed to depositors	38	339 164	17 750	9 436				311 978	
Other liabilities	39.1	9 098	3 137	3 430				5 961	
Liabilities under acceptances	٠,١	2 544	5 151					3 30 1	2 544
Current taxation liabilities	27	338							338
Deferred taxation liabilities	31	1 410							1 410
Long-term employee benefit liabilitie		1 210							1 210
Long-term debt instruments	40	8 518		4 131				4 387	. 2.0
Total liabilities		373 831	32 436	13 567	_	_	_	322 326	5 502
Total equity and liabilities		401 888	32 436	13 567	_	_	_	322 326	33 559
. ,									

There were no reclassifications of financial assets between categories during the 2006 and 2007 financial years.

^{*} Refer to note 22 in respect of financial instruments designated as at fair value through profit or loss.

^{*} Refer to note 22 in respect of financial instruments designated as at fair value through profit or loss.

** The group designates all significant fixed-rate instruments as at fair value through profit and loss in accordance with the fair-value option under IAS 39. Loans and receivables and financial liabilities that are not carried at fair value are primarily comprised of variable-rate financial assets and liabilities and reprice as interest rates change. In respect of all loans and receivables, as well as financial liabilities at amortised cost, the group has assessed potential changes in credit risk for performing advances using internal credit models and is satisfied that there are no significant changes in fair value due to credit risk. For impaired advances, the carrying value, as determined by the group's IAS 39 credit models, is considered the best estimate of fair value. Therefore, the group is satisfied, after considering these internal credit models together with other assumptions and the variable-interest-rate exposure, that the carrying value of these laces and receivables and financial liabilities at amortised cost approximates fair value. these loans and receivables and financial liabilities at amortised cost approximates fair value.

for the year ended 31 December

5 Liquidity gap

Elquidity gap		>3 months	>6 months	>1 year		Non-deter-	
Rm	<3 months	<6 months	<1 year	<5 years	>5 years	mined	Total
	15 IIIOIILIIS	10 1110111113	11 year	15 years	- 5 years	mined	Total
2007							
Cash and cash equivalents (including							
mandatory reserve deposits with							
central bank)	5 576	320	12			11 988	17 896
Other short-term securities	7 846	1 933	1 873	123			11 775
Derivative financial instruments	1 365	779	641	5 150	1 989		9 924
Government and other securities	7 589	1 275	643	15 805	3 309	650	29 271
Loans and advances	89 844	11 441	19 844	99 787	145 030	7 239	373 185
Other assets	2 236					16 340	18 576
	114 456	15 748	23 013	120 865	150 328	36 217	460 627
Total equity and liabilities						32 518	32 518
Derivative financial instruments	889	842	819	5 001	2 785		10 336
Amounts owed to depositors	303 324	23 087	44 220	17 060	1 599		389 290
Other liabilities	73					16 086	16 159
Long-term debt instruments			616	3 748	7 960		12 324
	304 286	23 929	45 655	25 809	12 344	48 604	460 627
Net liquidity gap	(189 830)	(8 181)	(22 642)	95 056	137 984	(12 387)	-
2006							
Cash and cash equivalents (including							
Cash and cash equivalents (including mandatory reserve deposits with	11 774		12		40	6 365	18 191
Cash and cash equivalents (including	11 774 9 793	1 720	12 2 150	192	40	6 365	18 191 13 855
Cash and cash equivalents (including mandatory reserve deposits with central bank)		1 720 555		192 12 320	40	6 365	
Cash and cash equivalents (including mandatory reserve deposits with central bank) Other short-term securities	9 793		2 150			6 365	13 855
Cash and cash equivalents (including mandatory reserve deposits with central bank) Other short-term securities Derivative financial instruments	9 793 3 786	555	2 150 1 022	12 320	4 348	6 365 16 032	13 855 22 031
Cash and cash equivalents (including mandatory reserve deposits with central bank) Other short-term securities Derivative financial instruments Government and other securities	9 793 3 786 229	555 4 153	2 150 1 022 454	12 320 3 505	4 348 1 973		13 855 22 031 10 314
Cash and cash equivalents (including mandatory reserve deposits with central bank) Other short-term securities Derivative financial instruments Government and other securities Loans and advances	9 793 3 786 229	555 4 153	2 150 1 022 454	12 320 3 505	4 348 1 973	16 032	13 855 22 031 10 314 319 180
Cash and cash equivalents (including mandatory reserve deposits with central bank) Other short-term securities Derivative financial instruments Government and other securities Loans and advances Other assets	9 793 3 786 229 77 882	555 4 153 9 516	2 150 1 022 454 13 513	12 320 3 505 93 122	4 348 1 973 109 115	16 032 18 317 40 714	13 855 22 031 10 314 319 180 18 317 401 888
Cash and cash equivalents (including mandatory reserve deposits with central bank) Other short-term securities Derivative financial instruments Government and other securities Loans and advances Other assets Total equity and liabilities	9 793 3 786 229 77 882 103 464	555 4 153 9 516 15 944	2 150 1 022 454 13 513	12 320 3 505 93 122 109 139	4 348 1 973 109 115 115 476	16 032 18 317	13 855 22 031 10 314 319 180 18 317 401 888 28 057
Cash and cash equivalents (including mandatory reserve deposits with central bank) Other short-term securities Derivative financial instruments Government and other securities Loans and advances Other assets Total equity and liabilities Derivative financial instruments	9 793 3 786 229 77 882	555 4 153 9 516	2 150 1 022 454 13 513	12 320 3 505 93 122	4 348 1 973 109 115	16 032 18 317 40 714	13 855 22 031 10 314 319 180 18 317 401 888 28 057 11 549
Cash and cash equivalents (including mandatory reserve deposits with central bank) Other short-term securities Derivative financial instruments Government and other securities Loans and advances Other assets Total equity and liabilities	9 793 3 786 229 77 882 103 464	555 4 153 9 516 15 944 3 546	2 150 1 022 454 13 513 17 151	12 320 3 505 93 122 109 139 4 360	4 348 1 973 109 115 115 476 2 917	16 032 18 317 40 714 28 057	13 855 22 031 10 314 319 180 18 317 401 888 28 057
Cash and cash equivalents (including mandatory reserve deposits with central bank) Other short-term securities Derivative financial instruments Government and other securities Loans and advances Other assets Total equity and liabilities Derivative financial instruments Amounts owed to depositors	9 793 3 786 229 77 882 103 464	555 4 153 9 516 15 944 3 546	2 150 1 022 454 13 513 17 151	12 320 3 505 93 122 109 139 4 360	4 348 1 973 109 115 115 476 2 917	16 032 18 317 40 714 28 057 5 415	13 855 22 031 10 314 319 180 18 317 401 888 28 057 11 549 339 164
Cash and cash equivalents (including mandatory reserve deposits with central bank) Other short-term securities Derivative financial instruments Government and other securities Loans and advances Other assets Total equity and liabilities Derivative financial instruments Amounts owed to depositors Other liabilities	9 793 3 786 229 77 882 103 464 339 273 757	555 4 153 9 516 15 944 3 546	2 150 1 022 454 13 513 17 151 387 28 432	12 320 3 505 93 122 109 139 4 360 9 622	4 348 1 973 109 115 115 476 2 917 4 851	16 032 18 317 40 714 28 057 5 415	13 855 22 031 10 314 319 180 18 317 401 888 28 057 11 549 339 164 14 600
Cash and cash equivalents (including mandatory reserve deposits with central bank) Other short-term securities Derivative financial instruments Government and other securities Loans and advances Other assets Total equity and liabilities Derivative financial instruments Amounts owed to depositors Other liabilities	9 793 3 786 229 77 882 103 464 339 273 757 21	555 4 153 9 516 15 944 3 546 17 087	2 150 1 022 454 13 513 17 151 387 28 432 4 254	12 320 3 505 93 122 109 139 4 360 9 622 2 700	4 348 1 973 109 115 115 476 2 917 4 851 1 543	16 032 18 317 40 714 28 057 5 415 14 600	13 855 22 031 10 314 319 180 18 317 401 888 28 057 11 549 339 164 14 600 8 518

2006 has been restated to include the maturity profiles of foreign balance sheets. The shortening of the liquidity mismatch is primarily due to an increase in depositors' appetite to stay short in the light of the persistent upside risk to interest rates during 2007.

6 Contractual maturity analysis for financial liabilities

	Balance						E	quity/Non-	
	sheet	Trading		>3 months	>6 months	>1 year	de	eterminable	
Rm	amount	book*	<3 months	<6 months	<1 year	<5 years	>5 years	maturity	Total
2007									
Long-term debt instruments	12 324		183	296	1 490	8 900	10 882		21 751
Amounts owed to bank depositors	389 290	16 142	296 929	24 866	46 063	17 224	1 277		402 501
Current accounts	44 647		44 653						44 653
Savings deposits	8 985		8 988						8 988
Other deposits and loan accounts	262 982	7 178	212 955	11 449	25 064	12 824	1 277		270 747
Foreign currency liabilities	8 055	2 999	5 056						8 055
Negotiable certificates of deposit	55 745	53	22 311	13 417	20 999	4 400			61 180
Deposits received under									
repurchase agreements	8 876	5 912	2 966						8 878
Derivative financial instruments									
liabilities	10 336	10 336							10 336
Other liabilities	16 159	5 381						10 778	16 159
Total equity	32 518	413						32 105	32 518
	460 627	32 272	297 112	25 162	47 553	26 124	12 159	42 883	483 265
2006	460 627	32 272	297 112	25 162	47 553	26 124	12 159	42 883	483 265
2006 Long-term debt instruments	460 627 8 518	32 272	297 112 347	25 162 58	47 553 4 387	26 124 3 555	12 159 1 946	42 883	483 265 10 293
								42 883 327	
Long-term debt instruments	8 518		347	58	4 387	3 555	1 946		10 293
Long-term debt instruments Amounts owed to bank depositors	8 518 339 164	18 174	347 270 915	58	4 387	3 555	1 946		10 293 347 530
Long-term debt instruments Amounts owed to bank depositors Current accounts	8 518 339 164 41 189	18 174	347 270 915 41 193	58	4 387	3 555	1 946		10 293 347 530 41 194
Long-term debt instruments Amounts owed to bank depositors Current accounts Savings deposits Other deposits and loan accounts Foreign currency liabilities	8 518 339 164 41 189 8 981	18 174	347 270 915 41 193 8 982	58 16 450	4 387 30 478	3 555 10 519	1 946 667	327	10 293 347 530 41 194 8 982
Long-term debt instruments Amounts owed to bank depositors Current accounts Savings deposits Other deposits and loan accounts Foreign currency liabilities Negotiable certificates of deposit	8 518 339 164 41 189 8 981 223 039	18 174 1 3 976	347 270 915 41 193 8 982 196 245	58 16 450	4 387 30 478	3 555 10 519	1 946 667	327	10 293 347 530 41 194 8 982 228 061
Long-term debt instruments Amounts owed to bank depositors Current accounts Savings deposits Other deposits and loan accounts Foreign currency liabilities Negotiable certificates of deposit Deposits received under	8 518 339 164 41 189 8 981 223 039 9 203 45 518	18 174 1 3 976 3 996 1 802	347 270 915 41 193 8 982 196 245 5 208 16 450	58 16 450 7 761	4 387 30 478 13 024	3 555 10 519 6 069	1 946 667 659	327	10 293 347 530 41 194 8 982 228 061 9 204
Long-term debt instruments Amounts owed to bank depositors Current accounts Savings deposits Other deposits and loan accounts Foreign currency liabilities Negotiable certificates of deposit	8 518 339 164 41 189 8 981 223 039 9 203	18 174 1 3 976 3 996	347 270 915 41 193 8 982 196 245 5 208	58 16 450 7 761	4 387 30 478 13 024	3 555 10 519 6 069	1 946 667 659	327	10 293 347 530 41 194 8 982 228 061 9 204
Long-term debt instruments Amounts owed to bank depositors Current accounts Savings deposits Other deposits and loan accounts Foreign currency liabilities Negotiable certificates of deposit Deposits received under	8 518 339 164 41 189 8 981 223 039 9 203 45 518	18 174 1 3 976 3 996 1 802	347 270 915 41 193 8 982 196 245 5 208 16 450	58 16 450 7 761	4 387 30 478 13 024	3 555 10 519 6 069	1 946 667 659	327	10 293 347 530 41 194 8 982 228 061 9 204 48 853
Long-term debt instruments Amounts owed to bank depositors Current accounts Savings deposits Other deposits and loan accounts Foreign currency liabilities Negotiable certificates of deposit Deposits received under repurchase agreements	8 518 339 164 41 189 8 981 223 039 9 203 45 518	18 174 1 3 976 3 996 1 802	347 270 915 41 193 8 982 196 245 5 208 16 450	58 16 450 7 761	4 387 30 478 13 024	3 555 10 519 6 069	1 946 667 659	327	10 293 347 530 41 194 8 982 228 061 9 204 48 853
Long-term debt instruments Amounts owed to bank depositors Current accounts Savings deposits Other deposits and loan accounts Foreign currency liabilities Negotiable certificates of deposit Deposits received under repurchase agreements Derivative financial instruments	8 518 339 164 41 189 8 981 223 039 9 203 45 518 11 234	18 174 1 3 976 3 996 1 802 8 399	347 270 915 41 193 8 982 196 245 5 208 16 450	58 16 450 7 761	4 387 30 478 13 024	3 555 10 519 6 069	1 946 667 659	327	10 293 347 530 41 194 8 982 228 061 9 204 48 853 11 236
Long-term debt instruments Amounts owed to bank depositors Current accounts Savings deposits Other deposits and loan accounts Foreign currency liabilities Negotiable certificates of deposit Deposits received under repurchase agreements Derivative financial instruments – liabilities	8 518 339 164 41 189 8 981 223 039 9 203 45 518 11 234	18 174 1 3 976 3 996 1 802 8 399 11 549	347 270 915 41 193 8 982 196 245 5 208 16 450 2 837	58 16 450 7 761	4 387 30 478 13 024	3 555 10 519 6 069	1 946 667 659	327 327	10 293 347 530 41 194 8 982 228 061 9 204 48 853 11 236

This table is based on a contractual, undiscounted basis.

^{*} Trading areas of the group are not managed on a contractual-maturity basis. The markets in which the group trades are generally liquid and positions will often be closed out before contractual maturity. An internal centralised funding desk is in place and ensures the funding of all trading positions each day. Strict limits exist in terms of what funds can be borrowed for the centralised funding desk. These limits were put in place by the Group Asset and Liability Committee and are constantly monitored. Reference can be drawn to the behavioural liquidity on page 158.

for the year ended 31 December

7 Interest rate repricing gap

		>3 months	>6 months	>1 year	1	Trading and	
Rm	<3 months	<6 months	<1 year	<5 years	>5 years	non-rate	Total
2007							
Total assets	358 206	4 553	1 821	19 212	10 956	65 879	460 627
Total equity and liabilities	275 877	23 410	39 610	12 940	5 155	103 635	460 627
Interest rate hedging activities	(42 477)	17 371	34 780	(6 774)	(2 900)		_
Repricing profile	39 852	(1 486)	(3 009)	(502)	2 901	(37 756)	_
Cumulative repricing profile	39 852	38 366	35 357	34 855	37 756		
Expressed as a percentage of total assets	8,7	8,3	7,7	7,6	8,2		
2006							
Total assets	275 809	1 408	3 896	21 892	10 281	88 602	401 888
Total equity and liabilities	240 075	14 283	29 312	7 166	1 706	109 346	401 888
Interest rate hedging activities	3 563	6 865	6 730	(10 551)	(6 607)		_
Repricing profile	39 297	(6 010)	(18 686)	4 175	1 968	(20 744)	_
Cumulative repricing profile	39 297	33 287	14 601	18 776	20 744		
Expressed as a percentage of total assets	9,8	8,3	3,6	4,7	5,2		

8 Credit quality of securities

Rm	Government and other securities (note 23)	Other short-term securities (note 20)	Total
2007			
Investment grade	29 257	11 775	41 032
Not rated	14		14
	29 271	11 775	41 046
2006			
Investment grade	22 031	13 855	35 886
	22 031	13 855	35 886

All debt securities that are purchased by the group are rated using an internal rating system, being the Nedbank Group rating (NGR) scale. The group requires that all investments be rated using the NGR scale to ensure that credit risk is measured consistently and accurately across the group. This ensures compliance with the group's policy surrounding the rating of investments. The NGR scale has been mapped to the Standard and Poor's credit rating system. According to the NGR scale investment grade investments can be equated to a Standard and Poor's rating of B and above (refer to the NGR table on page 142).

9 Interest and similar income

	2007 Rm	2006 Rm
Mortgage loans	18 859	12 577
Finance lease and instalment debtors	6 092	4 196
Credit cards*	1 003	581
Bills and acceptances	115	123
Overdrafts	1 652	1 235
Term loans and other*	9 215	6 245
Government and public sector securities	1 939	1 449
Short-term funds and securities	1 310	683
	40 185	27 089
Interest and similar income may be analysed as follows:		
Interest and similar income from financial instruments not at fair value through profit or loss	35 858	23 287
Interest and similar income from financial instruments at fair value through profit or loss	4 327	3 802
	40 185	27 089
* 2006 comparatives have been reclassified for improved presentation.		
Interest expense and similar charges		
Deposit and loan accounts	16 463	10 349
Current and savings accounts	1 516	1 126
Negotiable certificates of deposit	5 158	2 820
Other liabilities	2 431	1 332
Long-term debt instruments	1 063	973
	26 631	16 600
Interest expense and similar charges may be analysed as follows:		
Interest expense and similar charges from financial instruments not at fair value		
through profit or loss	23 740	15 823
Interest expense and similar charges from financial instruments at fair value		
through profit or loss	2 891	777
	26 631	16 600

for the year ended 31 December

11 Non-interest revenue

	2007 Rm	2006 Rm
Commission and fee income	7 215	6 324
 Administration fees Cash-handling fees Insurance commission Exchange commission Fees Guarantees 	140 371 523 245 823 82	133 329 410 222 627 73
Other card incomeBond originator incomeService chargesOther commission	1 695 578 1 701 1 057	1 463 487 1 656 924
Securities dealing and fair-value adjustments - Securities dealing* - Fair-value adjustments (note 11.1)	826 824 2	502 (40)
Net trading income*	1 303	1 198
Foreign exchangeDebt securitiesEquitiesOther	719 342 216 26	603 551 43 1
Rental income	1	4
Rents receivedRental income from properties in possession	(1)	2 2
Investment income	144	170
Long-term asset salesDividends received	25 119	6 164
Sundry income** Foreign currency translation gains	236	407 1
	9 725	8 566

11.1 Analysis of fair-value adjustments

Fair-value adjustments can be analysed as follows:		
Held for trading	281	584
Designated at fair value through profit or loss	(279)	(624)
	2	(40)

^{*} These amounts relate to gains and losses on financial assets and liabilities held for trading.

** Sundry income includes R48 million (2006: R135 million) gross profit, comprising turnover of R143 million (2006: R338 million) and cost of sales of R95 million (2006: R203 million) from non-banking subsidiaries.

12 Operating expenses

	2007 Rm	2006 Rm
Staff costs	6 930	6 237
Salaries and wages*Long-term employee benefits*Share-based payments expense – employees**	6 623 12 295	5 849 (5) 393
Computer processing	1 528	1 371
 Depreciation for computer equipment Amortisation of computer software Operating lease charges for computer equipment Other computer processing expenses 	274 418 126 710	215 428 118 610
Communication and travel	537	459
Other communication and travelDepreciation for vehicles	535 2	454 5
Occupation and accommodation	987	910
 Depreciation for owner-occupied land and buildings Operating lease charges for land and buildings Other occupation and accommodation expenses 	64 400 523	61 315 534
Marketing and public relations Fees and insurances	900 1 396	797 1 337
– Auditors' remuneration	82	81
Statutory audit – current yearprior yearNon-audit services	58 4 20	52 4 25
– Other fees and insurance costs	1 314	1 256
Furniture, office equipment and consumables	281	242
 Depreciation for furniture and other equipment Operating lease charge for furniture and other equipment Other office equipment and consumables 	178 20 83	160 30 52
Other sundries Fees to alliance partners – Old Mutual	236 (3)	238 (10)
Total operating expenses	12 792	11 581
Included in staff costs are the following: Executive directors' remuneration*** Non-executive directors' remuneration***	19 10	16 9
	29	25

^{*} Long-term employee benefits expenses for 2006 have been reclassified from salaries and wages to long-term employee benefits.

** Excluding amounts related to BEE schemes.

*** Refer to pages 118 and 119 of the Remuneration Report for a detailed breakdown of directors' remuneration.

Certain expenses incurred by the company on behalf of subsidiary companies are recovered from subsidiary companies.

for the year ended 31 December

13 BEE transaction expenses

	2007 Rm	2006 Rm
BEE share-based payments expenses Fees	135	136 8
	135	144
Refer to note 47 for a description of the BEE scheme.		
14 Indirect taxation		
Value-added taxation	248	260
RSC levies		33
Revenue stamps	4	1
Other transaction taxes	46	40
	298	334
The value-added taxation comprises that portion which is irrecoverable as a result of the interest earned in the banking sector.		
15 Non-trading and capital items		
Impairment of goodwill		(1)
Profit on sale of subsidiaries, investments and property and equipment	27	242
Impairment of investments	(1)	(3)
Impairment of property and equipment, and capitalised development costs	(1)	(55)
	25	183

16 Direct taxation

16.1 Charge for the year

Charge for the year	2007 Rm	2006 Rm
South African normal taxation		
– Current charge at 29%	1 780	358
– Capital gains taxation	3	18
Deferred taxation	306	1 133
Foreign taxation	60	64
Current and deferred taxation on income	2 149	1 573
Prior-year overprovision – current taxation		(44)
Prior-year underprovision – deferred taxation	(9)	67
Total taxation on income	2 140	1 596
Secondary taxation on companies (STC)	(1)	49
Taxation on non-trading and capital items	_	24
Impairment of fixed assets		(14)
Profit/(Loss) on sale of subsidiaries, investments and property and equipment		38
	2 139	1 669
	%	%
Taxation rate reconciliation		
Standard rate of South African normal taxation	29	29
And the state of t	4-5	1-1

Taxation rate reconciliation		
Standard rate of South African normal taxation	29	29
Non-taxable dividend income	(3)	(:
Effect of taxation losses utilised		(
Risk provision	1	
Structured deals	(1)	(
STC		
Other	1	
Effective taxation rate	27	29

16.3 Future taxation relief

The group has estimated taxation losses of R84 million (2006: R6 883 million) that can be set off against future taxable income, of which R6 113 million was applied to a deferred taxation balance in 2006. Furthermore, the group has accumulated STC credits amounting to R314 million at the year-end (2006: R304 million), which have arisen as a result of dividends received exceeding dividends paid. A deferred taxation asset of R31 million (2006: R26 million) has been raised on these STC credits.

for the year ended 31 December

17 Earnings

17.1 Earnings per share

Basic earnings and headline earnings per share are calculated by dividing the relevant earnings amount by the weighted average number of shares in issue. Diluted earnings and 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.

		Basic		eadline
	Basic	Diluted	Basic	Diluted
2007				
Profit attributable to equity holders of the parent	5 568	5 568	5 568	5 568
Adjusted for: - Non-trading and capital items (note 15)			(25)	(25)
- Taxation on non-trading and capital items (note 16)			(23)	(23)
Adjusted profit attributable to equity holders of				
the parent	5 568	5 568	5 543	5 543
Weighted average number of ordinary shares Adjusted for:	27 240 023	27 240 023	27 240 023	27 240 023
- Share schemes that have a dilutive effect*				
Adjusted weighted average number of ordinary shares	27 240 023	27 240 023	27 240 023	27 240 023
Earnings per share (cents)	20 441	20 441	20 349	20 349
2006				
Profit attributable to equity holders of the parent Adjusted for:	3 870	3 870	3 870	3 870
– Non-trading and capital items (note 15)			(183)	(183)
– Taxation on non-trading and capital items (note 16)			24	24
Adjusted profit attributable to equity holders of				
the parent	3 870	3 870	3 711	3 711
Weighted average number of ordinary shares	27 240 023	27 240 023	27 240 023	27 240 023
Adjusted for: - Share schemes that have a dilutive effect*				
Adjusted weighted average number of ordinary shares	27 240 023	27 240 023	27 240 023	27 240 023
Earnings per share (cents)	14 206	14 206	13 622	13 622

17.2 Earnings reconciliation

	2007		2006	
	Gross	Net	Gross	Net
Profit attributable to equity holders of the parent		5 568		3 870
Less: non-trading and capital items		25		159
Impairment of goodwill			(1)	(1)
Profit on sale of subsidiaries, investments and property				
and equipment	27	27	242	204
Net impairment of investments, property and				
equipment and capitalised development costs	(2)	(2)	(58)	(44)
Headline earnings		5 543		3 711

^{*} Shares schemes are potentially dilutive for Nedbank Group Limited shares and not for Nedbank Limited shares.

18 Dividends

18.1 Ordinary shares

	Millions of shares	Cents per share	Rm
2007 Final declared for 2006 – paid 2007 Interim declared for 2007	27 27	941 6 219*	254 1 694
Ordinary dividends paid 2007		7 160	1 948
2006 Final declared for 2005 – paid 2006 Interim declared for 2006	27 27	1 488 985**	402 266
Ordinary dividends paid 2006		2 473	668
Final ordinary dividend declared for 2006		941**	

The final dividend for 2007 had not yet been declared at the date of approval of these financial statements.

18.2 Preference shares

Nedbank Limited	Days	Rate %	Rm
2007			
Dividends paid:			
1 July 2006 – 3 August 2006	34	8,250	21
4 August 2006 – 15 October 2006	73	8,630	48
16 October 2006 – 10 December 2006	56	9,000	38
11 December 2006 – 10 June 2007	182	9,375	142
11 June 2007 – 30 June 2007	20	9,750	19
	365		268

	Number of shares	Cents per share	Rm
Dividends declared:			
Final declared for 2006 – paid March 2007	277 298 896	44,13699	122
Interim declared for 2007 – paid September 2007	312 781 032	46,72603	146
			268
Final declared for 2007 – payable March 2008	312 781 032	51,55479	161
			161

	Days	Rate %	Rm
2006			
Dividends paid:			
1 July 2005 – 31 December 2005	184	7,88	110
1 January 2006 – 8 June 2006	159	7,88	95
9 June 2006 – 30 June 2006	22	8,25	14
	365		219

	Number of shares	Cents per share	Rm
Dividends declared:			
Final declared for 2005 – paid March 2006	277 298 896	39,69863	110
Interim declared for 2006 – paid August 2006	277 298 896	39,27740	109
			219

^{*} Total dividend declared for 2007 = 6 219 cents per share.

^{**} Total dividend declared for 2006 = 1 926 cents per share.

for the year ended 31 December

18 Dividends (continued)

18.2 Preference shares (continued)

Imperial Bank Limited	Days	Rate %	Rm
2007			
Dividends paid:			
22 June 2006 – 3 August 2006	43	7,700	3
4 August 2006 – 15 October 2006	73	8,050	5
16 October 2006 – 10 December 2006	56	8,400	4
11 December 2006 – 10 June 2007	182	8,750	13
11 June 2007 – 30 June 2007	20	9,100	1
	374		26

	Number of shares	Cents per share	Rm
Dividends declared:			
Final declared for 2006 – paid March 2007	3 000 000	430,93151	13
Interim declared for 2007 – paid September 2007	3 000 000	435,82192	13
			26
Final declared for 2007 – payable March 2008	3 000 000	481,17808	14
			14

19 Cash and cash equivalents

	2007 Rm	2006 Rm
Coins and bank notes	2 285	2 293
Money at call and short notice	5 714	8 753
Balances with central banks – other than mandatory reserve deposits	1 546	119
Cash and cash equivalents excluding mandatory reserve deposits with central banks	9 545	11 165
Mandatory reserve deposits with central banks	8 351	7 026
	17 896	18 191

Money at call and short notice constitutes amounts withdrawable in 32 days or less. Mandatory reserve deposits are not available for use in the group's day-to-day operations. Cash on hand, balances with central banks and mandatory reserve deposits are non-interest-bearing. Other money-market placements are floating interest rate assets.

20 Other short-term securities

		2007	2006
		Rm	Rm
20.1	Analysis		
	Negotiable certificates of deposit	7 574	7 816
	Treasury bills	4 109	6 039
	Other	92	
		11 775	13 855
20.2	Sectoral analysis		
	Banks	7 574	7 816
	Government and public sector	4 201	6 039
		11 775	13 855

21 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 otherwise 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 specific 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 a 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 the contract. Collateral may be in the form of cash or in the form of a lien over a client's assets entitling the group to make a claim for current and future liabilities.

Risk monitoring

Details of the group's financial risk management objectives and policies are included in the Nedbank Group Limited Risk and Capital Management Report on pages 128 to 177 and the interest rate risk analysis is detailed on pages 159 and 161. This also includes Nedbank Group Limited's historical value at risk (VaR) table by risk type.

for the year ended 31 December

21 Derivative financial instruments (continued)

21.1 Total carrying amount of derivative financial instruments

	2007	2006
	Rm	Rm
Gross carrying amount of assets	9 924	10 314
Gross carrying amount of liabilities	(10 336)	(11 549)
Net carrying amount	(412)	(1 235)

A detailed breakdown of the carrying amount, notional principal and fair value of the various types of derivative financial instruments held by the group is presented in the following tables.

21.2 Notional principal of derivative financial instruments

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 basis of the notional amounts and other terms of the derivative, which relate to interest rates, exchange rates, securities' prices or financial and other indices.

		2007			2006	
	Notional	Positive	Negative	Notional	Positive	Negative
	principal	value	value	principal	value	value
	Rm	Rm	Rm	Rm	Rm	Rm
Equity derivatives	282 973	142 314	140 659	34 414	19 778	14 636
Options written	13 225		13 225	14 423	(1 875)	16 298
Options purchased	15 277	15 277		17 981	20 671	(2 690)
Swaps	253 700	126 651	127 049	_		
Futures	771	386	385	2 010	982	1 028
Exchange rate contracts	160 728	80 364	80 364	193 939	101 887	92 052
Forwards	147 715	75 847	71 868	179 006	95 477	83 529
Exchange futures	_			29	14	15
Currency swaps	10 336	3 129	7 207	13 404	5 614	7 790
Options purchased	1 388	1 388		782	782	
Options written	1 289		1 289	718		718
Interest rate contracts	405 441	177 664	227 777	332 224	156 321	175 903
Interest rate swaps	258 614	108 007	150 607	219 476	94 387	125 089
Forward rate agreements	103 759	46 313	57 446	90 103	48 658	41 445
Options purchased	4 248	4 248		2 780	2 780	
Options written	4 600		4 600	1 415		1 415
Futures	24 822	12 177	12 645	10 092	6 087	4 005
Caps	4 731	2 752	1 979	5 591	3 162	2 429
Floors	3 656	3 156	500	2 176	796	1 380
Credit default swaps	1 011	1 011		591	451	140
Total notional principal	849 142	400 342	448 800	560 577	277 986	282 591

21.3 Carrying amount of derivative financial instruments

The amounts disclosed represent the value of all derivative instruments held at year-end. 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 cashflow models and market-accepted option-pricing models.

		2007			2006	
	Net	Carrying	Carrying	Net	Carrying	Carrying
	carrying	amount of	amount of	carrying	amount of	amount of
	amount	assets	liabilities	amount	assets	liabilities
	Rm	Rm	Rm	Rm	Rm	Rm
Equity derivatives	714	2 778	2 064	68	2 335	2 267
Options written	(1 731)		1 731	(2 105)	(1)	2 104
Options purchased	2 080	2 080		2 109	2 109	
Swaps	365	698	333	_		
Futures	_			64	227	163
Exchange rate contracts	19	3 192	3 173	518	4 845	4 327
Forwards	338	2 731	2 393	598	4 423	3 825
Exchange futures	_			(1)	14	15
Currency swaps	(309)	441	750	(79)	402	481
Options purchased	20	20		6	6	
Options written	(30)		30	(6)		6
Interest rate contracts	(1 145)	3 954	5 099	(1 821)	3 134	4 955
Interest rate swaps	(1 181)	3 771	4 952	(1 849)	3 033	4 882
Forward rate agreements	8	118	110	19	67	48
Options purchased	11	11		3	3	
Options written	(11)		11	(15)		15
Futures	(5)	1	6	2	4	2
Caps	3	23	20	5	12	7
Floors	4	4		3	4	1
Credit default swaps	26	26		11	11	
Total carrying amount	(412)	9 924	10 336	(1 235)	10 314	11 549

for the year ended 31 December

21 Derivative financial instruments (continued)

21.4 Analysis of derivative financial instruments

Analysis of derivative infancial instruments	Exchange rate contracts	Interest rate contracts Rm	Equity derivatives Rm	Total Rm
Derivative assets				
2007				
Maturity analysis				
Under one year	2 203	402	181	2 786
One to five years	966	1 671	2 513	5 150
Over five years	23	1 881	84	1 988
	3 192	3 954	2 778	9 924
2006				
Maturity analysis				
Under one year	4 067	417	664	5 148
One to five years	691	996	1 539	3 226
Over five years	87	1 721	132	1 940
	4 845	3 134	2 335	10 314
Derivative liabilities				
2007				
Maturity analysis				
Under one year	2 260	541	(252)	2 549
One to five years	885	1 857	2 258	5 000
Over five years	28	2 701	58	2 787
	3 173	5 099	2 064	10 336
2006				
Maturity analysis				
Under one year	3 518	342	450	4 310
One to five years	763	1 820	1 755	4 338
Over five years	46	2 793	62	2 901
	4 327	4 955	2 267	11 549
Notional principal of derivatives 2007				
Maturity analysis				
Under one year	139 248	216 739	10 116	366 103
One to five years	19 326	123 759	272 472	415 557
Over five years	2 154	64 943	385	67 482
	160 728	405 441	282 973	849 142
2006				
Maturity analysis				
Under one year	170 563	164 525	22 204	357 292
One to five years	18 809	117 527	11 549	147 885
Over five years	4 567	50 172	661	55 400
	193 939	332 224	34 414	560 577

22 Financial instruments designated as at fair value through profit or loss

The group has satisfied the criteria for designation of financial instruments as at fair value through profit or loss in terms of the accounting policy as described in note 1.5 (iii).

Various fixed-rate advances and liabilities are entered into by the group. The overall interest rate risk of the group is then economically hedged by the Asset and Liability Management Division by way of an interest rate swap. The interest rate risk is then passed out to the market through the trading desk.

The swaps and frontdesk trading instruments meet the definition of 'derivatives', and are therefore held at fair value in terms of IAS 39. The fixed-rate advances, however, do not meet this definition. Therefore, to avoid an accounting mismatch by holding the advances at amortised cost and the hedging instruments at fair value, the advances are designated as at fair value through profit or loss and are therefore held at fair value.

Various instruments are designated as at fair value through profit or loss, which is consistent with the relevant entity's documented risk management or investment strategy. In these risk management or investment strategies the fair value is the instrument attribute that is managed and reviewed on a regular basis. Business strategies, operating mandates and/or investment strategies are aligned with the fair value of the instruments. The risk of the portfolio is measured and monitored on a fair-value basis. Performance measurement is directly aligned to the fair value, and is reported to key management staff on a regular basis.

22.1 Financial assets designated as at fair value through profit or loss

	Maximum			
	exposure to	period (refer	C	
	credit risk Rm	to note 25) Rm	Cumulative Rm	
	KIII	KIII	KIII	
2007				
Negotiable certificates of deposit (NCDs) purchased	341			
Treasury bills	3 889			
Government-guaranteed	11 246			
Other dated securities	990			
Commercial mortgage loans	9 756	3	12	
Instalment credit	31	(3)	1	
Leases and debentures	123			
Preference shares	1 726			
Loans and advances (secured and unsecured)	5 924	(10)		
Overdrafts	28			
Foreign correspondents	2 084			
Other loans	2 315	(93)	1	
Loans to other banks	492			
Trade and other bills and acceptances	497			
Debtors and accruals	243			
Listed investments	485			
Unlisted investments	1 133			
Endowment policy	238			
	41 541	(103)	14	

for the year ended 31 December

22 Financial instruments designated as at fair value through profit or loss (continued)

22.1 Financial assets designated as at fair value through profit or loss (continued)

		nge in fair value d change in credit ri Current period (refer to note 25) Rm	
2006			
Negotiable certificates of deposit (NCDs) purchased	1 044		
Treasury bills	5 694		
Government-guaranteed	8 957		
Other dated securities	1 262		
Commercial mortgage loans	10 930	(34)	9
Instalment credit	64	3	4
Leases and debentures	192		
Preference shares	1 344		
Debentures	7		
Loans and advances (secured and unsecured)	7 289		10
Unsecured loans and advances	24		
Overdrafts	31		
Foreign correspondents	2 061		
Other loans	2 480	3	94
Loans to other banks	684		
Trade and other bills and acceptances	699		
Debtors and accruals	277		
Listed investments	607		
Unlisted investments	383		
Endowment policy	383		
	44 412	(28)	117

Nedbank Group has estimated the change in credit risk in accordance with IAS 39 Financial Instruments: Recognition and Measurement as the amount of the change in fair value of the financial instrument that is not attributable to changes in market conditions that give rise to market risk. For loans and receivables that have been designated as at fair value through profit or loss, individual credit spreads are determined at inception as the difference between the benchmark interest rate and the interest rate charged to the client. Subsequent changes in the benchmark interest rate and the credit spread give rise to changes in fair value in the financial instrument. Loans and advances are reviewed for observable changes in credit risk, and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. No credit derivatives are used to hedge the credit risk on any of the financial assets designated as at fair value through profit or loss.

22.2 Financial liabilities designated as at fair value through profit or loss

Change in fair value due to change in credit risk

		Contractually		
	Fair	payable at	Current	
	value	maturity	period	Cumulative
	Rm	Rm	Rm	Rm
2007				
Long-term subordinated-debt instruments	(7 725)	(7 971)	47	55
Call and term deposits	(18 293)	(18 397)	2	5
Fixed deposits and shares	(77)	(80)	1	
Promissory notes and other liabilities	(74)	(75)	(5)	
Foreign currency liabilities	(5 283)	(5 279)		
Negotiable certificates of deposit (NCDs)	(30 716)	(30 884)	9	9
	(62 168)	(62 686)	54	69
2006				
Long-term subordinated-debt instruments	(4 131)	(4 122)	8	8
Call and term deposits	(1 957)	(1 944)	2	3
Fixed deposits and shares	(258)	(261)	(2)	(1)
Promissory notes and other liabilities	(1 735)	(1 740)	9	5
Foreign currency liabilities	(5 486)	(5 483)		
_	(13 567)	(13 550)	17	15

The change in fair value due to credit risk has been determined as the difference between fair values determined using a liability curve (adjusted for credit) and a risk-free liability curve.

The curves were constructed using a 'standard bootstrapping' process to derive a zero-coupon yield curve. The credit-adjusted curve was based on offer rates of negotiable certificates of deposit (NCDs) and promissory notes (PNs) out to five years, and thereafter the offer rates of bonds.

for the year ended 31 December

23 Government and other securities

		2007 Rm	2006 Rm
23.1 Ana	alysis		
	vernment and government-guaranteed securities	18 875	12 497
Oth	ner dated securities	10 396	9 534
		29 271	22 031
23.2 Sec	toral analysis		
Fina	ancial services, insurance and real estate	5 670	2 008
Ban	ks	2 266	6 690
Mar	nufacturing		24
Trar	nsport, storage and communication	161	106
Reta	ailers, catering and accommodation*	200	651
Gov	vernment and public sector	20 688	12 497
Oth	ner services*	286	55
		29 271	22 031
23.3 Val	uation		
List	ed securities		
_	- Carrying amount	28 978	21 426
-	- Market value	28 960	21 480
Unl	isted securities		
_	- Carrying amount	293	605
	- Directors' valuation	293	609
Tota	al market/directors' valuation	29 253	22 089

 $^{{\}it *2006 comparatives have been reclassified to reflect more accurate sectoral disclosure.}$

2007

2000

continued

24 Loans and advances

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 finance sectors.

24.1 Classification of loans and advances

	2007 Rm	2006 Rm
Mortgage loans	181 274	144 180
Homeloans* Commercial mortgages	121 452 59 822	98 164 46 016
Net finance lease and instalment debtors (note 24.4)*	51 908	43 358
Gross investment Unearned finance charges	57 141 (5 233)	47 090 (3 732)
Credit cards Other loans and advances	7 090 138 824	5 269 131 501
Properties in possession Overdrafts Term loans	308 11 082 37 727	131 13 737 31 860
Personal loans Other term loans	6 616 31 111	5 476 26 384
Overnight loans Other loans to clients	18 336 53 863	17 392 52 268
Foreign client lending Remittances in transit Other loans**	13 573 96 40 194	17 324 160 34 784
Preference shares and debentures Factoring accounts Deposits placed under reverse repurchase agreements Trade, other bills and bankers' acceptances	9 332 494 5 839 1 843	6 840 839 6 703 1 731
Impairment of advances (note 25.1)	379 096 (5 911)	324 308 (5 128)
	373 185	319 180
Comprises: Loans and advances to customers Loans and advances to banks	365 849 13 247	309 868 14 440
	379 096	324 308

^{*} During the 2007 financial year Nedbank Limited completed a R2 billion securitisation of the Nedbank Retail home loan portfolio. Imperial Bank Limited also successfully securitised R2 billion of its motor vehicle instalment sale agreement portfolio. The notes relating to the abovementioned securitisation deals are listed on the Bond Exchange of South Africa (BESA). In terms of IAS 39, the home loan portfolio and the motor vehicle instalment sale agreement portfolio remain on the group's balance sheet as the group is exposed to substantially all the risks and rewards of ownership of these loans and advances.

^{**} Represents mainly loans relating to Specialised Finance, Debt Capital Markets in Nedbank Capital and other loans in Nedbank Corporate and Nedbank Retail.

for the year ended 31 December

24 Loans and advances (continued)

		2007	2006
		Rm	Rm
24.2	Sectoral analysis		
	Individuals	159 218	125 499
	Financial services, insurance and real estate	113 068	97 498
	Banks	13 247	14 440
	Manufacturing	13 827	11 661
	Building and property development	8 025	8 571
	Transport, storage and communication	8 096	8 456
	Retailers, catering and accommodation	4 957	7 446
	Wholesale and trade	8 726	7 043
	Mining and quarrying	8 643	5 895
	Agriculture, forestry and fishing	2 588	2 546
	Government and public sector	6 559	6 702
	Other services	32 142	28 551
		379 096	324 308
24.3	Geographical analysis		
	South Africa	372 423	309 085
	Other African countries	2 471	5 309
	Europe	2 447	8 391
	Asia	1 163	871
	USA	481	394
	Other	111	258
		379 096	324 308
24.4	Net finance lease and instalment debtors		
	Gross finance lease and instalment debtors:		
	No later than one year	11 058	8 544
	Later than one year and no later than five years	42 403	38 352
	Later than five years	3 680	194
		57 141	47 090
	Unearned future income on finance lease and instalment debtors	(5 233)	(3 732)
	Net finance lease and instalment debtors	51 908	43 358
	The net finance lease and instalment debtors may be analysed as follows:		
	No later than one year	10 046	7 867
	Later than one year and no later than five years	38 519	35 312
	Later than five years	3 343	179
		51 908	43 358

25 Impairment of advances

	ment of advances	Total impairments Specific impairments 2007 2006 2007 2006		•	Portfolio in 2007 Rm	npairment 2006 Rm	
Bal	pairment of advances lance at the beginning of the year come statement charge	5 128 2 115	4 980 1 465	3 780 1 793	4 223	1 348	757 503
-	 loans and advances advances designated as at fair value through profit or loss (note 22.1) 	2 218	1 493 (28)	1 896	990 (28)	322	503
Red	nounts written off against the impairment coveries of amounts previously written off ainst the impairment	(1 746)	(1 613) 296	(1 732)	(1 701) 296	(14)	88
	pairment of advances	5 911	5 128	4 255	3 780	1 656	1 348
Pro	pairment of advances by classification ome loans omercial mortgages operties in possession edit cards	1 091 501 36 456	998 465 65 281	682 153 36 408	703 207 65 259	409 348 48	295 258
Ov Otl Ne (no	verdrafts ther loans to clients at finance lease and instalment debtors ote 24.4)	672 2 065 1 020	679 1 605	534 1 627 763	476 1 317 686	138 438 257	203 288 258
Tra	eference shares and debentures ade, other bills and bankers' acceptances	70	90	52	67	18	23
	pairment of advances	5 911	5 128	4 255	3 780	1 656	1 348
Ind Fin Ma Bui Tra Ret Wh	ctoral analysis dividuals nancial services, insurance and real estate anufacturing ilding and property development ansport, storage and communication tailers, catering and accommodation holesale and trade ning and quarrying griculture, forestry and fishing	3 546 706 192 183 129 173 295 43	1 238 972 229 176 157 109 230 64 77	2 842 361 126 126 67 59 277 16	1 008 577 110 134 132 69 214 30 46	704 345 66 57 62 114 18 27	230 395 119 42 25 40 16 34
Go	overnment and public sector ther services	29 520	34 1 842	11 328	28 1 432	18 192	410
Sou Otl Eur Asi	eographical analysis uth Africa cher African countries rope ia	5 911 5 873 8 16 4 10	5 128 5 005 115 5 2	4 255 4 238 4 8	3 780 3 717 59 3 1	1 656 1 635 4 8 4 5	1 348 1 288 56
		5 911	5 128	4 255	3 780	1 656	1 348
lm _l Tot	tio of impairments pairment of advances at the end of the year tal advances tio (%)	5 911 379 096 1,6	5 128 324 308 1,6				

for the year ended 31 December

26 Other assets

	ci ussets	2007 Rm	2006 Rm
Sundi	ry debtors and other accounts	4 920	5 120
		4 920	5 120
7 Curr	rent taxation		
Norm	nal taxation		
- (Current taxation receivable	29	138
- (Current taxation liabilities	(275)	(338)
		(246)	(200)
	stment securities Carrying amount		
	Listed investments	485	502
	Eland Platinum Holdings Limited Enaleni Pharmaceuticals MasterCard Incorporated	2	19 2 66
	Private-equity portfolio Other	482 1	382 33
	Unlisted investments	2 254	1 883
	Endowment policies Morning Tide Investments 168 (Pty) Limited	238 94	383
	Strate Limited	16	20
	Private-equity portfolio	916	449
	Other	990	1 031
	Total listed and unlisted investments	2 739	2 385
28.2	Fair value of listed and unlisted investments		
	Listed at market value	485	502
	Unlisted at directors' valuation	2 255	1 883
		2 740	2 385

 $\label{lem:company} A \ register \ of \ private \ equity \ and \ other \ investments \ is \ available \ for \ inspection \ at the \ company's \ registered \ offices.$

29 Investments in associate companies and joint ventures

		2007 Rm	2006 Rm
29.1	Carrying amount Unlisted investments	735	690
		735	690
29.2	Movement in carrying amount Carrying amount at the beginning of the year Share of associate companies' and joint ventures' profit after taxation for the current year Dividends received Net (disposals)/acquisitions of associate companies and joint ventures at cost	690 54 (9)	397 68 (16) 241
	Carrying amount at the end of the year	735	690
29.3	Analysis of carrying amount Associate investments – on acquisition – Unlisted: net asset value – Unlisted: goodwill Share of retained earnings since acquisition Dividends received	642 93	361 198 150 (19)
		735	690
29.4	Information relating to investments in associate companies appears on pages 112 and 113. Valuation		
	Unlisted at directors' valuation	735	784
		735	784
29.5	Goodwill included in associate investments The carrying amount of investments includes the following amount in respect of goodwill:		
	Carrying amount at the beginning of the year	198	198
	– Cost	198	198
	Realised through disposals	(198)	
	Carrying amount at the end of the year	-	198
	– Cost		198

29.6 Sectoral analysis of investments in associate companies and joint ventures

	Rm
Summarised financial information	
2007	
Total assets	3 074
Total liabilities	2 209
Operating results	644
2006	
Total assets	1 878
Total liabilities	1 599
Operating results	165

Total

for the year ended 31 December

30 Non-current assets and liabilities held for sale

		Non-current assets held	Non-current liabilites held	Net
	Previously included in:	for sale Rm	for sale Rm	carrying amount Rm
2007				
Properties sold not yet transferred*	Property and			
	equipment			-
		-	-	-
2006				
Properties sold not yet transferred*	Property and			
	equipment	41		41
		41	-	41

^{*} Commitments for the sale of several properties had been entered into at the 2006 year-end. Transfer, however, had not been effected at that date. Transfer of the properties took place during 2007.

31 Deferred taxation

31.1 Reconciliation of deferred taxation balance

	2007 Rm	2006 Rm
Deferred taxation asset Balance at the beginning of the year Current-year temporary differences	48 17	626 (578)
 Client credit agreements Credit impairments Income and expenditure accruals Taxation losses – transferred to deferred taxation liabilities 	17	(33) (338) 2 015 (2 222)
Balance at the end of the year	65	48
Deferred tax liability Balance at the beginning of the year Current-year temporary differences	1 410 316	774 664
 Client credit agreements Credit impairments Income and expenditure accruals Taxation losses – utilised during the year Taxation losses – transferred to deferred taxation liabilities 	(794) 186 924	368 (341) 1 891 968 (2 222)
Other movements	(256)	(28)
Balance at the end of the year	1 470	1 410

31 Deferred taxation (continued)

31.2 Analysis of deferred taxation

31.2 Analysis of deferred taxation	2007 Rm	2006 Rm
Deferred taxation asset Credit impairments Income and expenditure accruals	3 62	3 45
	65	48
Deferred taxation liability Client credit agreements Credit impairments Income and expenditure accruals Taxation losses	1 089 (341) 722	2 367 (341) 638 (1 254)
	1 470	1 410
32 Investment property 32.1 Fair value		0.7
Fair value at the beginning of the year Acquisitions Disposals Net gain from fair-value adjustments	9	87 1 (22)
Fair value at the end of the year	75	66
The above investment properties are freehold and are either held or for capital appreciation. External valuations have been obtained properties and have been determined in accordance with the policy 1.10. The valuers are all members or associates of the Institution.	d for all investment group's accounting	
The carrying amount of these properties is the fair value of property by these registered independent valuers who have recent experient and category of the property being valued. The assumed discount between 10% and 18%, and takes into account the type of property location.	ence in the location int rate applied was	
Valuations determined by reference to existing market condition Valuations based on discounted future income streams	66 9	66
	75	66
32.3 Rental income and operating expenses from investment pro Rental income from investment property Direct operating expense arising from investment property that ge	12	11 10
32.4 Minimum contractual lease rental income from investment 2007		13
2008 2009 2010	13 13 11	14 15 16
	37	58

for the year ended 31 December

Property and equipment		Land	Bui	ldings	
Rm	2007	2006	2007	2006	
Gross carrying amount					
Balance at 1 January	393	366	1 775	1 732	
Acquisitions	4	2	38	26	
Increases arising from revaluations	211	29	307	82	
Transfers to non-current assets held for sale		(4)		(14)	
Disposals	(1)		(233)		
Reclassification			32	(35)	
Writeoff of accumulated depreciation on revaluations			(46)	(24)	
Effect of movements in foreign exchange rates				8	
Balance at 31 December	607	393	1 873	1 775	
Accumulated depreciation and impairment losses					
Balance at 1 January			149	106	
Depreciation charge for the year			64	61	
Acquisitions					
Writeoff of accumulated depreciation on revaluations			(46)	(24)	
Transfers to non-current assets held for sale				(2)	
Impairments					
Disposals			(58)		
Reclassification			35		
Effect of movements in foreign exchange rates				8	
Balance at 31 December	-	_	144	149	
Carrying amount					
At 1 January	393	366	1 626	1 626	
At 31 December	607	393	1 729	1 626	

Registers providing the information regarding land and buildings, as required in terms of schedule 4 of the Companies Act, 61 of 1973, are available for inspection at the registered office of the company.

Equipment (principally computer equipment, motor vehicles, fixtures and furniture) is stated at cost less accumulated depreciation and impairment losses. Property is recognised at fair value, which is based on external valuations obtained every three years on a rotation basis for all properties in accordance with the group's accounting policy 1.8. The valuers are all members or associates of the Institute of Valuers (SA). An annual internal review is also done on those properties not subject to external valuation. The carrying amount of properties is the fair value as determined by the valuers less subsequent accumulated depreciation and impairment losses. Adjustments in the valuation of the properties are recorded in the revaluation reserve, which is amortised over the remaining useful life of the property.

In determining the fair value of properties the assumed discount rates applied for future income streams range between 8,5% and 14,5% and take into account the type of property and the property's location.

If land and buildings were carried under the cost and not the revaluation model, the carrying amount would have been R1 283 million (2006: R1 485 million).

Comput	er equipment	Furnitu	re and other	Vehicles			Total	
2007	2006	2007	2006	2007	2006	2007	2006	
2 136	1 908	1 450	1 351	43	41	5 797	5 398	
327	443	339	212	5	9	713	692	
						518	111	
						-	(18)	
(155)	(222)	(179)	(98)	(24)	(8)	(592)	(328)	
		(44)				(12)	(35)	
4-5	_		(\			(46)	(24)	
(3)	7		(15)		1	(3)	1	
2 305	2 136	1 566	1 450	24	43	6 375	5 797	
1 495	1 502	805	729	25	22	2 474	2 359	
274	215	178	160	2	5	518	441	
		2				2	_	
						(46)	(24)	
						_	(2)	
(10)						(10)	_	
(121)	(221)	(147)	(81)	(15)	(4)	(341)	(306)	
	(4)	(14)	(=)			21	_	
	(1)		(3)		2	_	6	
1 638	1 495	824	805	12	25	2 618	2 474	
641	406	645	622	18	19	3 323	3 039	
667	641	742	645	12	18	3 757	3 323	

for the year ended 31 December

34 Long-term employee benefits

The group has a number of defined-benefit and defined-contribution plans in terms of which it provides pension, postretirement medical aid and long-term disability benefits to employees and their dependants on retirement, death or disability. All eligible employees and former employees are members of trustee-administered or underwritten schemes within the group, financed by company and employee contributions. All South African retirement 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 by the defined-benefit schemes are based on years of membership and/or salary levels. These benefits are provided from contributions by employees and the group, and income from the assets of these schemes. The benefits provided by the defined-contribution schemes are determined by the accumulated contributions and investment earnings.

At the dates of the latest valuation, the defined-benefit plans were in a sound financial position in terms of section 16 of the Pensions Funds Act. During 1998 active members in the Nedgroup 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.

The funds that constitute the assets and liabilities that the group has recognised in the balance sheet in respect of its defined-benefit plans are listed below. The latest actuarial valuations were performed at 31 December 2007.

Refer to note 12 for the expense relating to the defined-benefit plans.

Post-employment benefits

Defined-benefit pension and provident funds

- Nedgroup Pension Fund (including the Optiplus policy).
- · BoE Funds, which consist of NBS Group Pension Fund, BoE Limited Pension Fund (1969), Pension Fund of BoE Bank: Business Division.
- · Nedbank UK Pension Fund.
- Other funds, which consist of Lion Match Group Pension Fund and Lion Match Closed Pension Fund, Nedbank Swaziland Limited Pension Fund and Nedbank Lesotho Pension Fund.

Defined-benefit medical aid funds

- · Nedgroup Medical Aid Scheme for Nedbank employees and pensioners.
- Nedgroup Medical Aid Scheme for BoE employees and pensioners.

During 2007 Nedbank Group Limited acquired 100% of the share capital of NedNamibia Holdings Limited, the parent company of Nedbank Namibia Limited, from Nedbank Limited and minority shareholders. Therefore, disclosures related to Nedbank Namibia Medical Aid Fund are included in the annual financial statements of Nedbank Group Limited.

Other long-term employee benefits

Disability fund

· Nedbank Group Disability Fund [including the Old Mutual Alternative Risk Transfer Fund (OMART) policy].

Optiplus (Nedgroup Pension Fund) and OMART (Nedbank Group Disability Fund) are insurance policies, the proceeds of which can be used only to pay or fund the employee benefits under the specific funds. However, these policies are not qualifying insurance policies in terms of IAS 19 Employee Benefits since they are held with related parties. These rights to reimbursement are therefore recognised as separate assets and in all other respects are treated in the same way as other plan assets.

Restatement

The restatement corrects the recognition of the Optiplus asset and liability gross-up in the 2006 disclosure.

Unrecognised

continued

34.1 Analysis of long-term employee benefits assets and liabilities

			Net asset/
	Assets	Liabilities	(liability)
2007			
Post-employment benefits	1 124	(964)	160
Other long-term employee benefits – Disability fund	181	(181)	-
	1 305	(1 145)	160
2006			
Post-employment benefits	1 207	(1 060)	147
Other long-term employee benefits – Disability fund	150	(150)	-
	1 357	(1 210)	147

The group's defined-benefit obligation in terms of the Nedbank Group Disability Fund is recognised together with an equal reimbursement right which arises as a result of the insurance policy that the group's parent company has with OMART.

34.2 Post-employment benefits

	resent value of obligation	Fair value of plan asset	Surplus/ (Deficit)	actuarial (gains)/losses and assets	Net asset/ (liability)
Analysis of post-employment benefit assets and liabilities (Rm)					
Pension funds	2 870	4 648	1 778	(1 462)	316
Nedgroup FundBoE FundsNedbank UK FundOther funds	2 260 285 224 101	3 855 431 250 112	1 595 146 26 11	(1 292) (146) (9) (15)	303 - 17 (4)
Medical aid funds	807	749	(58)	(98)	(156)
Nedgroup scheme for Nedbank employeesNedgroup scheme for BoE employees	712 95	749	37 (95)	(97) (1)	(60) (96)
Total	3 677	5 397	1 720	(1 560)	160
2006 Pension funds	2 919	4 199	1 280	(1 011)	269
Nedgroup Fund*BoE FundsNedbank UK FundOther funds	2 317 270 226 106	3 326 424 263 186	1 009 154 37 80	(749) (156) (26) (80)	260 (2) 11 –
Medical aid funds	810	700	(110)	(12)	(122)
Nedgroup scheme for Nedbank employeesNedgroup scheme for BoE employeesNedbank Namibia scheme**	715 90 5	700	(15) (90) (5)	(13) 1	(28) (89) (5)
Total	3 729	4 899	1 170	(1 023)	147

^{* 2006} restated.

^{**} Unfunded.

for the year ended 31 December

34 Long-term employee benefits (continued)

34.2 Post-employment benefits (continued)

	Pension and provident	Medical aid	
	funds	funds	Total
Present value of defined-benefit obligation (Rm)			
2007			
Balance at the beginning of the year	2 919	810	3 729
Current service cost	23	31	54
Interest cost	223	70	293
Contributions by plan participants	9		9
Actuarial (gains)/losses	(34)	(64)	(98)
Disposals	(11)	(5)	(16)
Benefits paid	(258)	(35)	(293)
Other movements	(1)		(1)
Balance at the end of the year	2 870	807	3 677
2006			
Balance at the beginning of the year*	2 903	714	3 617
Current service cost	21	27	48
Interest cost	222	58	280
Contributions by plan participants	7		7
Actuarial (gains)/losses	(45)	43	(2)
Benefits paid	(188)	(32)	(220)
Other movements	(1)		(1)
Balance at the end of the year*	2 919	810	3 729
Fair value of plan assets (Rm)			
2007			
Balance at the beginning of the year	4 199	700	4 899
Expected return on plan assets	358	58	416
Actuarial gains/(losses)	432	22	454
Contributions by the employer	16		16
Contributions by plan participants	9		9
Benefits paid	(258)	(31)	(289)
Disposals	(107)		(107)
Other movements	(1)		(1)
Balance at the end of the year	4 648	749	5 397
2006			
Balance at the beginning of the year*	3 622	614	4 236
Expected return on plan assets	292	49	341
Actuarial gains/(losses)	433	47	480
Contributions by the employer	34	22	56
Contributions by plan participants	7		7
Benefits paid	(188)	(32)	(220)
Other movements	(1)		(1)
Balance at the end of the year*	4 199	700	4 899

^{* 2005} and 2006 restated.

34.2 Post-employment benefits (continued)

	Pension and provident funds	Medical aid funds	Total
Net asset/(liability) recognised (Rm)			
2007 Present value of defined-benefit obligation Fair value of plan assets	2 870 4 648	807 749	3 677 5 397
Funded status Unrecognised net actuarial (gains)/losses Unrecognised asset due to asset ceiling	1 778 (321) (1 141)	(58) (98)	1 720 (419) (1 141)
	316	(156)	160
Asset Liability	1 124 (808)	(156)	1 124 (964)
2006 Present value of defined-benefit obligation Fair value of plan assets	2 919 4 199	810 700	3 729 4 899
Funded status Unrecognised net actuarial (gains)/losses Unrecognised asset due to asset ceiling	1 280 (798) (213)	(110) (12)	1 170 (810) (213)
	269	(122)	147
Asset Liability	1 207 (938)	(122)	1 207 (1 060)
Total expense recognised (Rm) 2007 Current service cost Interest cost Expected return on plan assets Actuarial (gains)/losses Effect of application of asset ceiling	23 223 (358) 18 63	31 70 (58)	54 293 (416) 18 63
	(31)	43	12
2006 Current service cost Interest cost Expected return on plan assets Actuarial (gains)/losses Effect of application of asset ceiling	21 222 (292) (8) 16	27 58 (49)	48 280 (341) (8) 16
	(41)	36	(5)
Movements in net asset/(liability) recognised (Rm) 2007 Balance at the beginning of the year Net income/(expense) recognised in the income statement Contributions paid by the employer Disposals	269 31 16	(122) (43) 4 5	147 (12) 20 5
Balance at the end of the year	316	(156)	160
2006 Balance at the beginning of the year Net income/(expense) recognised in the income statement Contributions paid by the employer	194 41 34	(108) (36) 22	86 5 56
Balance at the end of the year	269	(122)	147

for the year ended 31 December

34 Long-term employee benefits (continued)

34.2 Post-employment benefits (continued)

	Pension and		
	provident funds	Medical aid funds	Total
	tunds	Tunds	Total
Distribution of plan assets (%)			
2007			
Equity instruments	52,01	27,00	48,54
Debt instruments	24,51	2,00	21,39
Property	0,15	62.00	0,13
Cash	5,53	63,00	13,50
International	9,76	8,00	9,52
Other	8,04		6,92
	100,00	100,00	100,00
2006			
Equity instruments	36,46	24,00	34,97
Debt instruments	22,48		19,78
Property	1,23		1,08
Cash	7,49	49,00	12,47
International	8,13	7,00	7,99
Other	24,21	20,00	23,71
	100,00	100,00	100,00
Actual return on plan assets (Rm)			
2007	790	80	870
2006	725	96	821
Principal actuarial assumptions (%)			
2007			
Discount rates	5,2 to 8	8,5	
Expected rates of return on plan assets	4,5 to 9,25	8,5	
Inflation rate	3 and 5	6,5	
Expected rates of salary increases	5 and 6	6,5	
Pension increase allowance	0 to 4,5		
Annual increase to medical aid subsidy		6,5	
Average expected retirement age (years)	63	60	
2006			
Discount rates	4,8 and 8	8 and 8,5	
Expected rates of return on plan assets	4 to 9	8,5	
Inflation rate	2,75 to 5	5,5	
Expected rates of salary increases	5,75	6,5	
Pension increase allowance	2,75 to 4,25		
Annual increase to medical aid subsidy	63	6,25 and 6,5	
Average expected retirement age (years)	63	60 and 63	

Pension and provident funds

The expected long-term return is a function of the expected long-term returns on equities, cash and bonds. In setting these assumptions, the asset splits at the latest available date were used and adjustments were made to reflect the effect of expenses.

Weighted average assumptions:

Discount rate	8,21%
Expected return on plan assets	9,14%
Future salary increases	5,32%
Future pension increases	3,65%

Medical aid funds

The overall expected long-term rate of return on plan assets is 8,5%. The expected rate of return is based on market expectations, at the beginning of the period, for returns over the entire life of the related obligation. The expected rate of return is based on the expected performance of the entire portfolio.



34.2 Post-employment benefits (continued)

	Pension and provident funds		Total
Experience adjustments on present value of defined-benefit obligation for past five years	44.7	(5.1)	(04)
2007	(17)) (64)	(81)
2006	84		127
2005 2004	(31 <u>)</u> (78)		16 (62)
2003	(62)		(20)
Experience adjustments on fair value of plan assets for past			
five years			
2007	432	22	454
2006	433	47	480
2005	366		408
2004	153		181
2003	(86)) 10	(76)
Estimate of future contributions Contributions expected for ensuing year	15	4	19
	13		13
Surplus/(Deficit) for past five years	Present	Fair	
	value of		Surplus/
	obligation	plan asset	(Deficit)
Pension funds			
2007	2 870	4 648	1 778
2006***	2 919	4 199	1 280
2005***	2 903	3 622	719
2004***	2 676	3 145	469
2003	2 586	2 839	253
*** restated			
Medical aid funds			
2007	807	749	(58)
2006	810	700	(110)
2005	714	614	(100)
2004	628	538	(90)
2003	561	471	(90)
	561		
2003	561	2007 Rm	2006 Rm
2003 Effect of 1% change in assumed medical cost trend rates (Rm)	561	2007 Rm	2006 Rm
2003 Effect of 1% change in assumed medical cost trend rates (Rm) 1% increase – effect on current service cost and interest cost	561	2007	2006 Rm 15
2003 Effect of 1% change in assumed medical cost trend rates (Rm)	561	2007 Rm 18	2006 Rm

F-74

81

for the year ended 31 December

35 Computer software and capitalised development costs

Computer software and capitalised development costs	Software Rm	Software development costs Rm	Total Rm
2007			
Cost			
Balance at the beginning of the year	2 806	499	3 305
Other acquisitions – separately acquired	97	413	510
Other acquisitions – internally developed	3	(200)	3
Development costs commissioned to software	308	(308)	(12)
Disposals and retirements	(13)	41	(13)
Foreign exchange and other movements	(45)	41	(4)
Balance at the end of the year	3 156	645	3 801
Accumulated amortisation and impairment losses			
Balance at the beginning of the year	1 890	179	2 069
Amortisation charge	418		418
Impairment losses	(4.0)	1	1
Disposals and retirements	(10)	42	(10)
Foreign exchange and other movements	(42)	42	
Balance at the end of the year	2 256	222	2 478
Carrying amount			4 224
At the beginning of the year	916	320	1 236
At the end of the year	900	423	1 323
2006			
Cost			
Balance at the beginning of the year	2 571	472	3 043
Other acquisitions – separately acquired	60	374	434
Other acquisitions – internally developed	1	(2.45)	1
Development costs commissioned to software	345	(345)	(172)
Disposals or retirements	(171)	(2)	(173)
Balance at the end of the year	2 806	499	3 305
Accumulated amortisation and impairment losses			
Balance at the beginning of the year	1 582	180	1 762
Amortisation charge	428	1	429
Impairment losses	55		55
Disposals or retirements	(175)	(2)	(177)
Balance at the end of the year	1 890	179	2 069
Carrying amount			
At the beginning of the year	989	292	1 281
At the end of the year	916	320	1 236

36 Goodwill

36.1 Reconciliation of carrying amount

	2007	2006
	Rm	Rm
Carrying amount at the beginning of the year	1 369	1 370
Arising on business combinations	207	
Realised through disposals	(134)	
Impairments recognised through the income statement		(1)
Other movements*	(50)	
Carrying amount at the end of the year	1 392	1 369

36.2 Analysis

		2007			2006	
		Accumulated			Accumulated	
		impairment	Carrying		impairment	Carrying
	Cost	losses	amount	Cost	losses	amount
	Rm	Rm	Rm	Rm	Rm	Rm
Peoples Mortgage Limited	198	(198)	_	198	(198)	_
Imperial Bank Limited	285	(25)	260	285	(25)	260
Nedbank Namibia Limited			_	115	(2)	113
Old Mutual Bank	206		206			
Capital One	82		82	82		82
American Express	81		81	81		81
Lion Match Factory (Pty) Limited			-	21		21
Nedbank Limited – BoE Limited*	757		757	807		807
Other	7	(1)	6	6	(1)	5
	1 616	(224)	1 392	1 595	(226)	1 369

^{*} On the acquisition of the assets and liabilities of BoE Bank Limited, the excess of the purchase price over the identifiable assets, liabilities and contingent liabilities was applied to reduce the loan amount owing to BoE Bank Limited. To align the accounting with the purchase agreement the excess amounting to R807 million has been raised as goodwill in the prior years. During 2007 this amount has been adjusted by R50 million to reflect the correct outstanding loan to BoE Bank Limited. Comparative figures have not been restated.

Goodwill is allocated to individual cash-generating units based on business activity. Impairment testing is done on a regular basis by comparing the net carrying value of the cash-generating units to the estimated 'value in use'. The value in use is determined by discounting estimated future cashflows of each cash-generating unit. The discounted cashflow calculations have been performed using Nedbank's cost of equity, which is calculated using the Capital Asset Pricing Model. No impairments resulting from impairment testing have been effected for this reporting period. Management regard the useful lives of all cash-generating units to be indefinite.

	2007 Rm	2006 Rm
Goodwill on a geographical basis relates to Africa in total and is as follows:		
Carrying amount	1 392	1 369
Estimated value in use	119 617	80 013
Net estimated recoverable amounts	118 225	78 644

F-76

Refer to note 3.2 for key assumptions made during goodwill impairment testing.

for the year ended 31 December

37 Share capital

37.1 Ordinary share capital

	2007 Rm	2006 Rm
Authorised 30 000 000 (2006: 30 000 000) ordinary shares of R1 each	30	30
Issued 27 240 023 (2006: 27 240 023) fully paid ordinary shares of R1 each No ordinary shares were issued during the financial year ended 31 December 2007.	27	27
	27	27
Subject to the restrictions imposed by the Companies Act, 61 of 1973, as amended, the unissued shares are under the control of the directors until the forthcoming annual general meeting.		
37.2 Preference share capital and premium Nedbank Limited preference share capital and premium Authorised 1 000 000 000 (2006: 1 000 000 000) non-redeemable, non-cumulative		
preference shares of R0,001 each	1	1
Issued 312 781 032 (2006: 277 298 896) non-redeemable, non-cumulative preference shares of R0,001 each	*	*
Preference share premium	3 122	2 770
	3 122	2 770
37.3 Minority shareholders' equity attributable to preference shareholders Imperial Bank Limited preference share capital and premium Authorised		
8 000 000 (2006: 8 000 000) non-redeemable, non-cumulative, non-participating preference shares of R0,0005 each	*	*
Issued		
3 000 000 (2006: 3 000 000) non-redeemable, non-cumulative, non-participating preference shares of R 0,0005 each	*	*
Preference share premium	300	300
	300	300

^{*} Represents amounts less than R1 million.

Nedbank Limited preference shares are classified as equity instruments, while Imperial Bank Limited preference share capital and premium are classified as minority interest by Nedbank Limited.

The preference share confers on the holder the right to capital of the company in the form of a cash dividend prior to payment of dividends to any other class of shareholder. The rate is limited to 75% of the prevailing prime rate on a 'deemed value' of R10 for Nedbank Limited and R100 for Imperial Bank Limited preference shares, and is never compounded. The dividends, if declared, accrue half-yearly on 30 June and 31 December and are payable within 120 days of these dates respectively.

If a preference dividend is not declared, the dividend will not accumulate and will never become payable by the company, whether in preference to payments to any other class of share or otherwise.

If, due to any amendment of the Income Tax Act, 58 of 1962, the dividends become taxable in the hands of the shareholders and the payment of the preference share dividends becomes a deductible expense for the company, then the 75% of prevailing prime rate will be increased to the extent that the company incurs a savings on servicing the preference shares. If such an amendment does not result in a saving for the company, but a decrease in the returns on the preference share investment, no amendment to the rate is envisaged.

Each preference share confers on the holder the right to a return of capital on the winding-up of the company prior to any payment to any other class of share, but are not entitled to any further participation in the profits, assets or any surplus assets of the company in such circumstances.

The holders of this class of share are not entitled to be present or vote (even by proxy) at any meeting of the company except when a declared dividend or part thereof remains in arrears and unpaid after six months from the due date or a resolution is proposed that directly affects the rights attached to the preference share or the interests of the holder, including resolutions to wind up the company or to reduce its share capital.

At every general meeting where the preference shareholder is entitled to vote the voting rights are restricted to the holder's nominal value in proportion to the total nominal value of all shares issued by the company.

No shares in the capital of the company, in priority to the preference shares, can be created or issued without prior sanction of the holders of preference shares by way of a resolution passed at a separate class meeting properly constituted in terms of the provisions set out in the articles of association.

37.4 Share options – staff schemes

Share options granted under the Nedbank Group (1994) Share Option Scheme and Nedbank Group (2005) Share Option Scheme 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 rates determined by the schemes' trustees and expire at the earlier of termination 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 recoverable from 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.

Refer to pages 280 and 281 of the Nedbank Group Limited annual report for further detail on share option schemes.

for the year ended 31 December

38 Amounts owed to depositors

38.1 Classifications

. 1	Classifications	2007 Rm	2006 Rm
	Current accounts Savings deposits Other deposits and loan accounts	44 647 8 985 262 982	41 189 8 981 223 039
	 Call and term deposits Fixed deposits Cash management deposits Securitisation notes 	144 962 23 375 41 648 1 236	111 334 22 640 39 273
	— Other deposits and loan accounts Foreign currency liabilities Negotiable certificates of deposit	51 761 8 055 55 745	9 203 45 518
	Deposits received under repurchase agreements*	8 876 389 290	339 164
	Comprises: — Amounts owed to depositors — Amounts owed to banks	344 174 45 116	305 898 33 266
		389 290	339 164
1	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. Foreign currency liabilities are either matched by advances to clients or hedged against exchange rate fluctuations. *Government and other securities (note 23) amounting to R8 633 million (2006: R11 001 million) have been pledged as collateral for deposits received under repurchase agreements. These amounts represent assets that		
2 2	have been transferred but that do not qualify for derecognition under IAS 39. Sectoral analysis		
•	Banks Government and public sector Individuals Business sector	45 116 28 431 122 357 193 386	33 266 26 944 91 004 187 950
		389 290	339 164
-	Refinements to sectoral data extracting processes from product systems in 2007 have resulted in the 2006 data being adjusted accurately to reflect a comparable view of the sectoral disclosure.		
	Geographical analysis South Africa Other African countries Europe Asia USA Other	374 850 3 911 8 967 400 124 1 038	326 365 7 000 4 970 513 259 57

39 Other liabilities

39.1 Other liabilities

		2007 Rm	2006 Rm
	Creditors and other accounts	5 666	5 024
	Share-based payments liabilities	614	538
	Short trading securities and spot positions	4 308	3 137
	Provision for onerous contracts (note 39.2)		
	Leave pay accrual (note 39.3)	445	399
		11 033	9 098
39.2	Provision for onerous contracts		
	Balance at the beginning of the year		4
	Recognised in profit or loss		(4)
	Balance at the end of the year	-	-
39.3	Leave-pay accrual		
	Balance at the beginning of the year	399	363
	Movements from business combinations	2	1
	– Additions	5	1
	– Disposals	(3)	
	Recognised in profit or loss	46	41
	Utilised during the year	10	(4)
	Unused amounts reversed	(2)	(2)
	Balance at the end of the year	445	399

Provisions have been raised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as set out in note 41.

39.4 Day-one gains and losses

The group enters into transactions where the fair value of the financial instruments is determined using valuation models for which not all inputs are market-observable prices or rates. Such financial instruments are initially recognised at the transaction price, which is the best indicator of fair value. The transaction price may differ from the valuation amount obtained, giving rise to a day-one profit or loss.

The difference between the transaction price and the valuation amount, commonly referred to as 'day-one profit or loss', is deferred and either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market-observable inputs, or realised when the financial instrument is derecognised.

The group's day-one profits are attributable to commodity swaps traded in the gold market and are included in creditors and other accounts (refer to note 39.1).

Opening balance	37	54
Deferral of profit on new transactions	29	
Recognised in the income statement – amortisation	(9)	(17)
Closing balance	57	37

for the year ended 31 December

40 Long-term debt instruments

Long-term debt instruments		2007	2006
	Instrument terms	Rm	Rm
Rand-denominated		12 199	8 389
R515 million bonds repayable on 4 December 2008 (IPB1) R500 million bonds repayable on 30 December 2010 (IPB2)	13,5% per annum 8,38% per annum	528 472	553 506
R4 billion subordinated callable notes repayable on 9 July 2012 (NED02)***+ R1,5 billion subordinated callable notes repayable	13,15% per annum*		4 254
on 24 April 2016 (NED05)*** R1,8 billion subordinated callable notes repayable	7,85% per annum*	1 406	1 456
on 20 September 2018 (NED06)**** R200 million unsecured debentures repayable	9,84% per annum*	1 844	1 616
on 30 November 2029 R650 million subordinated callable notes repayable	Zero coupon	5	4
on 8 February 2017 (NED07)*** R1,7 billion subordinated callable notes repayable	9,03% per annum*	641	
on 8 February 2019 (NED08)**** R2 billion subordinated callable notes repayable	8,90% per annum*	1 667	
on 6 July 2022 (NED09)***** R500 million subordinated callable notes repayable	JIBAR + 0,47% per annum**	2 050	
on 15 August 2017 (NED10)*** R1 billion subordinated callable notes repayable	JIBAR + 0,45% per annum**	507	
on 17 September 2020 (NED11)***** R500 million subordinated callable notes repayable on 14 December 2017 (NED12A)***	10,54% per annum* JIBAR + 0,70% per annum**	1 048 503	
R120 million subordinated callable notes repayable on 14 December 2017 (NED12B)***	10,38% per annum*	119	
R291 million callable notes repayable on 18 November 2039 (GRN1A1)#	JIBAR + 0,25% per annum**	293	
R1 billion callable notes repayable on 18 November 2039 (GR1A2A)#	JIBAR + 0,60% per annum**	991	
R74 million callable notes repayable on 18 November 2039 (GRN1B)#	JIBAR + 0,85% per annum**	75	
R50 million callable notes repayable on 18 November 2039 (GRN1C)#	JIBAR + 1,1% per annum**	50	
US dollar-denominated		125	128
US\$18 million repayable on 31 August 2009	1,5 basis points below 6-month Libor on nominal value	125	128
Namibian dollar-denominated N\$40 million long-term debenture issue repayable		-	1
on 15 September 2030	17% per annum until 15 September 2000 – thereafter zero coupon		1
Total long-term debt instruments in issue	·	12 324	8 518

During the year there were no defaults or breaches of principal, interest or any other terms and conditions of long-term debt instruments.

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 are either 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.

- * Interest on these notes is payable biannually.
- ** Interest on these notes is payable quarterly.
- *** Callable by the issuer, Nedbank Limited, after five years from date of issue, being 9 July 2002, 24 April 2006, 8 February 2007, 15 August 2007, 14 December 2007 and 14 December 2007 (ie 9 July 2007, 24 April 2011, 8 February 2012, 15 August 2012, 14 December 2012 and 14 December 2012), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 2,75%, 1,70%, 1,95%, 1,45% 1,70% and 1,70% respectively.
- **** Callable by the issuer, Nedbank Limited, after seven years from the date of issue, being 20 September 2006 and 8 February 2007 (ie 20 September 2013 and 8 February 2014), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 2,05% and 2.17% respectively.
- ***** Callable by the issuer, Nedbank Limited, after eight years from the date of issue, being 17 September 2007 (ie 17 September 2015), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 2,85%.
- ****** Callable by the issuer, Nedbank Limited, after 10 years from the date of issue, being 6 July 2007 (ie 6 July 2017), at which time the interest will step up by 1,00% to a floating three-month JIBAR rate, plus a spread of 1,47%.
 - + The debt instrument was redeemed on its call date 9 July 2007.
 - # Callable by the issuer, Greenhouse Funding (Pty) Limited, after approximately five years from the date of issue, being 10 December 2007 (ie 18 November 2012), at which time the interest rate on the notes (GRN1A1, GR1A2A, GRN1B, GRN1C) will step up to three-month JIBAR rate, plus a spread of 0,40%, 0,80%, 1,10% and 1,35% respectively.

Tier 3 capital

Included in fixed deposits on page 86 is a R300 million subordinated-debt instrument, issued on 20 September 2005 and callable on 20 September 2008, of which R253 million qualified as Tier 3 capital. At 31 December 2006 R300 million was included in deposits, of which R158 million qualified as Tier 3 capital.

41 Contingent liabilities

	2007	2006
	Rm	Rm
Guarantees on behalf of clients	20 564	15 235
Confirmed letters of credit and discounting transactions	2 404	2 752
Unutilised facilities and other	48 448	45 372
Share options		3
	71 416	63 362

The group in the ordinary course of business enters into transactions that expose the group to tax, legal and business risks. Provisions are made for known liabilities 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 reported as contingent liabilities. This is in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

There are a number of legal or potential claims against Nedbank Limited and its subsidiary companies, the outcome of which cannot at present be foreseen.

Historically a number of group companies entered into structured finance transactions with third parties using their tax bases. In the majority of these transactions the underlying third party has contractually agreed to accept the risk of any tax being imposed by the South African Revenue Service (SARS), although the obligation to pay rested in the first instance with the group companies. It would only be in limited cases, for example, where the credit quality of a client became doubtful or where the client specifically contracted out of the repricing of additional taxes, that the recovery from a client could be less than the liability arising on assessment, in which case provisions would be made.

SARS has assessed one of these structures in a manner contrary to the way initially envisaged by the contracting parties. An appeal has been lodged against the assessment and SARS continues to examine other structures. As a result group companies are, or could be, obliged to pay additional amounts to SARS and recover these from clients under the applicable contractual arrangements.

42 Contingent assets

At the time of preparation of these financial statements, the trustees of the Nedgroup Pension Scheme are awaiting confirmation of the existence of additional benefits in respect of certain fund policies in which the fund has invested. In accordance with IAS 37, an asset will be recognised when the timing and quantum become virtually certain.

for the year ended 31 December

43 Commitments

43.1 Capital expenditure approved by directors

	2007 Rm	2006 Rm
Contracted Not yet contracted	687 429	394 231
	1 116	625

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.

43.2 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. The following are the minimum lease payments under non-cancellable leases:

	2008 Rm	2009 Rm	2010 Rm	2011 Rm	2012 and beyond Rm
2007					
Land and buildings	517	563	645	737	4 133
Furniture and equipment	221	235	235	244	518
	738	798	880	981	4 651
					2011 and
	2007 Rm	2008 Rm	2009 Rm	2010 Rm	beyond Rm
2006					
Land and buildings	412	467	506	561	3 586
Furniture and equipment	185	224	238	264	617
	597	691	744	825	4 203

43.3 Commitments under derivative instruments

The group enters into option contracts, financial futures contracts, forward rate and interest rate swap agreements and other financial agreements in the normal course of business (note 21).

44 Foreign currency conversion guide

Monetary figures in these financial statements are expressed in South African rand to the nearest million. The approximate value of the South African rand at 31 December against the following currencies was:

	2007 Actual	2006 Actual	2007 Average	2006 Average
United States dollar	0,1466	0,1429	0,1424	0,1467
Pound sterling	0,0732	0,0728	0,0710	0,0790
Euro	0,0997	0,1085	0,1033	0,1159

45 Cashflow information

45.1 Reconciliation of profit from operations to cash generated by operations

	2007 Rm	2006 Rm
Drafit from operations	7 964	5 714
Profit from operations Adjusted for:	7 904	5 / 14
– Depreciation (note 12)	518	441
– Amortisation: computer software (note 12)	418	428
- Goodwill impairment (note 15)	410	1
– Goodwill impairment (note 13) – Movement in impairment of advances	2 529	1 761
- Loss/(Profit) on disposal of property and equipment	42	
- Net income on investment banking assets		(13)
- Effects of exchange rate changes on cash and cash equivalents	(25)	(6)
(excluding foreign borrowings)	4	(261)
, , ,	4	(361)
– Impairment losses on investments, property and equipment (note 15)	2	58
 Profit on sale of subsidiaries, investments and property (note 15) 	(27)	(242)
– Transaction taxes	298	334
– Foreign currency translation profit		(1)
Cash generated by operations	11 723	8 114
15.2 Cash received from clients		
Interest and similar income (note 9)	40 185	27 089
Commission and fees (note 11)	7 215	6 324
Net trading income (note 11)	1 303	1 198
Other income	1 063	873
	49 766	35 484
15.3 Cash paid to clients, employees and suppliers		
Interest expense (note 10)	(26 631)	(16 600)
Staff costs (note 12)	(6 930)	(6 237)
Other operating expenses	(5 019)	(4 632)
	(38 580)	(27 469)
15.4 Increase in operating assets		
Other short-term securities	1 866	(4 359)
Government and other securities	(7 345)	474
Advances and other accounts	(60 209)	(70 414)
	(65 688)	(74 299)
15.5 Increase in operating liabilities		
Current and savings accounts	3 462	5 811
Other deposits, loan accounts and foreign currency liabilities	42 813	44 264
Negotiable certificates of deposit	10 227	11 817
Deposits received under repurchase agreements	(2 358)	6 028
Creditors and other liabilities	1 143	1 112
	55 287	69 032

for the year ended 31 December

45 Cashflow information (continued)

Casi	mov information (continued)	2007 Rm	2006 Rm
45.6	Taxation paid Amounts payable at the beginning of the year Income statement charge (excluding deferred taxation) Total indirect taxes Portion of transaction taxation on property and equipment acquired to be depreciated in future years Amounts payable at the end of the year (note 27)	(200) (1 841) (298) (33) 246	(214) (378) (334) (26) 200
	Amounts payable at the end of the year (note 27)	(2 126)	(752)
45.7	Disposal of investments in subsidiary companies net of cash Cash and cash equivalents Other short-term securities Government and other securities Loans and advances Other assets Investment securities Investments in associate companies and joint ventures Property and equipment Computer software and capitalised development costs Derivative financial instruments Amounts owed to depositors Other liabilities Deferred taxation liabilities Long-term employee benefit liabilities Long-term debt instruments	382 214 105 3 676 136 262 22 235 12 (1) (4 018) (270) (75) (5)	
	Net assets disposed Loss on disposal Minority interest Goodwill Consideration received	674 (65) (77) 132	-
	Cash and cash equivalents disposed	(382)	-
	Net consideration	282	-
45.8	Acquisition of investments in subsidiary companies net of cash Cash and cash equivalents Loans and advances Investments in associate companies and joint ventures Amounts owed to depositors Current taxation liabilities		
	Net assets acquired Goodwill	– (206)	-
	Consideration paid Less: Cash and cash equivalents acquired	(206) –	- -
	Net cash outflow	(206)	-
45.9	Dividends paid Recognised in the group statement of changes in total shareholders' equity	(1 948)	(668)

46 Managed funds

		2007	2006
		Rm	Rm
46.1	Fair value of funds under management – by type		
	Unit trusts	33 801	27 751
	Third party		21 376
	Private clients		1 652
		33 801	50 779
46.2	Fair value of funds under management – by geography		
	South Africa	33 801	50 469
	Rest of world		310
		33 801	50 779
	Unit trusts Third party	Private clients	Total

	Unit trusts	Third party	Private clients	Iotal
	Rm	Rm	Rm	Rm
Reconciliation of movement in funds under				
management – by type				
Balance at 31 December 2005	17 469	16 529	1 457	35 455
Inflows	12 988	6 525		19 513
Outflows	(7 821)	(4 681)		(12 502)
Mark-to-market value adjustment	5 115	3 003	195	8 313
Balance at 31 December 2006	27 751	21 376	1 652	50 779
Group transfers	1 652	(6 717)	(1 652)	(6 717)
Disposals		(14 659)		(14 659)
Inflows	11 256			11 256
Outflows	(12 463)			(12 463)
Mark-to-market value adjustment	5 605			5 605
Balance at 31 December 2007	33 801	-	-	33 801

	South Africa Rm	Rest of world Rm	Total Rm
4 Reconciliation of movement in funds under	Kiii	KIII	KIII
management – by geography			
Balance at 31 December 2005	35 219	236	35 455
Inflows	19 513		19 513
Outflows	(12 502)		(12 502)
Mark-to-market value adjustment	8 239	74	8 313
Balance at 31 December 2006	50 469	310	50 779
Group transfers	(6 717)		(6 717)
Disposals	(14 349)	(310)	(14 659)
Inflows	11 256		11 256
Outflows	(12 463)		(12 463)
Mark-to-market value adjustment	5 605		5 605
Balance at 31 December 2007	33 801	-	33 801

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 group income statement as non-interest revenue.

for the year ended 31 December

47 Share-based payments

Nedbank Group Limited shares, share options over Nedbank Group Limited shares and equity instruments in respect of Nedbank Group Limited shares are granted to employees as part of their remuneration package as services are rendered, as well as to clients, business partners and affinity groups as an incentive to retain business and develop growth within the group. The following are the share and share option schemes that have been in place during the year. The traditional employee schemes are cash-settled and the BEE schemes are equity-settled in relation to Nedbank Limited.

As the group cannot estimate reliably the fair value of services received nor the value of additional business received, the group rebuts the presumption that such services and business can be measured reliably. The group therefore measures their fair value by reference to the fair value of the shares, share options or equity instruments granted, in line with the group's accounting policy. The fair value of such shares, share options and equity instruments is measured at the grant date utilising the Black-Scholes valuation model.

47.1	Description of	f arrangements
------	----------------	----------------

Scheme	Trust/SPV	Description
Traditional employee schem	es	
Nedbank Group (1994) Share Option Scheme	Nedbank Employee Share Trust	Share options are granted to key personnel to motivate senior employees to remain with the group. The granting of share options is based on job level, merit and performance, and is entirely at the discretion of the trustees acting on recommendations of executive management. Grants are made twice a year for new appointments and annually for existing staff, on a date determined by the trustees.
Nedbank Group (2005) Share Option Scheme	Nedbank Group (2005) Share Scheme Trust	Share options are granted to key personnel to motivate senior employees to remain with the group. The granting of share options is based on job level, merit and performance, and is entirely at the discretion of the trustees acting on recommendations of executive management. Grants are made twice a year for new appointments and annually for existing staff, on a date determined by the trustees.
Nedbank Group (2005) Matched Share Scheme	Nedbank Group (2005) Share Scheme Trust	All employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after tax bonus can be invested, which will be matched by the group with shares.
Nedbank UK long-term incentive plan	Nedbank Group (2005) Share Scheme Trust amended to accommodate the UK participants	Employees who perform services in the UK on behalf of the Group will be considered for participation in the UK LTIP. Selected employees will be granted share appreciation rights (SARs). SARs are similar to an option plan in that they are granted at a predetermined exercise price as well as vesting and expiry date. When the participant elects to exercise SARs, the employer settles the difference between the current market price and the exercise price in cash.



Maximum term

continued

Vesting requirements

Share options granted on appointment are time-based, of which 50% vest after three years and the remaining 50% after four years.	6 years
Annual allocations to existing staff are linked to the achievement of predetermined targets for growth in headline earnings over the performance period of three and four years.	
Completion of three years' service.	5 years
Three years' service and achievement of Nedbank Group performance targets. Where these performance targets are not met, 50% will vest, provided that the three years' service has been achieved.	3 years
Completion of three or five years' service from grant date, subject to corporate performance targets being met.	5 years

for the year ended 31 December

47 Share-based payments (continued)

	Trust/SPV	Description
Nedbank Eyethu BEE schemes – Employees		
Black Executive Scheme	Nedbank Eyethu Black Executive Trust	Restricted shares and share options were granted to certain black employees on a senior management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Black Management Scheme	Nedbank Eyethu Black Management Trust	Restricted shares and share options were granted to certain black employees on a middle and senior management level The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Broad-based Employee Scheme	Nedbank Eyethu Broad Based Employee Trust	Restricted shares granted to all qualifying employees who do not participate in any other share incentive scheme operating in the group. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights. However, the participants are not entitled to deal in the shares for a period of five years.
Nedbank Eyethu BEE schemes		
 Clients and business partners 		
 Clients and business partners Black Business Partner Scheme 	Wiphold Financial Services Number Two Trust and Brimstone- Mtha Financial Services Trust	Each trust was issued an equal number of restricted shares at R1,87 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
	Wiphold Financial Services Number Two Trust and Brimstone- Mtha Financial Services	at R1,87 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend

Vesting requirements	Maximum term
Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	7 years
Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	7 years
n/a	5 years
No dealing in the shares during the 10-year notional funding period.	10 years
Participants must operate and maintain a primary transaction account with Nedbank for three years.	3 years
Participants must use Nedbank as their primary banker for six years.	6 years

Notes to the financial statements

for the year ended 31 December

47 Share-based payments (continued)

Scheme	Trust/SPV	Description
Nedbank Namibia Omufima BEE schemes – Employees		
Namibia Black Management Scheme	Nedbank Ofifiya Black Management Trust	Restricted shares and share options were granted to certablack employees on a middle and senior management leterate the beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Namibia Broad-based Employee Scheme	Nedbank Ofifiya Broad- based Employee Trust	Restricted shares granted to all qualifying employees whe do not participate in any other share incentive scheme operating in the group. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Nedbank Namibia Omufima BEE schemes – Business partners and affinity groups		
Namibia Black Business Partner Scheme	Central Consortium SPV Three Investments (Pty) Limited, Coastal Consortium SPV Three Investments (Pty) Limited and Northern Empowerment SPV Three Investments (Pty) Limited	Each SPV was issued an equal number of restricted share at R2,53 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Namibia Affinity Group Scheme	Southern Consortium SPV Three Investments (Pty) Limited and Eastern Consortium SPV Three Investments (Pty) Limited	Each SPV was issued an equal number of restricted share at R1 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Namibia Education Scheme	Nedbank Namibia Education Trust	The SPV issued an equal number of restricted shares at R1 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.

Vesting requirements	Maximum term
Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	7 years
No dealing in these shares during the restricted period of five years.	5 years
No dealing in these shares during the 10-year notional funding period.	10 years
No dealing in these shares during the 10-year notional funding period.	10 years
No dealing in these shares during the 10-year notional funding period.	10 years
No dealing in these shares during the 10-year notional funding period.	10 years

Notes to the financial statements

for the year ended 31 December

47 Share-based payments (continued)

47.2 Effect on profit and financial position

	Share-based payments expense		Share-based payments reserve		Share-based payments liabilit	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm	2007 Rm	2006 Rm
Traditional employee schemes	295	393	-	_	614	538
Nedbank Group (1994) Share Option Scheme Nedbank Group (2005) Share Option Scheme Nedbank Group (2005) Matched Share Scheme Nedbank UK long-term incentive plan	93 180 22 *	219 157 17			216 353 45 *	330 185 23
Nedbank Eyethu BEE schemes	134	115	250	139	_	_
Black Business Partner Scheme** Retail Scheme Corporate Scheme Black Executive Scheme Black Management Scheme	19 30 56 7 22	38 51 7 19	69 121 15 45	39 65 9 26		
Nedbank Namibia Omufima BEE schemes	1	21	17	16	_	_
Namibia Black Business Partner Scheme Namibia Affinity Group Scheme Namibia Education Scheme Namibia Black Management Scheme Namibia Broad-based Employee Scheme	1	9 3 4 5	9 3 4 1	9 3 4		
	430	529	267	155	614	538

^{*} Represents amounts less than R1 million.

^{**} The share-based payments expense relating to the Nedbank Eyethu BEE black business partners relates to the annual performance fee paid to them calculated in terms of the trust deed.

47.3 Movements in number of instruments

	20	07	2006		
		Weighted		Weighted	
		average		average	
		exercise		exercise	
	Number of	price	Number of	price	
	instruments	R	instruments	R	
Nedbank Group (1994) Share Option Scheme					
Outstanding at the beginning of the year	9 123 748	79,33	16 457 215	84,02	
Forfeited	(1 444 777)	80,89	(501 256)	77,11	
Exercised	(3 254 387)	80,14	(2 311 648)	80,31	
Expired	(152 713)	105,97	(4 520 563)	96,71	
Outstanding at the end of the year	4 271 871	78,00	9 123 748	79,33	
Exercisable at the end of the year	2 146 189	93,20	3 490 864	102,28	
Weighted average share price for options exercised (R)	2 140 103	143,80	3 +30 004	123,80	
Intrinsic value		91 850 467		123,80	
IIIIIIISIC value		91 830 407		117 721 140	
Nedbank Group (2005) Share Option Scheme					
Outstanding at the beginning of the year	10 811 210	95,19	5 586 759	77,71	
Granted	6 377 666	143,16	6 142 374	110,71	
Forfeited	(612 944)	107,13	(828 423)	94,02	
Exercised	(249 088)	91,67	(89 500)	79,19	
Expired	(20 600)	84,04			
Outstanding at the end of the year	16 306 244	113,68	10 811 210	95,19	
Exercisable at the end of the year	51 600	107,00	90 800	86,46	
Weighted average share price for options exercised (R)		138,80		130,47	
Intrinsic value		1 496 172		4 498 374	
Nedbank Group (2005) Matched Share Scheme					
Outstanding at the beginning of the year	449 650		327 025		
Granted	179 917		153 960		
Forfeited	(32 805)		(31 335)		
Outstanding at the end of the year	596 762	_	449 650	_	
	330 702		145 050		
Exercisable at the end of the year	-	-	_	-	
Weighted average share price for options exercised (R)		-		_	
Nedbank UK long-term incentive plan					
Outstanding at the beginning of the year					
Granted	37 500	134,27			
Forfeited	(2 500)	134,27			
Outstanding at the end of the year	35 000	134,27	-	_	
Exercisable at the end of the year	_	_	_	_	
Weighted average share price for options exercised (GBP)		_		_	
- G					

Notes to the financial statements

for the year ended 31 December

47 Share-based payments (continued)

47.3 Movements in number of instruments (continued)

Provenients in number of instruments (continued)	2007		2006		
		Weighted average exercise		Weighted average exercise	
	Number of instruments	price R	Number of instruments	price R	
Retail Scheme Outstanding at the beginning of the year Granted Forfeited	1 438 451 2 137 (25 505)		459 382 985 724 (6 655)		
Outstanding at the end of the year	1 415 083	-	1 438 451	_	
Exercisable at the end of the year Weighted average share price for options exercised (R)	-	- -	-	- -	
Corporate Scheme Outstanding at the beginning of the year Granted Forfeited	9 939 141 300 282 (8 716)	108,06 108,06 108,06	9 051 369 892 130 (4 358)	108,06 108,06 108,06	
Outstanding at the end of the year	10 230 707	108,06	9 939 141	108,06	
Exercisable at the end of the year Weighted average share price for options exercised (R)	-	- -	-	- -	
Black Executives Scheme Outstanding at the beginning of the year Granted Forfeited Expired	852 050 233 170 (114 515) (24 000)	60,60 96,22 58,29 74,75	672 000 217 501 (37 451)	56,06 72,43 47,90	
Outstanding at the end of the year	946 705	69,29	852 050	60,60	
Exercisable at the end of the year Weighted average share price for options exercised (R)	-	- -	24 000	74,75 –	
Black Management Scheme Outstanding at the beginning of the year Granted Forfeited Exercised Expired	3 801 976 1 335 806 (482 176) (88 290) (13 207)	75,10 127,62 79,52 75,01 74,75	3 554 438 902 751 (592 293) (28 012) (34 908)	68,47 100,01 73,34 74,75 74,75	
Outstanding at the end of the year	4 554 109	90,03	3 801 976	75,10	
Exercisable at the end of the year Weighted average share price for options exercised (R)	-	– 143,00	40 226	73,93 119,99	
Namibia Black Business Partner Scheme Outstanding at the beginning of the year Granted	199 929	278,98	199 929	278,98	
Outstanding at the end of the year	199 929	278,98	199 929	278,98	
Exercisable at the end of the year Weighted average share price for options exercised (R)	-	-	-	- -	

47.3 Movements in number of instruments (continued)

	200)7	2006		
		Weighted		Weighted	
		average		average	
		exercise		exercise	
	Number of	price	Number of	price	
	instruments	R	instruments	R	
Namibia Affinity Group Scheme					
Outstanding at the beginning of the year	74 048	282,47			
Granted			74 048	282,47	
Outstanding at the end of the year	74 048	282,47	74 048	282,47	
Exercisable at the end of the year	_	-	_	_	
Weighted average share price for options exercised (R)		-		-	
Namibia Education Scheme					
Outstanding at the beginning of the year	98 730	282,47			
Granted			98 730	282,47	
Outstanding at the end of the year	98 730	282,47	98 730	282,47	
Exercisable at the end of the year	_	_	_	_	
Weighted average share price for options exercised (R)		-		_	
Namibia Black Management Scheme					
Outstanding at the beginning of the year	75 400	77,92			
Granted			75 400	77,92	
Outstanding at the end of the year	75 400	77,92	75 400	77,92	
Exercisable at the end of the year	_	-	_	_	
Weighted average share price for options exercised (R)		-		_	

Notes to the financial statements

for the year ended 31 December

47 Share-based payments (continued)

47.4 Instruments outstanding at the end of the year by exercise price

	20	007	2006		
		Weighted		Weighted	
		average		average	
		remaining		remaining	
	Number of	contractual	Number of	contractual	
	instruments	life (years)	instruments	life (years)	
Nedbank Group (1994) Share Option Scheme					
45,00	271 409	0,7	1 132 882	1,7	
55,75	271 700	2,6	345 800	3,6	
60,00			82 169	1,7	
60,01	1 978 132	2,3	3 270 796	3,3	
61,40	14 500	2,4	25 000	3,4	
69,20	67 915	1,8	162 115	2,8	
74,40	440 700	3,3	463 500	4,3	
81,00	2 222	0,3	2 890	1,3	
86,40			221 159	0,8	
88,00	2 500	0,3	985 214	2,2	
89,70		-,-	22 058	0,6	
90,90	6 667	0,1	7 667	1,1	
96,00		٥,.	5 208	0,1	
102,19	54 750	1,2	84 250	2,2	
102,65	62 650	0,8	82 050	1,8	
111,00	20 001	0,5	35 556	1,5	
123,00	20 00 1	0,5	21 347	0,8	
123,60	945 175	0,5	1 725 579	1,4	
125,00	133 550	0,3	297 975	1,4	
130,80	133 330	0,2	72 950	0,7	
136,20			500	0,7	
150,00			385	0,2	
151,00			98	0,2	
157,00			76 600	0,2	
137,00					
	4 271 871	1,8	9 123 748	2,4	
Nedbank Group (2005) Share Option Scheme					
76,79	4 199 047	2,5	4 499 709	3,5	
84,68	488 850	2,6	576 400	3,5	
107,03	384 500	3,6	418 900	4,6	
110,98	5 006 081	3,1	5 316 201	4,1	
134,30	725 300	4,6			
144,30	5 502 466	4,2			
	16 306 244	3,4	10 811 210	3,8	
Nedbank Group (2005) Matched Share Scheme					
0,00	596 762	1,2	449 650	1,7	
	596 762	1,2	449 650	1,7	
Nedbank UK long-term incentive plan		•			
134,30	35 000	5,6			
<u></u>					
	35 000	5,6	_		

47.4 Instruments outstanding at the end of the year by exercise price (continued)

and an analysis of the same same same same year	20	007	2006		
		Weighted average remaining		Weighted average remaining	
	Number of instruments	contractual life (years)	Number of instruments	contractual life (years)	
Retail Scheme					
0,00	1 415 083	1,1	1 438 451	2,1	
	1 415 083	1,1	1 438 451	2,1	
Corporate Scheme					
108,06	10 230 707	3,6	9 939 141	4,6	
	10 230 707	3,6	9 939 141	4,6	
Black Executives Scheme					
0,00	270 113	3,2	228 275	3,8	
74,75	384 000	4,6	480 000	5,3	
107,03	51 239	5,6	51 239	6,6	
110,98	80 888	5,6	92 536	6,2	
134,30	72 000	6,6			
144,30	88 465	6,2			
	946 705	4,7	852 050	5,1	
Black Management Scheme					
0,00	391 759	3,2	324 813	3,8	
74,75	2 315 567	4,6	2 730 055	5,5	
107,03	360 672	5,6	372 947	6,6	
110,98	302 604	5,2	374 161	6,2	
134,30	606 437	6,6			
144,30	577 070	6,2			
	4 554 109	5,1	3 801 976	5,6	
Namibia Black Business Partner Scheme					
278,98	199 929	9,0	199 929	10,0	
	199 929	9,0	199 929	10,0	
Namibia Affinity Group Scheme					
282,47	74 048	9,0	74 048	10,0	
	74 048	9,0	74 048	10,0	
Namibia Education Scheme					
282,47	98 730	9,0	98 730	10,0	
	98 730	9,0	98 730	10,0	
Namibia Black Management Scheme					
0,00	17 396	4,0	17 396	5,0	
101,29	58 004	6,0	58 004	7,0	
	75 400	5,5	75 400	6,5	

Notes to the financial statements

for the year ended 31 December

47 Share-based payments (continued)

47.5 Instruments granted during the year

The weighted average fair value of instruments granted during the year has been calculated using the Black-Scholes option pricing model, using the following inputs and assumptions.

Nedbank UK

			Nedbank UK	JK		
	Nedbank Group	Nedbank Group	long-term			
	(2005) Share	(2005) Matched	incentive	Retail		
	Option Scheme	Share Scheme	plan	Scheme		
2007						
Number of instruments granted	6 377 666	179 917	37 500	2 137		
Weighted average fair value per instrument granted (R)	27,19	125,10	33,45	118,41		
Weighted average share price (R)	134,78	141,00	135,00	136,37		
Weighted average exercise price (R)	143,16		134,27			
Weighted average expected volatility (%)*	27,0	27,0	28,0	27,0		
Weighted average life (years)	4,0	3,0	5,0	3,0		
Weighted average expected dividends (%)**	4,9	4,1	5,3	4,8		
Weighted average risk-free interest rate (%)	8,6	8,7	9,3	9,0		
Number of participants	1 262	414	8	1		
Weighted average vesting period (years)	3,0	3,0	4,0	3,0		
Possibility of not vesting (%)	10	7	10	1		
Expectation of meeting performance criteria (%)	100	100	100	99		
2006						
Number of instruments granted	6 142 374	153 960		985 724		
Weighted average fair value per instrument granted (R)	28,12	114,45		99,85		
Weighted average share price (R)	118,50	128,45		114,21		
Weighted average exercise price (R)	110,71					
Weighted average expected volatility (%)*	27,0	27,0		27,0		
Weighted average life (years)	4,0	3,0		3,0		
Weighted average expected dividends (%)**	4,7	3,9		4,6		
Weighted average risk-free interest rate (%)	7,4	7,4		7,4		
Number of participants	1 096	443		30 741		
Weighted average vesting period (years)	3,0	3,0		3,0		
Possibility of not vesting (%)	10	7		1,5		
Expectation of meeting performance criteria (%)		100		98,5		

^{*} Volatility is determined using expected volatility for all shares listed on JSE Limited.
** The dividend yield used for grants made has been based on forecast dividends.



Corporate Scheme	Black Executives Scheme	Black Management Scheme	Namibia Black Business Partner Scheme	Namibia Affinity Group Scheme	Namibia Education Scheme	Namibia Black Management Scheme	Namibia Broad-based Employee Scheme
300 282	233 170	1 335 806					
63,59	64,71	41,80					
134,76	134,85	134,88					
108,06	96,22	127,62					
27,0	27,9	28,0					
3,9	5,5	5,9					
	3,5	4,7					
9,8	8,7	8,8					
2	10	628					
3,9	5,0	5,0					
5	5	12					
892 130	217 501	902 751	199 929	74 048	98 730	75 400	39 816
55,10	58,76	36,18	45,00	44,55	44,55	59,76	124,70
121,35	114,61	112,96	124,00	124,00	124,00	124,70	124,70
108,06	72,43	100,01	278,98	282,47	282,47	77,92	
28,0	27,9	28,0	29,0	29,0	29,0	27,9	
4,8	5,7	5,9	10,0	10,0	10,0	5,8	
0.5	3,3	4,6	0.1	0.1	6.1	3,7	
8,6	7,9	8,0	8,1	8,1	8,1	8,4	F0.4
4	9	423	3	2	1	29	504
4,8	5,0	5,0	10,0	10,0	10,0	5,0	
5	5	12,5				5	

Notes to the financial statements

for the year ended 31 December

48 Related parties

48.1 Relationship with parent, ultimate controlling party and investees

The group's parent company is Nedbank Group Limited which holds 100% (2006: 100%) of Nedbank Limited's ordinary shares. The ultimate controlling party is Old Mutual plc, incorporated in the United Kingdom.

Material subsidiaries of the group are identified on page 114 and associates and joint ventures of the group are identified on pages 112 and 113.

48.2 Key management personnel compensation

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, including all directors of the company and its parent, as well as members of the Executive Committee who are not directors, as well as close members of the family of any of these individuals.

Details of the compensation paid to the board of directors are disclosed in the Remuneration Report on pages 118 to 120 and details of their shareholdings in the company are disclosed on page 127. Compensation paid to the board of directors and compensation paid to other key management personnel, as well as the number of share options and instruments held, are shown below.

		Key	
	Directors	management personnel	Total
Compensation (Rm) 2007			
Directors' fees Remuneration	10 33	68	10 101
Short-term employee benefitsGain on exercise of options	19 14	43 25	62 39
	43	68	111
2006 Directors' fees Remuneration	9 26	61	9 87
Short-term employee benefitsTermination benefitsGain on exercise of options	16 10	48 3 10	64 3 20
	35	61	96
Number of share options and instruments 2007			
Outstanding at the beginning of the year Granted Forfeited Exercised Transferred	1 333 738 121 643 (26 926) (160 292) 144 340	1 716 265 300 430 (68 708) (393 693) (173 323)	3 050 003 422 073 (95 634) (553 985) (28 983)
Outstanding at the end of the year	1 412 503	1 380 971	2 793 474
2006 Outstanding at the beginning of the year Granted Forfeited Exercised Expired Transferred	1 323 209 210 165 (179 734) (26 917) 7 015	1 543 823 490 420 (4 575) (247 809) (160 260) 94 666	2 867 032 700 585 (4 575) (427 543) (187 177) 101 681
Outstanding at the end of the year	1 333 738	1 716 265	3 050 003



48.3 Related-party transactionsThe following significant transactions were entered into between Nedbank Group and the following related parties.

Due from/(owing		(owing to)
Outstanding balances (Rm)	2007	2006
Parent/Ultimate controlling party Loans and advances to Old Mutual plc Investment in Old Mutual plc bonds Deposits from Nedbank Group Limited – interest-free Bank accounts held by Nedbank Group Limited – interest-free Dividend payable to Nedbank Group Limited Due to Nedbank Group Limited on exercise of share options during the year – interest-free Shares in Nedbank Group Limited held by Nedbank Namibia Omufima BEE scheme trusts	1 728	116 48 (100) 2 201 (122) (103) 18
Forward exchange rate contracts with Old Mutual plc Interest rate contracts with Old Mutual plc	(1) (5)	(2) (20)
Fellow subsidiaries Loan to Nedcor Securities (Pty) Limited Loan to Nedbank Malawi Limited Advances to various other fellow subsidiaries Deposits from Nedcor Securities (Pty) Limited Deposits from Old Mutual Life Assurance Company (SA) (Pty) Limited Deposits from Old Mutual Asset Managers (SA) (Pty) Limited Deposits from other fellow subsidiaries Bank accounts held by Old Mutual Group Achievement Limited Bank accounts held by Old Mutual Life Assurance Company (SA) (Pty) Limited Bank accounts held by Syfrets Securities Limited Bank accounts held by other fellow subsidiaries Insurance-related payables to various insurance fellow subsidiaries Equity derivatives with various fellow subsidiaries Forward exchange rate contracts with various fellow subsidiaries	4 895 7 3 850 (7 314) (1 444) (1 351) (3 147) (1 054) 928 (32) 766 9	4 094 7 27 (4 599) (1 089) (2 711) (1 202) (1 206) (1 047) 105 (762) (27) 12 306 1 810
Interest-rate contracts with various fellow subsidiaries Associates Loans to various associates Deposits from various associates Bank accounts held by various associates including Visigro (Pty) Limited	505 (289) (25)	(70) 404 (58) (1)
Key management personnel Mortgage bonds to key management personnel Loans to entities under the influence of key management personnel Deposits from key management personnel Deposits from entities under the influence of key management personnel Bank accounts held by key management personnel Bank accounts held by key management personnel Bank accounts held by entities under the influence of key management personnel Bank accounts held by entities under the influence of key management personnel	11 15 (229) 2 (11) 6 (19)	19 49 (11) (211) 10 (6) 44 (61)
The Wiphold and Brimstone consortia and Aka Capital (Pty) Limited are related parties since certain key management personnel of the company have significant influence over these entities. These entities are participants in the Nedbank Eyethu BEE schemes and the share-based payments reserve recognised in respect of these entities and key management personnel is detailed below.		, ,
Wiphold consortium Brimstone consortium Aka Capital (Pty) Limited Key management personnel – other	(108) (107) (20) (5)	(108) (107) (12) (3)
Share-based payments reserve	(240)	(230)
Key management personnel – directors Key management personnel – other	(33) (36)	(32) (43)
Share-based payments liability	(69)	(75)
Long-term employee benefit plans Deposit from Nedbank Namibia Medical Aid Fund Bank account held by Nedbank Swaziland Pension Fund Bank accounts held by other funds	(42) (49)	(15) 42 (45)
	(.5)	(13)

Notes to the financial statements

for the year ended 31 December

48 Related parties (continued)

48.3 Related-party transactions (continued)

Transactions (Rm)	Income/(Expense) 2007 2006		
Parent/Ultimate controlling party Dividend declared to Nedbank Group Limited	(1 948)	(668)	
Fellow subsidiaries Interest income from various fellow subsidiaries Interest expense to Syfrets Securities Limited Interest expense to various fellow subsidiaries Facilities management fee to Old Mutual Properties (Pty) Limited Insurance fees to various fellow subsidiaries Lease income from BoE (Pty) Limited Administration fee income from various fellow subsidiaries Administration fee expense to BoE (Pty) Limited IT support fee income from Nedgroup Insurance Company Limited Asset management fees to various fellow subsidiaries Rebate expense to various fellow subsidiaries Commission income from Nedgroup Investments (IOM) Limited Advisory fee income from Nedgroup Investments (IOM) Limited	29 (836) (7)	210 (1 588) (512) (5) (106) 18 20 (11) 6 (8) (20) 13	
Structuring fee income from NBSA Nominees Limited During the year NedNamibia Holdings Limited, a subsidiary of Nedbank Group Limited, acquired the entire share capital of Nedbank Namibia for R429 million. Prior to the acquisition Nedbank Namibia's shares were held 90.51% by Nedbank Limited, 3.38% by NIB Namibia Holdings (Pty) Limited and 6.11% by minorities. Nedbank Limited acquired Old Mutual's 50% interest in Old Mutual Bank for a net consideration of R140 million.		4	
Associates Interest expense to various associates Interest income from various associates	(36) 29	(2)	
Key management personnel Interest income from key management personnel Interest income from entities under the influence of key management personnel Interest expense to key management personnel Interest expense to entities under the influence of key management personnel The share-based payments charge in respect of the entities that are participants in the Nedbank Everthy REE schemes and key management personnel is detailed below	1 5 (1) (31)	2 4 (11)	
the Nedbank Eyethu BEE schemes and key management personnel is detailed below. Wiphold consortium Brimstone consortium Aka Capital (Pty) Limited Key management personnel – other	(10) (9) (8) (4)	(4) (3) (9) (2)	
Share-based payments expense (included in BEE transaction expenses)	(31)	(18)	
Key management personnel – directors Key management personnel – other	(13) (20)	(33) (37)	
Share-based payments expense (included in staff costs)	(33)	(70)	

48.3 Related-party transactions (continued)

,,	Income/(Expense)	
	2007	2006
Long-term employee benefit plans Interest income from Nedbank Swaziland Pension Fund Interest from Nedgroup Pension Fund Interest expense to other funds	6 4	3 (2)
The group has insurance policies with the major shareholder of Nedbank Group Ltd, Old Mutual Life Assurance Company (SA) Ltd. The group has the Optiplus policy in respect of its pension plan obligations and the OMART policy in respect of its disability plan obligations. These policies are shown as reimbursement rights, with a corresponding liability. The amounts included in the financial statements in respect of these policies are as follows.		
Also refer to note 34 for further details.		
Optiplus policy reimbursement right OMART policy reimbursement right	823 267	937 150
Included in long-term employee benefit assets	1 090	1 087
Optiplus policy obligation Disability obligation	(823) (181)	(937) (150)
Included in long-term employee benefit liabilities	(1 004)	(1 087)

Analysis of investments in associates and joint ventures

for the year ended 31 December

	Percentag 2007	ge holding 2006	Acquisition		
Name of company and nature of business	%	2006 %	Acquisition date	Year-end	
Access Africa Property Group (Pty) Limited	40	25	Jan 06	Feb	
African Spirit Trading 306 (Pty) Limited	33	33	Oct 06	Dec	
Capricorn Business and Technology Park (Pty) Limited	42	42	Nov 98	Sep	
Century Square Development Trust**		35	May 01	Feb	
Clidet No 683 (Pty) Limited	49	49	Aug 06	Feb	
Eagle Creek Investments 265 (Pty) Limited	25		Aug 07	Feb	
Emergent Property Holdings (Pty) Limited (Summer Sun Trading)	43		Jul 07	Feb	
G & C Shelf 31 (Pty) Limited	40	40	May 04	Feb	
Kimberly Clark SA Holdings (Pty) Limited**		50	Aug 04	Dec	
Lyric Rose (Pty) Limited	48	48	Oct 00	Feb	
Masingita Property Investment Holdings (Pty) Limited	35	35	Aug 05	Feb	
Mooirivier Mall (Pty) Limited	30		Nov 06	Feb	
Nedglen Property Development (Pty) Limited	35	35	Nov 04	Jun	
Odyssey Developments (Pty) Limited	49		Nov 07	Jun	
Off The Shelf Investment Forty One (Pty) Limited	33	33	Dec 00	Feb	
Sandton Square Portion 8 (Pty) Limited	25	25	Jul 02	Apr	
The Waterbuck Trust	40		Oct 07	Feb	
Visigro Investments (Pty) Limited	30	30	Jun 06	Feb	
Whirlprops 33 (Pty) Limited	49	49	Jan 05	Feb	
XDV (Pty) Limited	25	25	Nov 06	Jun	
Other					

^{*} Represents amounts less than R1 million. ** Disposed of during 2007.

Date to which	Equity-ac earn		Carr	ying ount		value/ valuation	Net indebt	
equity income	2007	2006	2007	2006	2007	2006	2007	2006
accounted for	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
			9	*	9	*	6	
			20	9	20	9	20	9
			17	19	17	19	13	18
				4		4		1
			211	170	211	170	166	170
			20		20		11	
			72		72		66	
			46	88	46	88	(99)	21
Jun 07	14	31		259		349		
			12	10	12	10	2	8
			27	26	27	26	28	24
			29		29		29	
			6	5	6	5		
			110		110		110	
			8	1	8	1	7	
			20		20		8	32
			8		8		8	
			48	25	48	25	2	25
Dec 07	40	32	*	54	*	54		
			10	*	10	*	10	
Dec 07	*	5	62	20	62	24	118	96
	54	68	735	690	735	784	505	404

Analysis of investments in subsidiaries

for the year ended 31 December

		oup capital	Group Effective holding		
	2007	2006	2007	2006	
	Rm	Rm	%	%	
Banking					
Nedbank Namibia Holdings Limited**		18		90	
Nedbank Namibia Limited**		17		90	
Imperial Bank Limited	3	3	50,1	50,1	
Nedbank (Lesotho) Limited	20	20	100	100	
Nedbank (Swaziland) Limited	12	12	67	67	
Peoples Mortgage Limited	45	45	100	100	
Trust and participation bond administration					
Nedgroup Collective Investments Limited	6	6	100	100	
Syfrets Participation Bond Managers (Pty) Limited***	*	1	100	100	
Other companies					
BoE Management Limited	*	*	100	100	
The Lion Match Company (Pty) Limited**		*		82	
Nedgroup Investment 102 Limited	6	6	100	100	
Nedcor Trade Services Limited (Mauritius)	2	2	100	100	

^{*} Represents amounts less than R1 million.

Note 1

Headline earnings from subsidiaries (after eliminating intercompany transactions):

	2007	2006
	Rm	Rm
Aggregate earnings	5 548	3 846
Aggregate losses	5	135

Note 2

General information required in terms of schedule 4 of the Companies Act, 61 of 1973, is detailed in respect of only those subsidiaries where the financial position or results are material to the group. It is considered that the disclosure in these statements of such information in respect of the remaining subsidiaries would entail expenses out of proportion to the value to members. Other subsidiaries consist of nominees, property-owning and financial holding companies acquired in the course of lending activities. A register detailing information in respect of all subsidiaries is available for inspection at the registered office.

^{**} Disposed of during 2007.

^{***} In the process of liquidation/deregistration at 31 December 2007.

Nedbank Group Limited Remuneration Report

Remuneration philosophy

Nedbank Group's philosophy is to encourage sustainable longterm performance and at all times to align performance with the strategic direction and specific value drivers of the business as well as with the interests of stakeholders.

Nedbank has adopted a total-reward philosophy as part of an enterprise-wide human resources (HR) strategy, which in turn supports the group's business strategy.

Total reward, comprising fixed and variable pay, reward and recognition, work-home balance, talent management, learning and development, and career development, also plays a critical role in attracting, motivating and retaining high-performing and talented individuals who are required to achieve Nedbank Group's objectives.

The total-reward approach within Nedbank Group is integrated into its people management processes, such as transformation, performance management, recognition, learning and development, and talent management, and forms an integral part of the Nedbank employee value proposition. The group's market position is to pay for performance, while ensuring that there is a distribution of remuneration around the market median where performance is on par with predetermined financial and non-financial targets. Performance in excess of these financial targets is rewarded through additional incentives created through Nedbank Group's short-term incentive (STI) scheme, as well as Nedbank Group's recognition programme.

Performance is measured at a business level after the finalisation of the year-end results on the achievement of agreed objectives. The financial results drive the STI pools, which are distributed to individuals on the basis of relative individual performance measured against agreed targets as stated in the individual performance scorecards.

Nedbank Group's long-term incentive (LTI) schemes are primarily aimed at the retention of key, high-impact employees.

Nedbank does not use an internal grading structure. Instead, the bank benchmarks remuneration in terms of the jobs employees are employed to perform by comparison with the external market and in relation to individual performance. Information on external remuneration is critical to ensure that remuneration is market-related and substantial effort is made to ensure that market information is sourced from a number of different, credible remuneration surveys.

Remuneration Committee membership and charter

The Group Remuneration Committee (the committee) operates according to a charter approved by the Nedbank Group Board. The board delegates responsibility to the committee for the investigation and benchmarking of remuneration practices and for considering and approving proposals made on remuneration practices for the group.

The committee comprises four independent non-executive directors, namely JB Magwaza (Chairman), Chris Ball, Brian Figaji and Cedric Savage, and one non-executive director, namely Jim Sutcliffe. Tom Boardman, Chief Executive; Bob Head, Group Director, Southern Africa Old Mutual plc, and non-executive director of Nedbank Group; and Shirley Zinn, Group Human Resources Director, Nedbank, are permanent invitees to the committee meetings. Tom Boardman and Shirley Zinn recuse themselves from discussions on their own remuneration. The committee met seven times during 2007.

The committee considers remuneration 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's responsibilities include:

- investigating and benchmarking remuneration practices and broad terms and conditions of employment for all permanent employees to ensure that these are fair and competitive, and approving the cost of annual remuneration increases awarded to employees;
- reviewing, monitoring and approving the design principles supporting incentive arrangements and the allocation of final STI pools for distribution in respect of eligible employees;
- reviewing, monitoring and approving the Nedbank Group Employee Share Scheme rules, including the Eyethu Employee Scheme rules;
- approving the granting of share incentives to employees, the applicability of financial targets linked to these incentives and the actual financial targets, where applicable;
- making recommendations to the board on remuneration adjustments, short- and long-term incentives for the executive directors and other senior executives of the group (the Chief Executive's remuneration is subject to final confirmation by the Remuneration Committee of Old Mutual plc);

F-108

Remuneration Report

continued

- establishing a subcommittee to make recommendations on the fees paid to the Chairman, Vice-chairman and non-executive directors; and
- approving performance scorecards for the Chief Executive and members of the Nedbank Group Executive Committee.

The committee applies the guiding principles of the remuneration policy as far as is practicable, but both the board and the committee retain the right to use their discretion to deviate from this policy in exceptional circumstances.

The committee provides the board with feedback on decisions taken after each meeting or more frequently, if deemed necessary.

A self-assessment of the committee was conducted in July 2007 to provide a guideline for evaluating the committee's effectiveness in operational and strategic matters and to focus on areas where its performance could be enhanced.

Overall, the results of the evaluation regarding the effectiveness of the committee were positive and indicated that the committee operated more effectively than in 2006. High-level feedback confirmed that the committee:

- operated within the scope of its mandate;
- · received adequate direction from the board;
- received timeous notification of meetings and preparatory material; and
- is well-chaired.

The committee agreed that, in the coming year, there should be a greater focus on terms and conditions of employment applicable to staff.

Advisers to the committee

The committee is informed of market-related information on guaranteed package (remuneration on a 'total cost to company' basis), as well as short- and long-term incentives, based on a number of remuneration surveys in which the group participates. These include Remchannel, GRS Top Remuneration Survey, LMO Executive Remuneration Survey, the Hay Investment Banking Survey and a number of smaller niche remuneration surveys. Specialists within the Group Remuneration Services Department collate and analyse the information sourced from external service providers and prepare documentation for consideration and approval by the committee. Where appropriate, the committee has access to independent executive remuneration consultants and utilised

the services of Vasdex Associates, PricewaterhouseCoopers and 21st Century Pay Solutions during the year. During 2007 Kevin Stacey, in his capacity as the Old Mutual plc remuneration specialist, provided the committee with input from the perspective of the Old Mutual plc Remuneration Committee.

Education of committee members

As part of the ongoing education of directors, a formal halfday training session on current reward trends and practices was facilitated by Dr Mark Bussin, executive Chairman of 21st Century Pay Solutions, in November 2007.

Guaranteed-package increases

Annual increases in guaranteed package are performance- and market-related, based on the projected rate of inflation, increases awarded by other major banks and the financial services industry, and the group's remuneration position against the banking and financial services markets. To maintain appropriate remuneration competitiveness relative to the labour market, remuneration is reviewed at least annually and annual increases take effect from 1 April.

Non-managerial employees form part of a bargaining unit, and annual increases granted depend on negotiations with the recognised trade unions, SASBO and IBSA. In April 2007 the non-managerial remuneration bill was increased by 7% and the managerial and executive remuneration bill increased by 6%. Individual increases are granted on the basis of personal performance and market comparisons.

Chief Executive Tom Boardman's guaranteed package was reviewed in February 2007 and adjusted by 10% to R3 850 000 pa with effect from 1 April 2007, commensurate with his performance and comparative remuneration information. Chief Financial Officer Mike Brown's guaranteed package was adjusted by 9,5% to R2 300 000 pa with effect from 1 April 2007. These increases cover the period from 1 April 2007 to 31 March 2008.

Remuneration

All employees in the Nedbank Group are remunerated on a 'total cost to company' basis (referred to in this report as 'guaranteed package'), which includes a basic salary, 13th cheque (if selected), allowances and contributions to benefit funds. From the guaranteed package, contributions are made to the Nedgroup Medical Aid Scheme, a postretirement medical aid fund (applicable only to qualifying employees), a retirement fund, a disability fund and a death benefit scheme. A car allowance/company car contribution may be structured

into the package where the employee is required to travel on group business. The amounts stipulated under basic salary and other benefits in table 1 on page 118 exclude the contributions to the retirement fund, but include contributions to the disability fund, the car allowance/company car contribution, medical aid contributions and postretirement medical aid subsidy.

Retirement scheme

The executive directors are members of Nedbank's definedcontribution retirement schemes. Contributions to the retirement funds form part of the guaranteed package.

In September 2007 members were given notice of the pending closure of the Nedbank Executive Provident Fund. Members were given the option to continue contributing the same percentage towards their defined-contribution fund or cease their contribution and retain this in the cash component of their package.

Short-term incentives

Short-term incentives are intended to encourage particular behaviours and obtain desired results. Nedbank Group incentive schemes are structured to support collaborative work across different clusters. The committee has agreed a set of principles and all cluster incentive schemes are designed according to those principles.

The achievement of Nedbank Group's ROE target of 20% for 2007 was the condition for the creation of the target incentive pool for all support clusters and the group pool component for the income-generating clusters.

In the income-generating clusters, incentive pools are structured from a weighting linked to the group, cluster and, where appropriate, divisional performance. The three incomegenerating clusters within Nedbank (Retail, Corporate and Capital) were measured on a combination of group ROE results and the clusters' ROE and headline earnings targets, with these pools being calculated independently of one another. Independent calculations are done to ensure that the total amount calculated on the group's ROE target and the amounts calculated taking into consideration each cluster's independent performance do not differ by more than 5% (if the difference is more than 5%, the calculated group pool will be used). Distribution of these pools is based on individual performance relative to the agreed deliverables in the performance management process.

Executive remuneration is benchmarked to data provided in national executive remuneration surveys and information disclosed in annual financial statements. Bonuses are based on actual performance measured against agreed financial and non-financial targets included in the performance scorecards.

To align the group's STI scheme with the group's strategic recovery plan, the targets for the STI scheme have been aligned with the annual recovery plan ROE targets, culminating in a 20% ROE target for the 2007 financial year.

The STI scheme has been changed to correspond with value drivers that align with market measurements of performance as the group moves out of a recovery phase (from financial year 2008 and onwards). To focus employees on a combination of return and growth from financial year 2008 onwards, Nedbank Group's STI has been altered to be driven from economic-profit (EP) targets.

Changing the STI scheme to an EP-driven formula will require the executive and employees to produce simultaneous growth and return results in order to sustain and improve on the available STI pool.

Deferred short-term incentive scheme

In 2006, in response to a buoyant labour market and a higher-than-normal staff turnover, a deferred-short-term incentive (DSTI) scheme was approved and implemented for a small number of key employees, serving as a retention scheme. The Chief Executive and members of the Group Executive Committee were excluded from this scheme. At 31 December 2007 the scheme included 336 key employees. An initial payment took place in 2006 and the balance of the DSTI (less tax) is payable in October 2008 for most employees and in October 2009 for employees in Nedbank Capital. Employees leaving the service of Nedbank before the termination date of the scheme are required to reimburse Nedbank with the gross incentive amount paid.

Executive directors

Service contracts

Tom Boardman's employment is governed by a service contract with the group, which commenced on 10 December 2003 for an initial period of five years. The final termination date of his contract has now been extended to 28 February 2010 to coincide with the results presentation following his 60th birthday in December 2009. His service contract stipulates a maximum notice period of six months under most circumstances. A service contract was agreed with Mike Brown on 17 June 2004, with a notice period of six months under most circumstances and retirement at age 60.

Remuneration Report

continued

Executive directors' remuneration

The remuneration of executive directors for the years ended 31 December 2007 and 31 December 2006 was as follows:

Table 1: Executive directors' remuneration - year to 31 December 2007

Name	Basic salary and other benefits* (R000)	Retirement fund contributions (R000)	Guaranteed remuneration (R000)	Performance bonus** (R000)	Total (R000)	2007 on 2006 change (%)
TA Boardman	3 499	263	3 762	8 000	11 762	18,4
MWT Brown Total	1 974 5 473	276 539	2 250 6 012	5 000 13 000	7 250 19 012	15,8 17,4

^{*} This salary includes contributions to the medical aid, postretirement medical aid subsidy, disability insurance and car allowance/company car benefits structured into the package.

A fully taxed refund of R128 686 relating to previous earnings was made to TA Boardman during 2007.

Table 2: Executive directors' remuneration - year to 31 December 2006

Name	Basic salary and other benefits* (R000)	Retirement fund contributions (R000)	Guaranteed remuneration (R000)	Performance bonus*** (R000)	Total (R000)	2006 on 2005 change (%)
TA Boardman MWT Brown	3 191 1 809	240 252	3 431 2 061	6 500 4 200	9 931 6 261	14,6 16,0
Total	5 000	492	5 492	10 700	16 192	1,4**

^{*} This salary includes contributions to the medical aid, postretirement medical aid subsidy, disability insurance and car allowance/company car benefits structured into the package. No additional benefits are offered to executive directors.

Performance bonus for executive directors

In 2004, at the inception of Nedbank's three-year turnaround programme, the Chief Executive committed to achieving an ROE of 20% by the end of 2007. The achievement of this objective in 2007 represents a significant point of delivery in Nedbank's turnaround.

The bonus pool for distribution to the Chief Executive and Chief Financial Officer was dependent on the achievement of the group's ROE target (20%) for the 2007 financial year.

The individual performance of Tom Boardman and that of Mike Brown is measured respectively across four dimensions to determine their respective share of the bonus pool – financial, client, internal processes and organisational learning. The specific objectives for each of these dimensions are as follows:

- Financial improving ROE, headline earnings and efficiency ratio.
- Client achieving profitable asset growth and accomplishing quality growth in net transactional banking, as well as improving client service and enhancing Nedbank's image in the external environment.
- Internal processes creating an acceptable risk environment, successfully implementing Basel II and drawing up credible business plans for 2008 to 2010.
- Organisational learning achieving Financial Sector Charter (FSC) employment equity targets and the group's transformation targets and creating a high-performance culture.

Performance across all four of these dimensions in 2007 was exceptional, with all targets exceeded.

No additional benefits are offered to executive directors.

^{**} Bonus relates to performance in 2007, paid in March 2008.

^{**} Refers to total remuneration cost in respect of executive directors in service. Different directors were in service year-on-year.

^{***} Performance bonus relates to performance in 2006, paid in March 2007.

Severance arrangements for executive directors

The following formula will apply in calculating a severance package for executive directors in the event of their services being terminated: two weeks' guaranteed remuneration per completed year of defined operational service, with no maximum. In addition, the executive is entitled to a maximum notice period of six months, during which he or she may or may not be required to work.

Non-executive directors' remuneration

The terms of engagement of the non-executive directors (excluding the chairman) cover a period of three years, as determined by the rotation requirements of the Nedbank Group articles of association. A non-executive director is required to retire at age 70.

The Chairman's appointment was effective from 4 May 2006. In terms of the articles of association, the chairman and vice-chairman are reelected annually.

Non-executive directors' remuneration for the years ended 31 December 2007 and 31 December 2006 was as follows:

Name	Board meeting fees (R000)	Committee meeting fees (R000)	2007 (R000)	2006 (R000)
CJW Ball ####	175	759	934	749
WAM Clewlow #				688
RG Cottrell**** ####				571
BE Davison	175	286	461	236
N Dennis *****	175	125	300	215
MA Enus-Brey ####	175	171	346	289
B de L Figaji	175	160	335	280
R Harris ****	10		10	
RM Head*	175	186	361	278
MM Katz	175	375	550	527
RJ Khoza##		2 500	2 500	1 561
JB Magwaza	175	286	461	385
ME Mkwanazi	175	200	375	312
ML Ndlovu	175	345	2 120**	2 450**
JVF Roberts* ***				84
CML Savage	175	186	361	244
GT Serobe	175	96	271	215
TCP Chikane ###	175	156	331	18
JH Sutcliffe*	175	95	270	225
Total	2 460	5 926	9 986	9 327

[#] WAM Clewlow retired on 4 May 2006.

^{##} This amount includes chairman fees in respect of his appointment as Chairman with effect from 5 May 2006.

^{###} TCP Chikane joined on 1 November 2006.

^{####} Includes fees for board, subsidiary board and committee memberships (including Imperial Bank), for the years 2006 and 2007.

^{*} Fees for Messrs Roberts, Head and Sutcliffe and Ms Harris are paid to Old Mutual (South Africa) Limited.

^{**} This amount includes consulting fees of R2 million paid in 2006 and R1,6 million paid in 2007.

^{***} JVF Roberts resigned as a non-executive director on 5 May 2006.

^{****} RG Cottrell retired as an independent non-executive director on 30 November 2006.

^{*****} R Harris was appointed a non-executive director with effect from 10 December 2007.

^{*****} N Dennis resigned as an independent non-executive director effective 31 December 2007.

Remuneration Report

continued

Remuneration for non-executive directors for committee membership is as follows:

Committee	Proposed		
(w	th effect from	Annual fee	Annual fee
	01-01-2008)*	** 2007	2006
	(R)	(R)	(R)
Boards			
Chairman of the board*	3 000 000	2 500 000	2 250 000
Nedbank Group Limited**	130 000	95 000	75 000
Nedbank Limited**	110 000	80 000	60 000
Committees			
Group Audit Committee**	105 000	96 000	80 000
Group Finance and Oversight Committee	20 000	30 000	30 000
Group Remuneration Committee**	60 000	55 000	50 000
Group Risk and Capital Management Committee**	75 000	60 000	50 000
Group Credit Committee	65 000	65 000	65 000
Group Directors' Affairs Committee	40 000	40 000	40 000
Board Strategic Innovation Management Committee**	40 000	35 000	30 000
Group Transformation and Sustainability Committee**	65 000	40 000	30 000

^{*} Nedbank Group Chairman's fees include his fees for board, subsidiary board and committee memberships.

^{**} At the annual general meeting held on 18 May 2007 approval was granted to increase non-executive directors' fees in order to align the board fees with local market practices.

^{***} Subject to shareholders' approval at the 2008 annual general meeting.

Chairmen of committees (other than the Chairman of the Nedbank and Nedbank Group Directors' Affairs Committee, who receives a set annual remuneration package) receive double the member fees.

Fees payable to the non-executive directors and the Nedbank Group Chairman are reviewed annually and adjustments are considered by a subcommittee of the Remuneration Committee consisting of Tom Boardman, Jim Sutcliffe and Bob Head after due consideration of market practice and trends. In 2007 PricewaterhouseCoopers assisted the subcommittee with its decisionmaking with detailed market information. The subcommittee recommended the above increases with effect from 1 January 2008. These were approved by the board, but are still subject to shareholder approval at the annual general meeting to be held on 13 May 2008.

Committee meeting attendance is recorded in the Enterprise Governance and Compliance Report on pages 92 to 94 of the Nedbank Group Limited Annual Report.

Share incentives

Share option grants

Long-term incentive schemes are intended to retain high-impact employees and provide these key employees with a reward that corresponds with the rewards that shareholders receive for group performance. The amount of the incentive is based on the most recent performance review, individual career path planning, scarcity of skills and the organisation's need for retaining the individuals. The value of share options allocated is benchmarked to the external market and overall affordability.

The granting of share options (based on skills, merit and performance) is entirely at the discretion of the committee, within agreed criteria and based on recommendations from executive management. Share options are granted twice a year to new employees and those appointed to more senior positions internally, and annually to existing employees on a date determined by the committee. Annual allocations were made to 1 077 employees on 27 February 2007.

On-appointment allocations were made to 207 employees in total on 27 February 2007 and 10 August 2007.

At 31 December 2007 share options in issue under the Nedbank employee schemes (vested and unvested), as a percentage of issued share capital, was 4,5%.

Employee share option schemes 2005 Nedbank Employee Share Scheme

This scheme consists of three parts:

1 Share Option Scheme

Share options are issued to qualifying employees with or without performance conditions (as determined annually by the committee). The share option scheme offers awards to new employees and internal appointments (on-appointment allocations) and annually to existing employees (annual allocations).

On-appointment allocations (internal and external appointments)

On-appointment share option allocations are offered at the discretion of the committee to new employees and to employees who have been appointed to more senior positions and meet the criteria recommended by the Group Executive Committee. On-appointment allocations take place twice a year, three trading days after the announcement of the interim and annual financial results (in August and February), subject to the Nedbank Group Personal Account and Insider Trading Policy. The committee will determine annually whether performance-based vesting conditions will apply. The vesting period for on-appointment allocations is three years from the date of allocation, subject to the achievement of all targets imposed. All options have to be exercised within two years from the date of vesting.

Annual allocations

Annual share option allocations apply to qualifying employees in terms of criteria recommended by the Group Executive Committee and approved by the committee.

Annual allocations take place once a year (typically in February), subject to the Nedbank Group Personal Account and Insider Trading Policy. The committee will determine annually whether performance-based vesting conditions will apply in respect of the allocation to qualifying employees. Where applicable, share options will vest only if the predetermined financial hurdle is cleared. In the event of no performance targets applying, time-based vesting criteria will apply. In respect of all options allocated in 2005 and 2006, time-based vesting criteria apply. The committee agreed that an ROE target for the period 2007 – 2009 will apply to the options granted during 2007. All options allocated under this scheme will vest subject to the achievement of targets after three years from the date of allocation. All options have to be exercised within two years from the date of vesting.

Remuneration Report

continued

Share option allocation price

For purposes of the share option scheme the allocation price is the weighted average (by volume) market price of an ordinary share in the company, as shown by the official trading price list published by the JSE Limited (the JSE), over the three most recent trading days on the JSE immediately preceding the allocation date.

2 Matched Share Scheme

The Matched Share Scheme allows employees an opportunity to allocate up to 50% of their after-taxation bonus towards the acquisition of Nedbank Group shares or to deposit Nedbank Group shares to the equivalent value. The incentive to do so is a matching of this investment to the equivalent value by the 2005 Nedbank Employee Share Trust on a one-for-one basis. The trust's obligation to deliver or procure the delivery of the matched shares rests on two conditions, namely that:

- employees are still in the service of the group on the vesting date for 50% of the matched shares; and
- the group has met the agreed performance targets over a three-year period for the remaining 50% of the matched shares.

3 Restricted Share Plan

The Restricted Share Plan with performance targets was approved as part of the 2005 Nedbank Employee Share Scheme. During the 2005 – 2007 financial years no allocations were made under this scheme.

At the meeting of the committee in November 2007, in line with local and international practice, it was agreed that restricted shares instead of share options would be issued during 2008 to selected staffmembers. The financial targets required for vesting of these shares are aligned with the three-year business plans. All allocations to be made will be recommended for approval to the committee by the Group Executive Committee.

Phantom Share Plan

During 2007 the committee approved the Phantom Share Plan (cash settled) for key staff of the business in the UK. The scheme design principles mirror the South African LTI schemes as far as possible. A total of nine UK employees participated in the newly approved scheme in 2007. None of these employees participates in the South African LTI schemes.

Status of the share schemes

1994 Nedcor Group Employee Incentive Scheme
At 31 December 2007 there were 624 participants and
4 271 871 Nedbank Group share options outstanding, of
which 271 409 were as a result of the rights issue grant
linked to the underlying options during 2004. Of these
share options outstanding 1 311 740 were issued with
performance-based vesting criteria and 2 960 131 were
time-based allocations.

During 2007 a total of 1 237 227 share options previously issued lapsed owing to the non-achievement of the financial performance targets determined at the time of the allocation.

2005 Nedbank Employee Share Trust

At 31 December 2007 there were 1 644 participants and 16 306 244 Nedbank Group share options outstanding. All share options under this scheme were issued with time-based vesting criteria. The allocations made in 2007 were also linked to the achievement of financial targets. Of these share options 6 377 666 were issued in 2007.

Matched Share Scheme

The number of participants who have committed shares to the scheme at 31 December 2007 is noted below:

 2007	2006	2005
414	437	461

The total number of shares held in the trust totals 596 762 shares.

Nedbank Eyethu Employee Schemes

Nedbank Group implemented its black economic empowerment (BEE) staff schemes in August 2005. The objective of the schemes is in support of the achievement of Nedbank's broad transformation strategy. The group has initiated a project to ensure that the schemes also meet the requirements of the Department of Trade and Industry (dti) codes.

The Eyethu employee schemes consist of the Black Executive Trust, the Black Management Scheme, the Broad-based Scheme and the Evergreen Trust. Share and share option allocations have been made to new and internally appointed employees since the inception of the schemes, in accordance with the scheme rules and the respective trust deeds.

At 31 December 2007 a total of 30 black employees in senior positions with groupwide impact, as identified by the Group Executive Committee and approved by the committee and trustees, are beneficiaries of the Black Executive Trust.

Newly appointed black permanent employees earning in excess of the Financial Sector Charter remuneration band for middle management (R302 653 per annum) received fresh or topup options and shares under the Black Management Scheme in the period under review.

Shares under the Eyethu Broad-based Scheme were allocated as a once-off share grant to permanent Nedbank Group employees who met the eligibility criteria at the inception date of the scheme and no subsequent allocations were made. A trading restriction of five years applies to shares issued under this scheme.

The Evergreen Trust was created with the specific purpose of uplifting the living standards and personal circumstances of black permanent employees who meet certain eligibility criteria. In May 2007 altogether 57 beneficiaries successfully applied to participate in a programme that provides them with the opportunity to obtain a qualification equivalent to Grade 12.

Eyethu Non-executive Directors Trust

This trust comprises 852 590 shares. At 31 December 2007 a total of 533 900 shares were allocated to four participants. On 3 March 2008 a total of 81 815 shares will be allocated to TCP Chikane.

Nedbank Africa subsidiary schemes

During 2006 the committee approved the Omufima Employee Schemes for Nedbank Namibia. The committee approved localisation and LTI schemes in principle for Swaziland, Malawi, Zimbabwe and Lesotho during 2007. The implementation thereof will be considered during 2008.

Remuneration Report

continued

Executive directors' share option holdings

Opening balance at Dec 2006

Options issued during 2007

Name	Number of options	Date of issue	Issue price (R)	Number of options	Date of issue	Issue price (R)	
TA Boardman	126 200	02/07/2002	123,60				
	10 000*	01/04/2003	88,00				
	250 000*	11/05/2004	60,01				
	30 459	10/05/2004	60,00				
	100 000	30/06/2005	76,79				
	120 000	28/02/2006	110,98				
			·	72 765*	27/02/2007	144,30	
	636 659			72 765			
MWT Brown	72 800	02/07/2002	123,60				
	9 000*	01/04/2003	88,00				
	20 000*	11/05/2004	60,01				
	80 000*	10/08/2004	55,75				
	26 684	10/05/2004	45,00				
	20 000	30/06/2005	76,79				
	70 000	28/02/2006	110,98				
	70 000	20/02/2000	110,36	40 000*	27/02/2007	144,30	
	298 484			40 000			

Share options issued before May 2005 were issued in terms of the 1994 Nedcor Group Employee Incentive Scheme, with 50% vesting after three years from the date of grant and the remaining 50% after four years from the date of grant.

Share options issued after May 2005 were issued in terms of the Nedbank Group (2005) Share Option, Matched Share and Restricted Share Scheme, with 100% vesting after three years from the date of grant.

Further details of share options granted to employees are included on pages 280 and 281 of the Nedbank Group Limited Annual Report.

^{*} Share options issued with performance-based vesting criteria. The rights issue options linked to these share options also have performance-based vesting criteria.

	Exercised of	during 2007			Closin	ng balance at De	ec 2007	
	Date of		Gain on share					
Number of	exercise/	Issue	options	Number of	Date of	Issue		Expiry
options	cancellation	price (R)	exercised	options	issue	price (R)	Vested	date
				126 200	02/07/2002	123,60	126 200	02/07/2008
10 000*	28/02/2007	88,00	lapsed			,		
75 000*	14/05/2007	60,01	6 755 304	125 000*	11/05/2004	60,01		11/05/2010
50 000*	22/05/2007	60,01	4 503 536					
4 167	28/02/2007	60,00	lapsed					
26 292	16/03/2007	60,00	1 843 765					
				100 000	30/06/2005	76,79		30/06/2010
				120 000	28/02/2006	110,98		28/02/2011
				72 765*	27/02/2007	144,30		27/02/2012
165 459			13 102 605	543 965			126 200	
				72 800	02/07/2002	123,60	72 800	02/07/2008
9 000*	28/02/2007	88,00	lapsed					
				20 000*	11/05/2004	60,01		11/05/2010
				80 000*	10/08/2004	55,75		10/08/2010
3 750	28/02/2007	45,00	lapsed	13 934	10/05/2004	45,00	13 934	10/08/2010
9 000	28/03/2007	45,00	864 000					
				20 000	30/06/2005	76,79		30/06/2010
				70 000	28/02/2006	110,98		28/02/2011
				40 000*	27/02/2007	144,30		28/02/2012
21 750			864 000	316 734			86 734	

Shares purchased by executive directors under the Matched Share Scheme for the period 2005 – 2007:

Name	Number of shares	Date of inception	Strike price (R)
TA Boardman	15 098	02/06/2005**	76,50
	10 000	28/03/2006	130,18
MWT Brown	9 803	02/06/2005**	76,50
	7 400	28/03/2006	130,18
	8 878	27/03/2007	141,92

^{*} The rules of the Nedbank Group (2005) Matched Share Scheme limited participation, if an individual was within three years of retirement. Mr TA Boardman purchased Nedbank shares to the value of 50% of his after-taxation bonus in March 2007, but as a result of the retirement rule could not participate in the scheme. The scheme rule was subsequently amended at the 2007 annual general meeting. The Remuneration Committee has approved an allocation of 13 470 restricted shares to Mr Boardman in February 2008 in lieu of participating in the Matched Share Scheme in 2007 on condition that he holds the shares purchased in March 2007 for three years from that date.

^{**} The initial inception date was amended from 25 May 2005 to 2 June 2005 due to an extension granted for participation in the scheme.

Remuneration Report

continued

Directors' interests

At 31 December 2007 the directors' interests in ordinary shares in Nedbank Group were as follows:

	Beneficial			Non-be	Non-beneficial	
	Direct Indirect			Ind	Indirect	
Number of shares	2007	2006	2007	2006	2007	2006
CJW Ball	10 000	10 000				
TA Boardman	50 098	25 098				
MWT Brown	26 203	17 203	909	909		
TCP Chikane						
BE Davison						
N Dennis						
MA Enus-Brey*+			1 622	1 610	557	546
B de L Figaji*			107 928	103 364	2 296	2 296
R Harris						
RM Head						
MM Katz			4 682	4 482		
RJ Khoza*++			1 031	1 031	1 031	1 031
JB Magwaza*	160	153	107 878	103 314	549	549
ME Mkwanazi*	1 768	1 728	107 928	103 364	1 148	1 148
ML Ndlovu			232 871	222 917		
CML Savage	8 452	8 452				
GT Serobe*+++			972	972	2 458	2 458
JH Sutcliffe						
Total	96 681	62 634	565 821	541 963	8 039	8 028

^{*} Includes shares bought in terms of the Retail Eyethu Scheme by immediate family members.

None of the directors had any direct non-beneficial interest in the shares of the company during the year under review.

⁺ Excludes 4 138 490 and 4 353 200 shares held by The Brimstone-Mtha Financial Services Trust in 2006 and 2007 respectively.

⁺⁺ Excludes 1 758 858 and 1 837 021 shares held by The Aka-Nedbank Eyethu Trust in 2006 and 2007 respectively.

⁺⁺⁺ Excludes 4 138 490 and 4 366 046 shares held by The Wiphold Financial Services Number Two Trust in 2006 and 2007 respectively. Refer to the circular to ordinary shareholders issued on 15 June 2005 for further information relating to the abovementioned trusts.

At 31 December 2007 the directors' interests in the non-redeemable, non-cumulative preference shares of R0,001 each in Nedbank Limited were as follows:

	Beneficial				Non-be	Non-beneficial	
	Direct Indirect			Indi	rect		
Number of shares	2007	2006	2007	2006	2007	2006	
CJW Ball	144 300	144 300					
TA Boardman					85 000	85 000	
MWT Brown							
TCP Chikane							
BE Davison							
N Dennis	47 500	47 500					
B de L Figaji							
MA Enus-Brey							
R Harris							
RM Head							
MM Katz	475 000	475 000			105 000	105 000	
RJ Khoza							
JB Magwaza							
ME Mkwanazi							
ML Ndlovu							
CML Savage			212 700	212 700			
GT Serobe							
JH Sutcliffe							
Total	666 800	666 800	212 700	212 700	190 000	190 000	

None of the directors had any direct non-beneficial interest in Nedbank preference shares during the year under review.

On 3 March 2008 altogether 60 167 restricted shares were granted to TA Boardman and 38 613 restricted shares were granted to MWT Brown in terms of The Nedbank Group (2005) Share Option, Matched Share and Restricted Share Scheme approved by shareholders on 4 May 2005. On 3 March 2008, TCP Chikane acquired 81 815 ordinary shares through the Nedbank Eyethu Non-executive Directors scheme. There are 437 934 (2006: 625 143) options outstanding that have been granted to executive directors in terms of the Nedcor Group (1994) Employee Incentive Scheme and 422 765 (2006: 310 000) options outstanding that have been granted to executive directors in terms of the Nedbank Group (2005) Share Option, Matched Share and Restricted Share Scheme. Refer to pages 124 and 125.



Philip Wessels (49) Chief Risk Officer

 $13\,years'\,service \cdot BCom,\,CTA\,\,CA(SA), \cdot \,Diploma\,in\,\,Advanced\,\,Banking\,\,Law,\,\,Institute\,\,of\,\,Stockbrokers$

Risk management has been at the forefront of Nedbank Group's transformation over the past few years. Philip is the Chief Risk Officer and is responsible for Group Risk, which creates and maintains risk frameworks and which monitors compliance with frameworks, mandates and policy for the many risks faced by the group, including credit, market and operational risks.

Philip was appointed to his post in 2004 after holding positions as Divisional Director in Nedbank Business Banking and Nedbank Corporate. Prior to that he was an executive director of BoE Limited, Managing Director of BoE Securities, Chief Executive of BoE International (London) and Managing Director of BoE Bank, Business Banking, and Boland Bank between 1995 and 2003. He was also previously a partner at Deloitte & Touche from 1989 to 1995.

Significant investment has positioned Nedbank Group at the leading edge of risk management. This, coupled with the sophisticated management science and capabilities derived from Basel II, is being used to optimise the risk/return and growth of our business, consistent with the risk appetite of the group.

Focus areas for the year ahead include the following:

- Deriving full value from the implementation of Basel II on 1 January 2008.
- Ensuring that Basel II is used as a risk enabler and facilitates active credit management in the more challenging credit cycle.
- Capitalising on the forensic capability already achieved through highly successful practices in South Africa by rolling out similar practices in the group's African operations.
- Finalising the group's disaster recovery plans to ensure sound business resumption and continuity.

Nedbank Group Limited Risk and Capital Management Report

Our risk culture and strategy

The end of 2007 was an important milestone for Nedbank, not only for having achieved the financial targets committed to in 2004, but also for the significant progress made in our vision to become worldclass at managing risk. We have invested significantly in advanced risk and capital management capabilities, as well as resources and systems, and have transformed these using our comprehensive Basel II programme as the main catalyst.

Basel II and enterprise-wide risk management in Nedbank

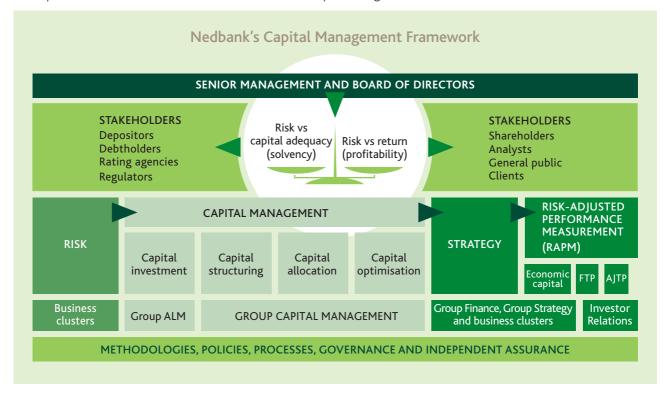
Nedbank has successfully implemented Basel II. This is in line with the revisions to the Banks Act and the new Basel II banking regulations introduced by the South African Reserve Bank (SARB), which became effective on 1 January 2008. The main purpose of Basel II is to enhance the level of sophistication of risk and capital measurement and management, thereby further elevating the safety and soundness of the banking industry.

Since 2003 Nedbank has been following a strategic-based approach to its Basel II implementation, not only to comply with Basel II, but also to elevate the group's risk management, capital management and performance measurement to worldclass standards. This has involved implementing best-practice enterprise-wide risk management (ERM) across the Nedbank Group.

ERM is a structured and disciplined approach to risk management, aligning strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the opportunities, threats and uncertainties the group faces as it creates shareholder value. It involves integrating risk and capital management effectively across the group's risk universe, business units and operating divisions, geographical locations and legal entities.

Capital Management Framework and value-based management

The implementation of ERM across Nedbank is evident in our Capital Management Framework.

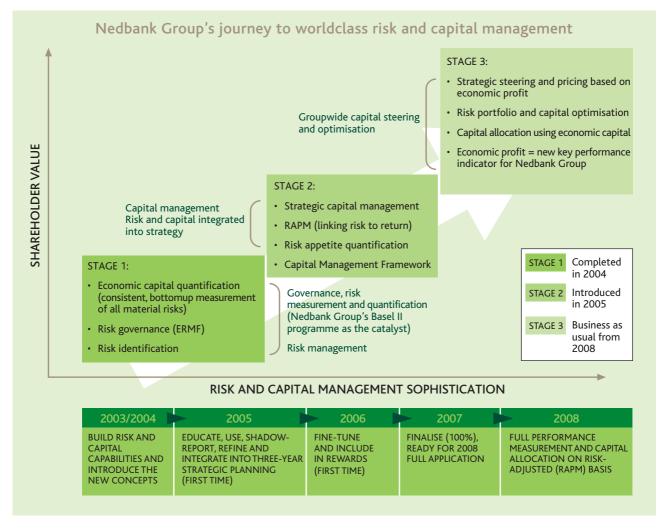


Nedbank's Capital Management Framework meets our key stakeholders' needs, both those focused more on the financial return or profitability of the group relative to the risk assumed (risk versus return) and those focused more on the adequacy of the group's capital in relation to its risk profile or solvency. The challenge for management and the board of directors is to achieve an optimal balance between these two dimensions. The framework is based on worldclass risk and capital management, integrated with strategy, performance measurement and incentives (remuneration).

Nedbank's risk and capital management positioning provides the bank with sophisticated management science and capabilities to optimise the risk/return performance and growth of our various businesses, aligned with the clearly established risk appetite of the group. This enables Nedbank, going into 2008, to consolidate its five-year Basel II implementation journey and operate on 'value-based management' principles focused on optimising economic value creation and shareholder value-add. The journey is set out on the next page.

Risk and Capital Management Report

continued



In line with the completion of Nedbank's strategic recovery, the implementation of Basel II in South Africa and the strong focus in the future on economic-value-based management principles, the primary basis for performance measurement in Nedbank switches from 2008 awards.

After being in shadow-reporting since 2005, economic profit (EP) replaces ROE as the primary financial performance measure in Nedbank Group. EP is a best-practice measure, as it better incentivises an appropriate balance between return and growth. A summary of the group's basis for performance measurement and risk-based capital allocation for 2008 is provided below:

At group level Current 2007 basis Comments ROE measured on simple average return on ordinary shareholders' equity using: Target IFRS earnings. Target monthly average book equity (capital).

EP using:

Target IFRS earnings.

- Target monthly average book equity (capital).Computed cost of equity, using the Capital Asset Pricing Model.
- Target ROE % used for initial EP target setting [ie for establishing hurdle rate(s)].

Incentivises both return and growth.

Target ROE (as a relative % measure) remains important and is used as a secondary measure.

At business cluster level						
Current 2007 basis	Comments					
ROE with capital allocation being 10% of Basel I risk-weighted assets.	Not fully aligned to shareholder value-added methodology and out of line with Basel II and best practice (ie not risk-based).					
New 2008 basis	Comments					
 EP using: Target average economic-capital allocation (ie properly riskbased). Target IFRS earnings. Business clusters' target ROE % (differentiated for each cluster) used for initial EP target setting (ie for establishing individual cluster hurdle rates). 	RAPM, which aligns with the shareholder value-add emphasis, best practice and Basel II (risk-based); incentivises both return and growth. Also better facilitates and encourages risk and capital optimisation. Target ROE remains important and is used as a secondary measure.					

Risk and capital management are now well-positioned in Nedbank to support the key value drivers of the business in 2008 and beyond. Our challenge now becomes maintaining and continually enhancing this position over time.

Risl	k and capital management supports the key value drivers of the b	ousiness
Key value driver	Role of risk and capital management	EP
Growth	Provide the toolkits to identify and incentivise good-quality growth, as well as enable risk optimisation and client value management. Price for risk appropriately.	Revenue
		– Operational cost
Funding costs	 Encourage the debt/capital markets to recognise the group's sophisticated risk and capital management. Provide the toolkits to optimise funding costs through sophisticated funds transfer pricing, liquidity risk management and overall asset and liability management. 	Cost of funds
Risk costs	Minimise credit and operational losses, manage through the economic cycle and encourage diversification/optimisation of risk (eg active credit portfolio management).	– Risk costs
		= Profit
Capital costs	 Manage capital strategically to optimise capital levels, mix and structure. Work with rating agencies and regulators to align capital requirements to economic risks. Allocate risk-based capital (economic capital) to business units. 	– Cost of capital
		= EP

F-124

Risk and Capital Management Report

continue

Key 2007 achievements and 2008 objectives

Set out below is a reflection of the achievements for 2007 and objectives for 2008 for risk and capital management in Nedbank.

2007 key achievements

- · Basel II implementation:
 - Completed in all material respects in line with the
 1 January 2008 effective date for South Africa.
 - Received formal approval from SARB for the Advanced Internal Ratings Based (AIRB) approach for credit risk for Nedbank Limited's entire credit portfolio.
- Further diversified the group's funding base and alternatives to manage liquidity risk, including securitisation.
- Dynamically managed the capital levels and structure of the bank and group through active capital management.
- Implemented, in all material respects, the requirements of the National Credit Act (NCA) and the Financial Intelligence Centre Act (FICA).
- Implemented more change management ahead of risk-based capital allocation and EP replacing ROE as the primary financial performance and reward metric from 2008.
- Further embedded the culture of risk as an enabler, new risk management science and advanced capabilities, and the principles of value-based management to optimise shareholder returns.
- Further enhanced enterprise-wide risk application, integrating credit and market risk related to operational risk into the existing 'operational risk committees', amending their terms of reference (charters) and changing the name of those committees to 'enterprise-wide risk committees'.

2008 key objectives

- Focus strongly on liquidity risk management and continue with the further diversification of the funding base.
- Focus further on credit quality amid the worsening economic climate, and our strategic theme 'to manage through the economic cycle'.
- Refine, where necessary, our Basel II implementation and comply with the new banking regulations.
- Finalise sufficient data history to complete outstanding work and lodge application with SARB for internal model approval for market trading risk.
- Complete preparations for implementation of Advanced Measurement Approach (AMA) requirements for operational risk.
- · Continue to focus on improving data quality.
- Initiate and execute on credit portfolio optimisation and related risk transfer/optimisation.
- Focus strongly on application and refinement of value-based management principles to extract significant shareholder value from the Basel II investment, and to optimise risk portfolios and capital levels.

Risk universe and governance

Nedbank sees strong risk governance applied pragmatically and consistently as the foundation for successful risk management.

The strong emphasis on risk governance is based on a 'three lines of defence' concept, which is the backbone of the group's Enterprise-wide Risk Management Framework (ERMF). The

ERMF places a strong emphasis on accountability, responsibility, independence, reporting, communications and transparency, both internally and with all our key external stakeholders.

The three lines of defence, as well as the principal responsibilities that extend across the group, function as follows:

FIRST LINE OF DEFENCE **SECOND LINE OF DEFENCE** THIRD LINE OF DEFENCE Focused and informed involvement by the board and Group Exco, Independent risk monitoring Independent assurance as well as accountability and responsibility of business management at group level by the Group Risk provided by Internal Audit and Group Finance, all supported by appropriate internal control, and Enterprise Governance and and external auditors. risk management and governance structures and processes. Compliance Divisions. POLICY, VALIDATION INDEPENDENT ASSURANCE STRATEGY, PERFORMANCE AND RISK MANAGEMENT AND MONITORING Nedbank Group Board of Directors Chief Risk Officer (CRO) **Board subcommittees** Group Risk Monitoring Division The CRO, who reports direct to the Chief Executive Chief Executive, provides: strategic risk management leadership; independent risk monitoring: key support to the various risk committees; close interaction with the business units and **Group Exco** Internal Group Exco subcommittees Audit business units: and effective enterprise-wide risk management and control. Nedbank Nedbank Nedbank **Imperial** Strategy and **Financial** Corporate cluster Capital Retail Bank Officer Corporate Chief Governance cluster cluster Limited (CFO) and Compliance Officer **Group Enterprise** Business Business Business Business Business Capital Management Governance and Compliance Division The Chief Governance and Compliance Officer, who reports direct to the Chief Executive, provides: continuous strategic compliance risk management leadership; independent compliance risk monitoring: and Liability Business unit risk officers inagement (ALM) Business unit compliance officers **Group Tax** monitoring; sets the Group Governance and Compliance Framework; and works closely with the cluster governance and compliance function in compliance and Group Group Technology (GT) governance matters. Group Human Resources (HR)

F-126

The ERMF, fully embedded across Nedbank Group, is supplemented by individual subframeworks such as those for credit risk, market risk, liquidity risk, operational risk and capital risk.

The ERMF facilitates effective challenge at executive management and board levels, and strong interaction across the group between the businesses and central group services. An overview of Nedbank Group's ERMF, including the 17 key risks that comprise the group's risk universe and the risk governance structures, is provided below.

Further detail on the group's enterprise-wide governance is given on pages 76 to 94 of the Nedbank Group Limited Annual

Report. This includes the role of the board, which includes setting and monitoring the group's risk appetite and oversight of the ERMF, duly assisted by its board subcommittees.

At executive management level the Group Exco is also assisted with its risk, strategic and operational responsibilities by eight subcommittees. The AIRB Credit Executive Committee (AIRB Credit Exco) was added as a new subcommittee in 2006. The AIRB Credit Exco arose from our Basel II implementation and is an executive management body with delegated authority from the board to approve, provide 'effective challenge' and oversee all material aspects of the AIRB credit system across Nedbank.

13.

Risk and Capital Management Report

continued

Overview of Nedbank Group's Enterprise-wide Risk Management Framework

FIRST LINE OF DEFENCE	
BOARD OF DIRECTORS	
BOARD GROUP AUDIT COMMITTEE GROUP FINANCE AND OVERSIGHT COMMITTEE AND OVERSIGHT COMMITTEE	
GROUP EXECUTIVE COMMITTEE (GROUP EXCO)	
GROUP EXCO SUBCOMMITTEES GROUP OPERATIONAL COMMITTEE EXECUTIVE TAXATION COMMITTEE GROUP OPERATIONAL COMMITTEE BRAND BUSINESS RISK MANAGEMENT STEERING COMMITTEE ALCO AND EXECUTIVE RISK COMMITTEE BASEL II STEERING COMMITTEE FORUM ACOMMITTEE ACOMMITTEE COMMITTEE	
NEDBANK CORPORATE, NEDBANK CAPITAL, NEDBANK RETAIL AND GROUP TECHNOLOGY	
• Cluster and business unit excos, divisional credit committees (DCCs), Trading Risk Committee and enterprise risk committees (ERCOs) and other appropriate specialist committees, with representation from the relevant independent group functions.	
GROUP FINANCE DIVISION (CHIEF FINANCIAL OFFICER)	
CENTRAL FINANCIAL RISK AND CAPITAL MANAGEMENT GROUP CAPITAL MANAGEMENT GROUP ALM GROUP TAX MANAGEMENT ACCOUNTING	
SECOND LINE OF DEFENCE GROUP RISK DIVISION (CHIEF RISK OFFICER)	
INDEPENDENT FUNCTIONS FOR GROUP POLICY, RISK MONITORING, MODEL VALIDATION AND CHALLENGE RESEARCH GROUP RISK GROUP LEGAL SERVICES AND INSURANCE RISK MANAGEMENT SERVICES	
THIRD LINE OF DEFENCE INTERNAL AUDIT AND EXTERNAL AUDIT	
INDEPENDENT ASSURANCE GROUP INTERNAL AUDIT	

^{*} Refer to pages 182 to 190 for definitions of the various risk types in Nedbank's risk universe.

RISKS TRADING BANKING BOOK BOOK

INVESTMENT

INFORMATION TECHNOLOGY RISKS

CREDIT RISK

COMPLIANCE

STRATEGIC

REPUTATIONAL

SOCIAL AND ENVIRONMENTAL RISKS

PEOPLE

BOARD OF DIRECTORS								
	BOARD STRATEGIC INNOVATION MANAGEMENT COMMITTEE	GROUP CREDIT COMMITTEE		K AND NEDBANK GROUP IRS' AFFAIRS COMMITTEE	GROUP TRANSFORMATION AND SUSTAINABILITY COMMITTEE	GROUP REMUNERATION COMMITTEE		
GROUP EXECUTIVE COMMITTEE (GROUP EXCO)								
	EVECUTIVE	AIRB CREDIT	DI ICINIECC DICK	CDOLID	TRANSFORMATIO	N. I A. I. II. II. II. IA. A. A.		

EXECUTIVE STRATEGIC INNOVATION MANAGEMENT COMMITTEE MANAGEMENT GROUP OPERATIONAL COMMITTEE PROPERTY STRATEGY COMMITTEE **FORUM** COMMITTEE NEDBANK CORPORATE, NEDBANK CAPITAL, NEDBANK RETAIL AND GROUP TECHNOLOGY

• Heads of risk and risk functions, independent of business origination, report direct to the business cluster heads.

GROUP FINANCE DIVISION (CHIEF FINANCIAL OFFICER)

REGULATORY REPORTING, BUDGETING AND CENTRAL **ACCOUNTING SERVICES**

GROUP PLANNING AND ALIGNMENT

SUPPORT SERVICES

INVESTOR RELATIONS

OPERATIONAL

RISK COMPLIANCE AND SARB

RESOURCES EXECUTIVE

COMMITTEE

GROUP RISK DIVISION (CHIEF RISK OFFICER)

GROUP OPERATIONAL RISK MONITORING

GROUP CREDIT RISK MONITORING

GROUP MARKET RISK MONITORING

CHIEF GROUP ENTERPRISE GOVERNANCE AND COMPLIANCE OFFICER

INTERNAL AUDIT AND EXTERNAL AUDIT

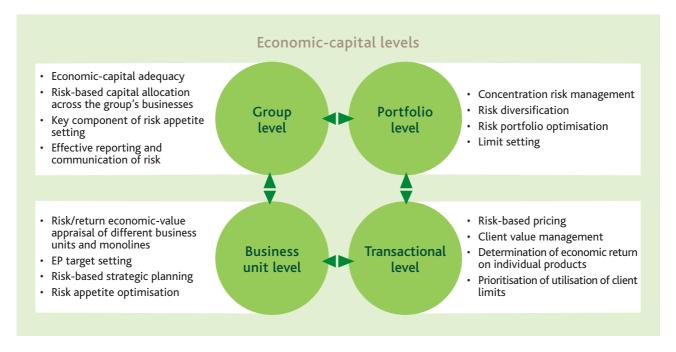
DELOITTE AND KPMG

Risk and Capital Management Report | continued

Economic capital

Economic capital is embedded in the management and performance culture of Nedbank Group and is fundamental in the assessment of risk/return at various levels and of internal capital adequacy on a true economic basis.

Economic capital is the 'common currency of risk' that we use in all the levels described below.



Economic capital is a sophisticated, consistent measurement and comparison of risk across business units, risk types and individual products or transactions. This enables a focus on both downside risk (risk protection) and upside potential (earnings growth).

Nedbank assesses the internal requirements for capital using its proprietary economic-capital methodology, which models and assigns economic capital within seven quantifiable risk categories.

Nedbank regularly enhances its economic-capital methodology and benchmarks the outputs to external reference points. This methodology incorporates the key credit risk parameters based on average credit conditions (ie through the cycle), rather than those prevailing at the balance sheet date, thus seeking to minimise cyclicality from the economic-capital calculation. The methodology also reflects the time horizon, correlation of risks

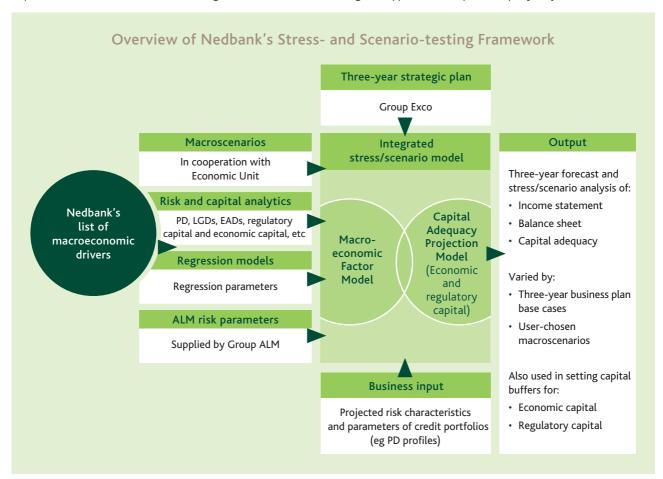
and risk concentrations. A single cost of equity, calculated using the standard Capital Asset Pricing Model, is applied to calculate the cost of capital at a group level. Economic-capital allocations reflect the varying levels of risk.

The total average economic capital required by the group, as determined by the quantitative risk models and after incorporating the group's estimated portfolio effects, is supplemented by a capital buffer of 10% to cater for any residual cyclicality and stressed scenarios. The total requirement is then compared with available financial resources (AFR). For further detail on economic-capital adequacy and AFR refer to page 175.

Our Economic-capital Framework is also a major component of Nedbank's Internal Capital Adequacy Assessment Process (ICAAP) required by Pillar 2 in Basel II (see page 171), a comprehensive annual submission of which is required by SARB.

Stress and scenario testing

Stress- and scenario-testing capabilities were enhanced in 2006 with our building of a proprietary macroeconomic factor model and completion of a comprehensive stress- and scenario-testing framework. This framework goes beyond the minimum Pillar 1 and Pillar 2 requirements of Basel II and has been integrated with Nedbank's existing Risk Appetite and Capital Adequacy Projection Models.



Changes in certain macroeconomic variables such as interest rates, exchange rates, equity and property prices, and household debt to income ratios represent environmental stresses that may reveal systemic credit and market risk sensitivities in the group's retail and wholesale portfolios. More complex scenarios, such as recessions, can be represented by combinations of such variables. These scenarios allow senior management to gain a better understanding of how portfolios are likely to react to changing economic conditions and how the group can best react to them. The stress tests simulate the balance sheet and income statement effects of stresses, investigating the impact on earnings and the ability to maintain appropriate capital ratios. Insights gained are integrated into the ALM, capital management and risk appetite processes of the bank.

Nedbank estimates the capital needed to survive an extreme but highly improbable level of stressed loss. The calculations are based on the historical volatility of losses. Capitalisation occurs to a level sufficient to provide a high level of confidence in the group, consistent with the group's A-target debt rating.

As described earlier the 10% economic-capital buffer was determined and set using the above process. In addition, Principle 3 in Pillar 2 of Basel II requires the board to set a buffer above the minimum regulatory-capital levels (which from 2008 are 9,75% total ratio; 7% Tier 1 capital ratio). Again the above process was used to arrive at the Basel II target regulatory-capital levels of 11% – 12% (total) and 8% – 9% (Tier 1) – see page 171 for more on regulatory capital.

F-130

Risk and Capital Management Report

Risk appetite

Risk appetite is an articulation and allocation of the risk capacity or quantum of risk Nedbank Group is willing to accept in pursuit of its strategy, duly set and monitored quarterly by the board, and integrated into our strategy and business plans.

We measure and express risk appetite in terms of quantitative risk measures. These include earnings at risk (EaR) (or earnings volatility) and, related to this, the 'chance of regulatory insolvency', 'chance of experiencing a loss', economic-capital adequacy and various risk limits.

Earnings volatility is the level of potential deviation from expected financial performance that Nedbank is prepared to sustain at relevant points on the risk profile. It is established with reference to the strategic objectives and business plans of the group, including the achievement of financial targets, payment of dividends, funding of capital growth and maintenance of target capital ratios.

continued

Qualitatively, we also express risk appetite in terms of policies, procedures and controls meant to limit risks that may or may not be quantifiable.

Nedbank Group's risk appetite is defined across five categories within our board-approved Risk Appetite Framework:

- · Group-level risk appetite metrics.
- Specific risk-type limit setting clarifying across our businesses the mandate levels that are of an appropriate scale relative to the risk and reward of the underlying activities so as to minimise concentrations and operational risks that could lead to unexpected losses of a disproportionate scale.
- Stakeholder targets (such as target debt rating for economic-capital adequacy and dividend policy).
- · Policies, procedures and controls.
- Zero-tolerance statements.

	Nedbank's group level risk appetite metrics						
Group metrics	Definition	Measurement methodology	Targets for 31 December 2007	Target achieved			
Earnings at risk (EaR)	Pretax economic earnings potentially lost over a one-year period	Measured as a 1-in-10-year event (ie 90% confidence level)	EaR less than 100% of pretax economic earnings	~			
Chance of experiencing a loss	Event in which Nedbank Group experiences an annual loss (on an economic basis)	Utilises EaR by comparing with expected profit over the next year	Better than 1 in 10 years	~			
Chance of regulatory insolvency	Event in which losses would result in Nedbank being undercapitalised relative to minimum regulatory- capital ratios (both Tier 1 and total capital ratios)	Utilises EaR and compares with capital buffer above regulatory minimum – expressed as a 1-in-x-year chance of regulatory insolvency	Basel II basis: 1 in 30 to 50 years	V			
Economic-capital adequacy	Nedbank adequately capitalised on an economic basis to its current international foreign currency target debt rating	Measured by comparing available financial resources with economic capital requirement	Equivalent rating of A- or better	~			

The allocation of limits, below cluster level, to individual business units is driven primarily using economic capital.

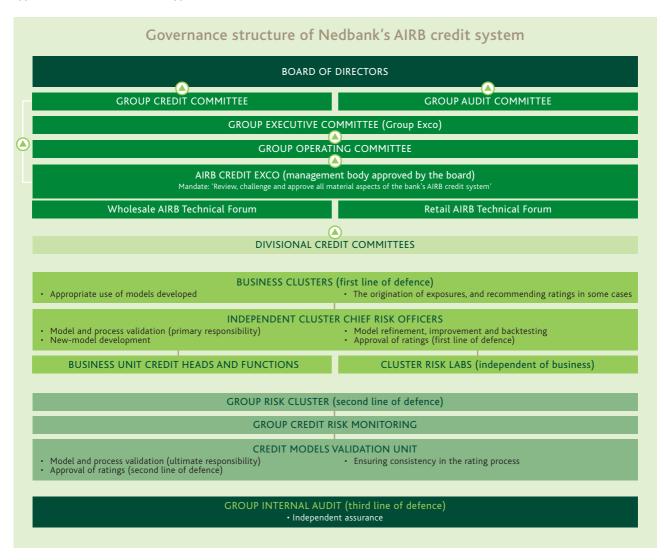
Nedbank has a cascading system of risk limits at all levels of the group and for all financial risks, which is a core component of the implementation of the Risk Appetite Framework. The size of the various limits is a direct reflection of the board's risk appetite, given the business cycle, market environment, business plans and strategy, and capital planning. Another key component of the ERMF is a comprehensive set of board-approved policies and procedures, which are updated annually. The coordination and maintenance of this process rests with the head of ERM, who reports direct to the Chief Risk Officer.

Credit risk

Credit risk strategy, governance structures and processes

Credit risk arises from lending and other financing activities that constitute the group's core business. It is by far the most significant risk type and accounts for approximately 70% of the group's economic-capital requirement.

One of the major investments by Nedbank in risk in recent years has been to elevate its credit risk management to best practice. This, together with our strong client service focus, not only positioned Nedbank to achieve higher growth and returns, but also to obtain approval from SARB for the AIRB approach for credit risk.



Credit risk is managed across the group in terms of its board-approved Group Credit Risk Management Framework (GCRF), which encompasses comprehensive credit policy, mandate limits and governance structures. It is a key component of the group's ERMF and the Economic Capital and Risk Appetite Frameworks discussed earlier.

The GCRF, which covers the macrostructures for credit risk management, monitoring and approval mandates, has been updated to include the AIRB Credit Executive Committee, its two technical forums and a Group Credit Ad Hoc Ratings Committee as set out on the next page.

Risk and Capital Management Report

The AIRB Credit Exco is the designated committee appointed by the board to monitor, challenge and ultimately approve all material aspects of the bank's credit rating and risk estimation processes.

In this regard the board and its Group Credit Committee (GCC) are required by the new Basel II regulations to possess a general understanding of the AIRB credit system and the related reports generated. They also need to ensure the independence of the bank's credit risk control unit, the Credit Models Validation Unit (CMVU) and the effective functioning of the AIRB Exco.

The technical understanding required of senior management is greater than that required at board level. Management must possess a detailed understanding of the AIRB credit system and the reports it generates. They need to ensure the effective operation of the AIRB credit system assisted by the independent credit risk control units.

Divisional credit committees (DCCs), with chairpersons independent of the business units, operate for all major business units across the group. The DCCs are responsible for approving and recommending credit and credit policy, as well as reviewing divisional-level credit portfolios, parameters, impairments, expected loss and credit capital levels.

An independent Group Credit Risk Monitoring (GCRM) Unit is part of Group Risk. It champions the ongoing enhancement of credit risk management across the group, the GCRF and AIRB credit system, monitors credit portfolios and reports to executive management, DCCs, the AIRB Credit Exco and ultimately the board's GCC on a regular basis. As part of GCRM the CMVU has overall responsibility for the ongoing

continued

championing of the Basel II AIRB methodology across the group and ensuring consistency in the rating processes as well as ultimate responsibility for independent model validation.

In each of the three business clusters credit risk management functions operate independently of credit origination, reporting into the cluster head of risk, who in turn reports to the cluster managing director. In line with the Basel II AIRB methodology each cluster has implemented economic-capital quantification and economic-profit performance measurement. Each cluster also has cluster credit labs that are responsible for the ongoing expert design, implementation, validation and performance of their business cluster's internal rating systems, with input and oversight by the CMVU.

Nedbank's AIRB credit system forms the basis for its measurement and management of credit risk across the bank. The bank requires that ratings be performed for all transactions, not only to achieve Basel II regulatory compliance, but more importantly to allow the bank to measure credit risk consistently and accurately across its portfolio. The Group Credit Portfolio Management Unit in the Group Capital Management Division (GCMD) strives to manage and optimise the group's credit portfolios and credit concentration risk. For this purpose the group uses a sophisticated and tailored Credit Portfolio Model (CPM), which calculates credit economic capital (or credit value at risk) and provides other key inputs for best-practice credit risk and capital measurement.

The AIRB credit system is used for the following major aspects of Nedbank's business and risk management:



Credit risk measurement and reporting systems

Nedbank's Basel II AIRB credit methodology is fully implemented and operational for all material credit portfolios. This is the culmination of five years of intense work.

Under this methodology credit risk is essentially measured by two key components, namely:

- expected loss (EL), which is a 12-month estimate based on the long-run annual average level of credit losses through a full credit cycle based on time series data history; and
- unexpected loss (UL), which is the annualised volatility of expected losses for credit risk.

Analytically, EL and UL are defined respectively as the average and one standard deviation from that average of the distribution of potential losses inherent in the bank's credit portfolio.

These statistically estimated losses are determined by the key Basel II AIRB credit risk parameters, namely probability of default (PD), exposure at default (EAD), loss-given default (LGD) and maturity (M), as set out below. These, together with the Basel II capital formulae, culminate in the Pillar 1 minimum regulatory-capital requirements for credit risk.

Nedbank's credit economic capital is separately derived by integrating the same key Basel II AIRB credit risk parameters with Nedbank's sophisticated CPM. The CPM takes portfolio concentrations and diversifications into account.

Nedbank's AIRB credit system Probability-of-default (PD) Exposure-at-default (EAD) Loss-given-default (LGD) Key factors affecting credit risk and modelling modelling modelling capital requirements · Quantifies the likelihood Quantifies the exposure Quantifies the severity of loss. of the borrower being at risk in the case of Credit rating default. unable to repay. · Estimates the amount of Current exposure Rating models have been the exposure at default Borrowers with some FAD that will be lost developed to estimate unutilised limit are likely Unutilised limits (ie not recovered). PD for many segments to draw down part of across Nedbank. Collateral value that limit before they Also includes other [loan to value (LTV)] default. economic costs, eg legal Depends on borrower credit quality. LGD Collateral quality Calculation depends on Generally depends on the product type. collateral and product Collections (recovery rates) Client concentration Nedbank currently has 63 AIRB-compliant credit models Sector concentration Maturity Basel II Basel II credit risk-Portfolio correlations **Expected** capital weighted assets (RWAs) (M) (credit concentration risk) loss (EL) and regulatory capital factor formulae From Nedbank's Credit Portfolio Model Depends on desired level of confidence or target debt Portfolio unexpected loss also depends **Portfolio** Confidence level rating (Basel II is calibrated to an A-rating or 99,9% confidence level). Currently Nedbank is using the same on the diversification within Nedbank's unexpected loss (multiplier effect) credit portfolio. confidence level for its Economic Capital Model. Credit value at risk (CVaR) Credit economic (at a given confidence level) capital

Risk and Capital Management Report | continued

Nedbank uses two master rating scales for measuring credit risk. The first measures borrower risk without the effect of collateral and any credit risk mitigation (ie PD only), while the second measures transaction risk (ie EL), which incorporates the effect of collateral and any credit risk mitigation.

All credit applications are required to carry the borrower PD rating [from the Nedbank Group rating (NGR) master rating scale], estimate of LGD and overall transaction rating [from the Nedbank transaction rating (NTR) master rating scale].

	Nedbank's PD mas	ter rating scale (NGR ratings) – inte	rnational scale	
		Geometric	PD l	oand (%)	Mapping to
Rating category	Rating class	mean (%)	Lower bound (PD>)	Upper bound (PD≤)	Standard and Poor's grades
Performing	NGR 00	0,000	0,000	0,000	
	NGR 01	0,010	0,000	0,012	AAA
	NGR 02	0,014	0,012	0,017	AA+
	NGR 03	0,020	0,017	0,024	AA
	NGR 04	0,028	0,024	0,034	AA-
	NGR 05	0,040	0,034	0,048	A+
	NGR 06	0,057	0,048	0,067	A+ to A
	NGR 07	0,080	0,067	0,095	A to A-
	NGR 08	0,113	0,095	0,135	A- to BBB+
	NGR 09	0,160	0,135	0,190	BBB+
	NGR 10	0,226	0,190	0,269	BBB+ to BBB
	NGR 11	0,320	0,269	0,381	BBB to BBB-
	NGR 12	0,453	0,381	0,538	BBB-
	NGR 13	0,640	0,538	0,761	BBB- to BB+
	NGR 14	0,905	0,761	1,076	BB+ to BB
	NGR 15	1,280	1,076	1,522	ВВ
	NGR 16	1,810	1,522	2,153	BB to BB-
	NGR 17	2,560	2,153	3,044	BB- to B+
	NGR 18	3,620	3,044	4,305	B+
	NGR 19	5,120	4,305	6,089	B+ to B
	NGR 20	7,241	6,089	8,611	B to B-
Watch list	NGR 21	10,240	8,611	12,177	B to B-
	NGR 22	14,482	12,177	17,222	B- to CCC
	NGR 23	20,480	17,222	24,355	CCC
	NGR 24	28,963	24,355	34,443	CCC to C
	NGR 25	40,960	34,443	100	CCC to C
Non-performing	NP 1	100	100	100	D
	NP 2	100	100	100	D
	NP 3	100	100	100	D

The comprehensive PD rating scale, which is mapped to default probabilities and external rating agency rating scales, enables the bank to rate all borrowers on a single scale, whether they are the very best corporate or most risky borrower. The principal benefit thereof is that comparisons can be made between the riskiness of borrowers making up various portfolios. A brief explanation of the scale follows (the same rating scale is used for Basel II credit risk capital calculations):

NGR01 to NGR20 reflect a profile of credit risk starting with very-low-risk borrowers with a PD as low as 0,01%, to risky borrowers with a default probability as high as approximately

NGR21 to NGR25 represent very-high-risk borrowers with default probabilities of 10% or more. While many banks would generally not expose themselves to this degree of risk, these rating grades exist for three reasons:

- Being an emerging market, there are times when local banks would be willing to take on this level of risk, while pricing appropriately.
- It caters for borrowers that were healthy but have migrated down the rating scale to the point of being near default.
- From time to time the bank may grant facilities to very risky borrowers on the basis of significant collateral offered. This particular rating scale measures only the likelihood of the borrower defaulting and does not recognise that a very high level of default risk may well have been successfully mitigated.

The final ratings on the scale represent those borrowers that have defaulted. NP1 applies to recent defaults, NP2 represents those accounts in respect of which the bank is proceeding to legal recovery of moneys owing and NP3 is for long-term legal cases, exceeding a period of 12 months.

Basel II specifically requires that AIRB banks maintain two ratings, one measuring the probability of the borrower defaulting and the second considering facility characteristics. The NTR table below reflects EL as a percentage of EAD and contains 10 rating bands – the first three bands representing facilities of very low risk, the next three bands being for facilities of average or acceptable risk and the final four bands indicating facilities of high or very high risk.

Nedbank's EL transaction rating scale (NTRs)					
	EL as a % of EAD				
Rating class	Lower bound	Upper bound			
	(EL>)	(EL≤)			
NTR01	0,00	0,05			
NTR02	0,05	0,10			
NTR03	0,10	0,20			
NTR04	0,20	0,40			
NTR05	0,40	0,80			
NTR06	0,80	1,60			
NTR07	1,60	3,20			
NTR08	3,20	6,40			
NTR09	6,40	12,80			
NTR10	12,80	100,00			

The NTR scale measures the total or overall credit risk (ie expected loss) in individual exposures, thereby allowing credit officers to consider the mitigating effect of collateral, other credit risk mitigation and recovery rates on borrower risk. This reflects the true or complete measurement of credit risk, incorporating not only PD, but – importantly – also LGD.

Both rating scales are based on the requirements of Basel II, namely that defaults that are 90 days or more past due date be consistently recognised across the group as exposures, unless there are other qualitative considerations that render default classification prior to that point. All estimates are also based on a through-the-cycle (TTC) view of risk. Basel II requires banks to base their LGD estimates for regulatory-capital requirements on a downturn scenario (ie downturn LGD), rather than an average TTC loss estimate. Downturn LGD thus represents what could be expected in downturn economic conditions in the trough of a business cycle.

Our approach is also consistent with the Basel II requirement that risk estimates be based on a bank's long-run default history. Nedbank also calculates 'point in time' (PIT) measures, based on current economic conditions. These are incorporated in business decisionmaking as well as in determining appropriate levels of impairment in accordance with the requirements of International Financial Reporting Standards (IFRS).

The central tendencies used by Nedbank in the calibration of its rating models are based on credit loss data that includes the high-interest-rate environments of 1998/9 and 2001/2. This meets the requirements of Basel II and has resulted in the determination of credit risk measures that are suitably conservative and therefore appropriate for ensuring long-term sustainability.

The new methodologies, afforded Nedbank Group as a result of its AIRB credit system and other significant investments in CPM and economic capital, contribute significantly to considerable new risk intelligence for use in pricing, loan approval, client value management, etc.

Credit risk reporting across the bank is, to a large extent, based on the twin rating scales discussed above. Business units report on the distribution of their credit exposures across the various rating scales and explain any changes in such distribution, including the migration of exposures between rating grades and underlying reasons therefor.

The level of reporting, based on the new AIRB rating system, is extremely comprehensive and consistent, and provides significant insight into credit risk across the businesses and the group, and has allowed Nedbank to make significant strides in the field of credit risk management in line with international best practice.

Risk and Capital Management Report

Credit risk policies and approaches

Group credit policy incorporates the relevant credit risk principles in the new regulations relating to banks as well as best practice. This policy is implemented across the group, with detailed and documented policies and procedures, suitably adopted for either the retail, commercial or corporate business units, forming the cornerstone of sound credit risk management. This provides a firm framework for credit granting as well as the subsequent monitoring of credit risk exposures.

In respect of credit approvals, knowing the client, identifying and understanding all the risks and having an adequate free cashflow to service the loan remain key drivers in granting good credit. Following credit approval, all facilities/portfolios

continued

are subject to an ongoing credit risk management process as well as annual review. In terms of this process credit exposures are identified, classified, measured, managed, controlled and monitored on a continuous basis and regularly reported on. There is considerable emphasis on the early identification of high-risk loans, which, together with a proactive intervention and workout approach, ensures an acceptable cure rate of such loans. In addition, renewed focus on the risk/reward relationship and the resultant pricing for risk ensure that credit risk is managed within the predetermined credit risk appetite of the group.

For credit risk the following Basel II regulatory approaches have been fully adopted by Nedbank Group in the various subsidiaries:

Subsidiary	Basel II approach	Description of banking activity	Total credit exposure (size relative to total group)
Nedbank Limited	Advanced IRB (AIRB)	Full commercial banking (wholesale and retail)	92
Imperial Bank Limited	Standardised	Commercial and retail banking	4
Nedbank Namibia Limited	Standardised	Commercial and retail banking	1
Nedbank (Swaziland) Limited	Standardised	Commercial and retail banking	<1
Nedbank (Lesotho) Limited	Standardised	Commercial and retail banking	<1
Nedbank (Malawi) Limited	Standardised	Commercial and retail banking	<1
Fairbairn Private Bank (IOM) Limited	Standardised	Private banking	<1
Fairbairn Private Bank Limited	Standardised	Private banking	2
			100

All credit exposure and asset classes in Nedbank Limited are covered by the AIRB approach.

Imperial Bank Limited has initially adopted the standardised approach, but is well-advanced in its AIRB implementation (used for economic-capital purposes). The non-South African subsidiaries are all dealt with under the standardised approach and, due to their current level of materiality to the group, there is no intention to migrate them to AIRB in the near future.

The above Basel II regulatory approaches all carry the formal approval of SARB.



Credit portfolio review

The following table summarises the group's credit portfolio quality and level of impairments at year-end (further detail can be found in note 25 to the annual financial statements, and the operational reviews of the four business clusters):

	2	2007		2006	
	Rm	% of TA	Rm	% of TA	
Gross loans and advances	380 034		313 747		
Less: Total impairments	6 078	1,6	5 184	1,7	
– Specific impairment	4 341	1,1	3 787	1,2	
– Portfolio impairment	1 737	0,5	1 397	0,5	
Total advances (i)	373 956		308 563		
Nedbank Corporate	153 718	41,1	133 254	43,2	
Nedbank Capital	51 233	13,7	40 560	13,1	
Nedbank Retail	133 492	35,7	106 974	34,7	
Imperial Bank	35 320	9,4	27 735	9,0	
Central Management and Shared Services	193	0,1	40	0,0	
% growth in total advances (year-on-year)	21,19		24,22		
Properties in possession (PIPs)	308	0,1	131	0,0	
Impaired advances, including PIPs (ii)	10 652	2,9	7 743	2,5	
Credit loss charge to income statement	2 164	0,6	1 483	0,5	

Notes:

- (i) Total advances (TA) are given net of impairments on an IFRS basis.
- (ii) Impaired advances include advances in the 'substandard', 'doubtful' and 'loss' categories, in accordance with the bank's historical credit risk classification system, which terminates in 2008 when Basel II comes into effect in South Africa and is replaced by the 'definition of default'.

The credit risk profile and quality of Nedbank Group's advances book are considered sound, well-managed and commensurate with the risk appetite of the board.

Total growth in advances for Nedbank Group for the year was sound at 21%, but impaired advances and specific impairments grew 38% and 15% respectively. These trends are in line with the changed economic conditions over the past year, with higher inflation and interest rates as well as slower economic growth. Impairment methodology across the group has been refined and tested, and now appropriately places more reliance on collection and recoveries from borrowers. There has, however, been an above-average increase in impaired advances, which can specifically be attributed to retail portfolios in Nedbank Retail and Imperial Bank. It is expected that the early part of 2008 will see further deterioration in the credit quality that will be reversed should interest rates decline. There has been limited early indication of deterioration in the quality of the Nedbank Corporate and Capital credit portfolios.

Nedbank assesses the adequacy of impairments on a regular basis. Specific impairment is created in respect of nonperforming advances where there is objective evidence that all amounts due will not be collected. Portfolio impairment is created in respect of performing advances based on historical evidence and trends of losses in each component of the performing portfolio, in line with IFRS. Careful consideration is given to the AIRB credit rating system, NGRs and NTRs ratings, as well as rating migrations. Best estimate of expected loss for the impaired portfolios is compared with specific impairments on a monthly basis to ensure alignment, taking into account the difference in emergence periods.

The ratings and associated PDs are applied for different conventions. PIT PDs are used to estimate the default expectations under the current economic cycle, as required for determining IFRS impairments, whereas TTC PDs reflect a one-year forward estimate based on a long-term average through an economic cycle and are used for the group's economic-capital calculations. PDs are also applied in different circumstances, as appropriate, to business and regulatory requirements under Basel II.

EL is a forward-looking measure, on a TTC basis (ie the longrun average) of the statistically estimated credit losses for the forthcoming 12 months. For Nedbank's active portfolio, portfolio impairment is estimated using the PIT PD estimates

Risk and Capital Management Report

(NGRs) that are based on emergence periods of 12 months or less. The EL and the portfolio impairment are compared after the impairment is adjusted to a 12-month emergence period. Should the total EL for the active portfolio be higher than the portfolio impairment, the difference is subtracted from eligible capital. Should the portfolio impairment be higher than the EL,

continued

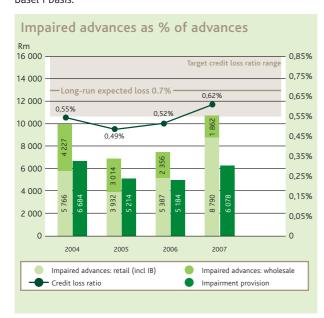
the difference is added to eligible capital up to a maximum of 0,6% of credit risk-weighted assets (RWAs).

Nedbank Group's long-run average EL for its current credit portfolio is estimated at 0,7%.

The generic methodological differences between EL estimation and provisioning/impairment are summarised in the table below:

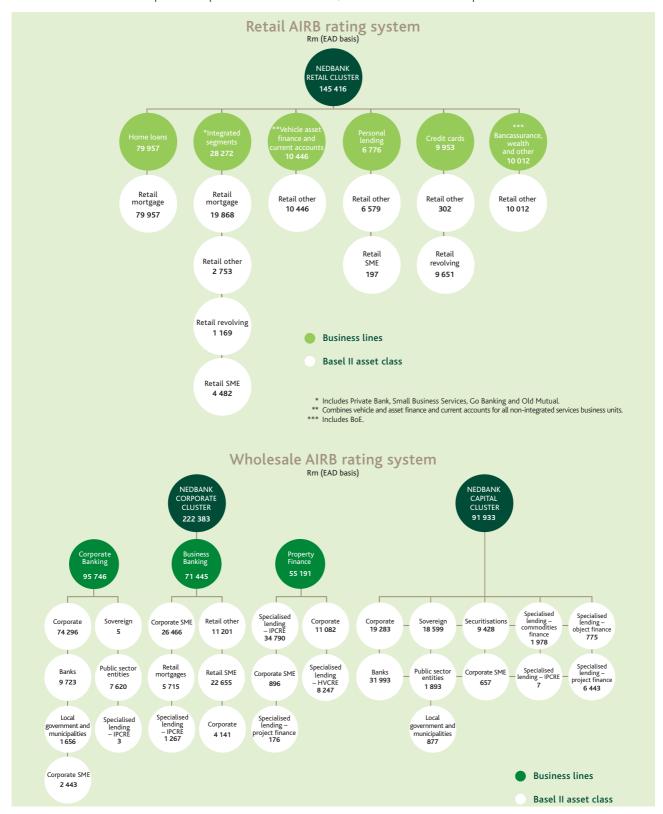
	· ·	9 1
	Basel II	IAS 39
PDs		
Intention of estimate Period of measurement	 Conservative estimate of PD within next 12 months Long-run historical average over whole economic cycle – 'TTC' 	 Best estimate of likelihood and timing of credit losses over life of loan Should reflect current economic conditions 'PIT'
LGDs		
Treatment of collection costs Discount rate Period of measurement	 Conservative estimate of discounted value of post-default recoveries Recoveries net of direct and indirect collection costs Recoveries discounted using entity's cost of capital Reflects period of high credit losses Downturn LGDs required 	 Conservative estimate of discounted value of post-default recoveries Recoveries net of direct cash collection costs only Cashflows discounted using instrument's original effective interest rate Should reflect current economic conditions 'PIT'
EL		
Basis of exposure	Based on EAD, which includes unutilised facilities	Based on actual exposure (on and off balance sheet)

The graph below indicates the history of the group's impaired-advances percentage and non-performing loans (NPLs) on the Basel I basis.



Roadmap of Nedbank's AIRB credit rating systems

Nedbank's AIRB credit rating system provides an overview of the bank's credit risk profile by business line (note: the roadmap below excludes Imperial Bank and the non-South African portfolios that are dealt with under the standardised approach) and major Basel II asset classes. Basel II credit exposure is reported on the basis of EAD, on which basis the roadmap is set out.



Risk and Capital Management Report

Nedbank does not rely on external ratings except for benchmarking purposes.

Nedbank has implemented robust processes to rate its various credit portfolios. These processes have been designed to ensure the integrity and accuracy of the rating process and are subjected to regular audits by the bank's Internal Audit Department.

An overview of the principal rating processes follows:

Corporate [including small and medium enterprises (SMEs), specialised lending and purchased corporate receivables], sovereign and bank

Nedbank's corporate lending portfolio includes a number of subportfolios, including:

- · Large corporates
- · Large private firms
- SMEs
- · Commercial property finance
- · Property development finance
- Project finance
- · Leveraged buyouts and BEE finance
- · Commodity finance
- · Exposures to sovereigns
- · Exposures to other banks

A range of bespoke rating models has been developed to rate these various subportfolios and to produce estimates of PD, LGD and EAD. All models are developed in accordance with international best practice and are, wherever possible, based on Nedbank's own internal data and long-run default experience. For certain low-default portfolios, such as exposures to other banks, Nedbank simply does not have sufficient default experience to allow robust statistical modelling. In these instances suitable data has been sourced from appropriate data bureaus and the models developed in terms thereof. When external data is used to develop the models, great care is taken to ensure it is both appropriate and relevant.

When utilising models to rate corporate exposures, a pure statistical approach is not always the best option. While Nedbank's models include both financial and qualitative factors, it is not always possible or even appropriate to include all relevant qualitative information in model inputs. For this reason all corporate ratings are subject to review by suitable experts, who have the authority to override model-based ratings within well-defined authority levels. This is in

continued

accordance with Basel II, which states that 'Sufficient human judgement and human oversight is necessary to ensure that all relevant and material information, including that which is outside the scope of the model, is also taken into consideration, and that the model is used appropriately' (par 417). The override process is subjected to regular audits by the bank's Internal Audit Department to ensure that overrides are appropriate and take place within authority levels.

All subportfolios utilise the Basel II standard definition of default of 90 days overdue, although the earlier recognition of default is encouraged, when appropriate.

For one subportfolio (property development finance) Nedbank makes use of the supervisory slotting approach to map internal ratings to five supervisory categories, each of which is associated with a specific risk weight. A rating model is under development for the property development finance (high-volatility commercial real estate) portfolio, which will allow Nedbank to utilise its own estimates of PD for this portfolio.

Equities

Nedbank utilises the simple risk weight method for equity exposures that are held in its banking book, other than in respect of investments in property holding and development companies where the PD/LGD approach is utilised. These equity exposures typically originate when the bank takes an equity stake in a property company over and above normal lending exposure to such entity, and both the equity and lending exposures are accorded the same PD, although the prescribed supervisory LGD of 90% is used for the equity exposure.

Retail

Nedbank's retail portfolio comprises a number of subportfolios, including the following:

- Residential mortgages
- · Vehicle and asset finance
- Credit cards
- Personal loans
- Retail SMEs
- Overdrafts

All applications are rated at the time of application by way of a number of bespoke rating scorecards tailored to the various segments that make up the portfolio. These scorecards have been internally developed and are based on Nedbank's own default experience for this portfolio and developed on internal data, relevant credit bureau data or a suitable combination thereof.

The existing subportfolios are rerated monthly via a range of bespoke behavioural scorecards that have been developed based on Nedbank's own internal data and experience of the portfolios.

Given the volumes of default data that exist in respect of retail portfolios, a pure statistical approach has been followed in respect of all rating models, including PD, LGD and EAD. Models are developed in accordance with best-practice methodologies that are based on the best of methodologies adapted from Oliver Wyman and a number of other sources. As the large data volumes used to develop these models mean that the likelihood of statistical anomalies is considerably reduced, rating overrides are not permitted on retail exposures.

Nedbank has implemented processes within its AIRB Framework to conduct back-testing and so actively monitor the performance of all models, including analysing model predictions against actual outcomes. A direct comparison is not appropriate as models are calibrated to cycle neutral default rates, but we are able to neutralise the impact of changes in the economic cycle when doing such comparisons. Formal back-testing of the models takes place at least annually and the models are also monitored on an ongoing basis to ensure that they remain predictive.

Distribution and migration of Nedbank's credit risk profile

The graphs on the following pages are based on the AIRB credit system and provide a means of comparative analysis across Nedbank's portfolios. Long-run average LGDs are used in these graphs in line with internal economic-capital purposes instead of downturn LGDs used for Basel II regulatory capital.

The trends in the graphs can mainly be attributed to three factors, namely the change in the economic cycle, methodological changes and data improvements ahead of final Basel II implementation on 1 January 2008, and the switch to proper risk-based economic-capital allocation for 2008 performance measurement.

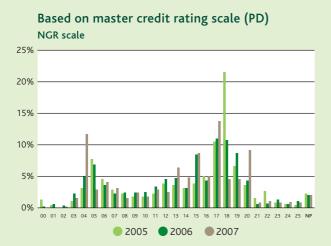
The economy has moved from a benign economic cycle with a low base of credit defaults into a worsening credit environment. The effects of the interest rate increases are evident in the trends in Nedbank Retail. However, strong risk management in Nedbank Retail should assist in managing the credit pressures in 2008.

Methodological changes are also responsible for some of the movements since 2006. In Nedbank Capital a more sophisticated approach was introduced for the treatment of bank LGDs, which rendered an overall reduction in LGDs for this portfolio. In the Corporate Banking portfolio further refinement of the corporate PD model resulted in lower PDs for this portfolio. Refinement of models has also generally helped further to increase the granularity in the risk measures across the portfolio.

In 2007, ahead of the Basel II implementation on 1 January 2008, Nedbank dedicated efforts to continuously improving data and risk parameters that are key inputs into the AIRB rating system. In the graphs below this focus is apparent in some changes to the allocation of exposures among Basel II asset classes and rating grades in 2007, when compared with previous years.



Distribution of total credit exposure of Nedbank Group*





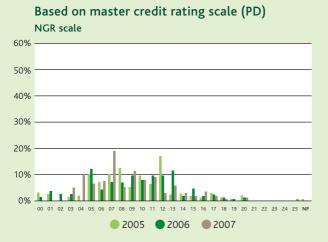
- Average EAD-weighted PD 2,67%
- Average EAD-weighted LGD 26,23%
- Average EAD-weighted EL 0,70%
- * For reporting group results, AIRB benchmarks based on expert judgement are applied to Imperial Bank and the small subsidiaries under the standardised approach (refer to page 69 of the Nedbank Group Limited Annual Report). Nedbank Limited operates fully under the AIRB approach, and this accounts for 92% of total group credit exposure.

Distribution of Nedbank Limited's total credit exposure by major business line

NEDBANK CORPORATE CLUSTER: Corporate Banking

60%

40%

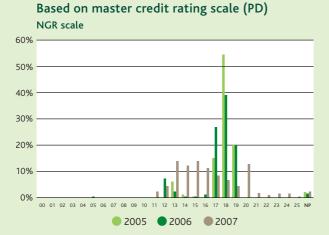


Based on master transaction rating scale (EL) NTR scale 100%

20% 0% 00 01 02 03 04 05 06 07 08 2005 2006 2007

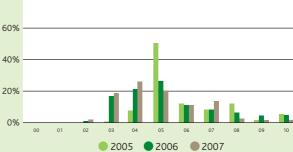
- Average EAD-weighted PD 0,47%
- Average EAD-weighted LGD 26,87%
- Average EAD-weighted EL 0,12%

NEDBANK CORPORATE CLUSTER: Business Banking



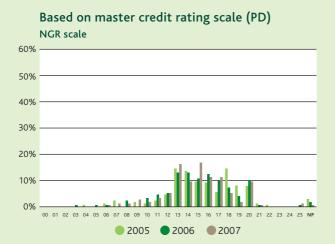
NTR scale 100% 80%

Based on master transaction rating scale (EL)



[•] Average EAD-weighted PD 3,66%

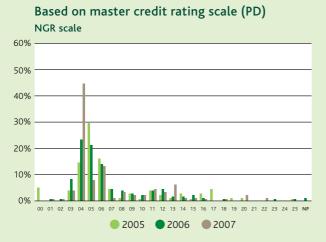
NEDBANK CORPORATE CLUSTER: Property Finance





- Average EAD-weighted PD 2,54%
- Average EAD-weighted LGD 23,72%
- Average EAD-weighted EL 0,61%

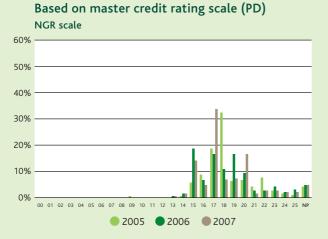
NEDBANK CAPITAL CLUSTER





- Average EAD-weighted PD 0,64%
- Average EAD-weighted LGD 24,85%
- Average EAD-weighted EL 0,18%

NEDBANK RETAIL CLUSTER

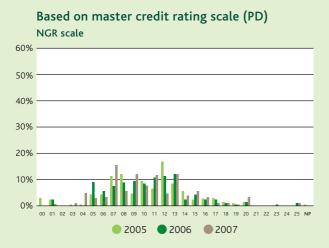


Based on master transaction rating scale (EL) NTR scale 100% 80% 60% 40% 20% 0% 2005 2006 2007

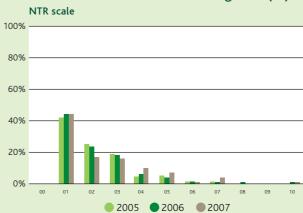
- Average EAD-weighted PD 5,34%
- Average EAD-weighted LGD 20,09%
- Average EAD-weighted EL 1,25%

Distribution of total credit exposure by selected major Basel II asset classes

CORPORATES

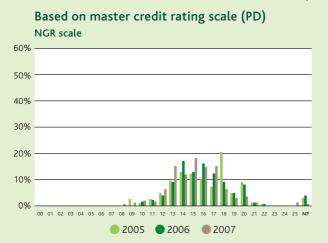


Based on master transaction rating scale (EL)

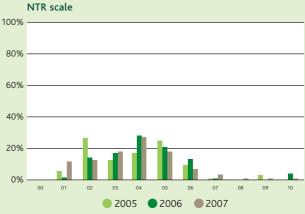


- Average EAD-weighted PD 0,96%
- Average EAD-weighted LGD 29,33%
- Average EAD-weighted EL 0,30%

SPECIALISED LENDING (income-producing real estate)



Based on master transaction rating scale (EL)

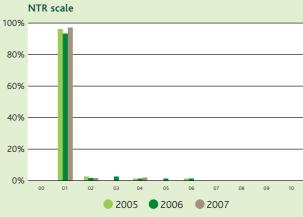


- Average EAD-weighted PD 2,21%
- Average EAD-weighted LGD 20,69%
- Average EAD-weighted EL 0,46%

BANKS

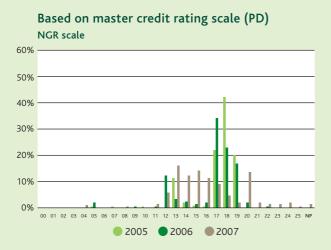


Based on master transaction rating scale (EL)

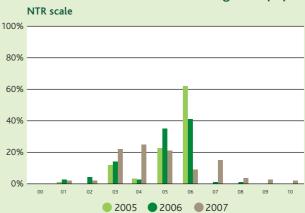


- Average EAD-weighted PD 0,10%
- Average EAD-weighted LGD 26,61%
- Average EAD-weighted EL 0,04%

CORPORATE SME





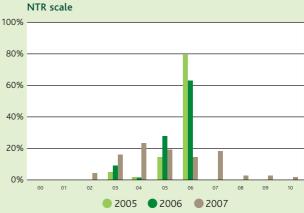


- Average EAD-weighted PD 3,55%
- Average EAD-weighted LGD 30,48%
- Average EAD-weighted EL 1,07%

RETAIL SME

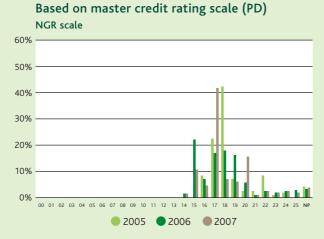


Based on master transaction rating scale (EL)

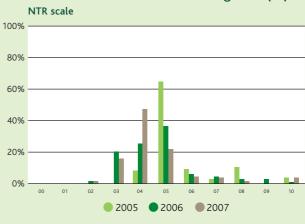


- Average EAD-weighted PD 3,47%
- Average EAD-weighted LGD 32,16%
- Average EAD-weighted EL 1,13%

RETAIL MORTGAGES



Based on master transaction rating scale (EL)



- Average EAD-weighted PD 5,24%
- Average EAD-weighted LGD 11,12%
- Average EAD-weighted EL 0,58%

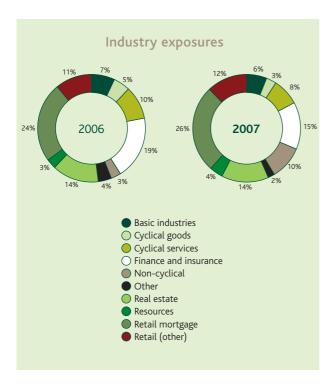
Risk and Capital

Management Report

Credit concentration risk

Geographically, almost all Nedbank Group's credit exposures originate in South Africa (non-South African exposure is approximately 4%).

An analysis of exposures by industry classification is provided below



Counterparty credit risk

Nedbank applies the Basel II current exposure method (CEM) for counterparty credit risk and expects to implement an internal model method in 2009.

The risk quantification of trading credit risk exposures within Nedbank Group includes a total risk exposure measure, which is made up of current market value plus potential future exposure. Monte Carlo simulations are used to calculate potential future exposure. In terms of active management of counterparty credit risk there is continued emphasis on the use of credit mitigation strategies, such as netting and collateralisation of exposures. These strategies have been particularly effective in situations where there has been a high risk of default.

Economic capital calculations currently utilise the Basel II CEM results as input in the determination of credit economic

continued

capital. This methodology will migrate to the use of internal model outputs after implementation in 2009.

Credit limits for large corporate and bank exposure are determined on a total-exposure basis to ensure that both the tenor and nature of the exposure are correctly identified. Limits for Corporate and Business Banking are favouring a nominal limit to facilitate monitoring.

Nedbank and its large bank counterparties have International Swops and Derivative Association (ISDA) master agreements and credit support (collateral) agreements in place to support bilateral margining of exposures. Limits and appropriate collateral are determined on a risk-centred basis. Collateral arrangements make provision for adjustment of the collateral posted should there be a credit rating downgrade of either Nedbank or our counterparty bank.

Nedbank does not have significant exposure to credit derivatives. Please refer to note 21 of the financial statements for details

Securitisation

Nedbank Group entered the securitisation market during 2004 and currently has three securitisation transactions, Synthesis Funding Limited (Synthesis), an asset-backed commercial paper programme (ABCP programme) launched during 2004, Octane ABS 1 (Pty) Limited (Octane), a securitisation programme of motor vehicle loans advanced by Imperial Bank Limited through its subsidiary Motor Finance Corporation, which was launched in July 2007, and GreenHouse Funding (Pty) Limited (GreenHouse), a residential-mortgage-backed securitisation programme (RMBS programme) launched in December 2007. Nedbank views securitisation primarily as a funding diversification tool, which is a Group ALCO and Executive Risk Committee initiative. Nedbank has an established inhouse securitisation team within Nedbank Capital.

Synthesis is an ABCP programme that invests in longer-term rated bonds and offers capital market funding to South African corporates at attractive rates. These assets are funded through the issuance of short-dated investment-grade commercial paper to institutional investors. All the commercial paper issued by Synthesis is assigned the highest short-term RSA local-currency credit rating by both Fitch and Moody's, and is listed on the South African Bond Exchange.

Nedbank currently fulfils a number of roles in relation to Synthesis, including acting as sponsor, liquidity facility provider, credit enhancement facility provider, swap provider and investor. The exposures to Synthesis that Nedbank assumes are assessed, from a regulatory point of view, by using the ratings-based approach and the standardised formula approach under

the internal ratings-based (IRB) approach for securitisation exposures, thereby aligning with the methodology adopted across the wider Nedbank Group. Synthesis is consolidated under Nedbank in terms of IFRS.

GreenHouse is a RMBS programme established in December 2007 to securitise Nedbank's residential mortgages. The inaugural transaction under GreenHouse entailed the securitisation of R2 billion of residential mortgages under GreenHouse Series 1. Nedbank currently fulfils a number of roles in relation to GreenHouse Series 1, including acting as originator, service provider, credit enhancement (subordinated loan) facility provider, swap provider and investor. The commercial paper issued by GreenHouse Series 1 has been assigned credit ratings by both Fitch and Moody's and is listed on the South African Bond Exchange. The assets of GreenHouse continue to be recognised on the balance sheet of

Nedbank Group in terms of IFRS and GreenHouse is consolidated under Nedbank Group.

The inaugural transaction under Octane entailed the securitisation of R2 billion of auto loans under Octane Series 1. Nedbank Group companies currently fulfil a number of roles in relation to Octane Series 1, including acting as originator, service provider, credit enhancement (subordinated loan) facility provider, swap provider and investor. The commercial paper issued by Octane Series 1 has been assigned credit ratings by Fitch and is listed on the South African Bond Exchange. The assets of Octane continue to be recognised on the balance sheet of Nedbank Group in terms of IFRS and Octane is consolidated under Nedbank Group.

The outstanding securitisation balances at year-end were as follows:

		2007			2006
	Total amount	Liquidity	Amount retained/	Total amount	Liquidity
	securitised	facility	purchased	securitised	facility
	Rm	Rm	Rm	Rm	Rm
Synthesis	9 233	9 390*		7 619	7 623*
Octane	2 000		292		
Greenhouse	2 000**		226		
Total	13 233	9 390	518	7 619	7 623

^{*} These amounts relate to the provision of a liquidity facility to Synthesis.

The Basel II IRB consolidated group capital charges for securitised assets are as follows:

	2007
	Rm
AAA or A1 / P1	-
AA	1,1
AA-	1,4
A+	-
A or A2 / P2	-
A-	4,3
BBB+	-
BBB or A3 / P3	4,2
BBB-	3,8
BB+	15,6
BB	-
BB-	8,9
Unrated	-
Unrated liquidity facilities to ABCP programme	55,6
Total	94,9

The Basel II IRB capital resource deductions relate to mortgage advances to the amount of R25 million and to instalment debtors and leasing to the amount of R43 million.

^{**} In terms of the GreenHouse Series 1 structure Nedbank has 12 months to transfer the mortgages to GreenHouse.

Risk and Capital

Management Report

Asset and liability management

ALM addresses three of Nedbank's major risk types, namely liquidity risk, interest rate risk in the banking book and foreign currency translation risk in respect of foreign investments and/or foreign loans or borrowings.

Group Asset and Liability Management (Group ALM) is one of three support functions to the Group ALCO, specifically facilitating this committee's responsibility regarding these three important risks. Group ALM, which reports direct to the Group Chief Financial Officer, is supported by an established ALM desk and maintains close interaction with the centralised funding desk, both desks located in the Treasury dealing room. These desks facilitate the implementation of on- and off-balance-sheet strategies by providing access to products and tools available within Group Treasury.

Liquidity risk

A bank's role in financial intermediation is the transformation of short-term deposits into longer-term loans. This mismatch arises due to a depositor's requirement to have short- to medium-term access to its asset versus a borrower's requirement to service debt over the long term in order to ensure affordability. This makes banks inherently susceptible to liquidity mismatches, particularly in times of distress. Accordingly, banks rely on ready access to money and capital markets to source liquidity from bank and non-bank participants with surplus liquidity. In an orderly functioning market, banks manage these mismatches with relative ease through a combination of strategic initiatives.

The recent international market turbulence continues to affect many financial markets around the world has sharply focused attention on the crucial role liquidity plays in assuring the effective functioning of the banking sector and related markets. The significant reduction of liquidity in short-term international money markets and virtual drying-up of liquidity in the securitisation and covered-bonds markets, coupled with problems in accessing funding in the secured financing markets – even for highly rated assets – have caused severe liquidity difficulties for many international companies in funding their on- and off-balance-sheet requirements.

The impact of these events on Nedbank, however, has been negligible, primarily because of the group's immaterial foreign-funding requirements, small relative international footprint and relatively small conduit business that has no foreign balance

continued

sheet components – and because Nedbank has and continues to have no direct exposure to the US subprime market.

Although the impact of recent global liquidity developments was insignificant for the Nedbank Group in 2007, Nedbank Group ALCO continues to monitor these developments closely to identify any early signs of contagion within the South African market in order to manage such risk appropriately.

Liquidity risk strategy, governance structures and processes

The group is exposed to potential liquidity risk throughout its operations because of the natural liquidity mismatches discussed above. Accordingly, liquidity management is a vital risk function in all entities across all jurisdictions and currencies, and is a key focus of the Nedbank Group.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has approved an appropriate liquidity risk management framework for the management of the group's funding requirements and liquidity mismatches. This framework includes, inter alia, appropriately constituted non-executive and executive risk committees, a funding strategy forum, a centralised funding desk and divisional pricing/interest rate committees. It also includes appropriately defined charters for these forums as well as supporting policies and limits defining the risk appetite.

The group's daily liquidity requirements are managed by an experienced centralised funding team in Group Treasury. Net daily funding requirements are forecast by estimating daily rollovers and withdrawals, managing pipeline deal flow and actively managing daily settlements. The centralised funding desk maintains regular interaction with all of the group's large depositors to understand and manage their cashflow requirements. Close liaison with the retail banking, business banking and corporate banking deposit-raising activities, through separate direct dealing desks within this team, ensures that stable sources of funds are maximised and priced correctly. This interaction further facilitates an understanding of client rollovers and flows, which facilitates the management of the associated cashflows. The net daily cashflow requirements are managed via the professional money market.

Medium- to long-term strategic liquidity initiatives are motivated and supported by Group ALM, who interacts closely with the centralised funding desk. These strategic initiatives are motivated to and approved by Group ALCO before execution.

Portfolios of marketable and highly liquid assets that can be liquidated to meet unforeseen or unexpected funding requirements are held in the group in terms of the Liquidity Risk Management Framework. The bank also ensures that, on an ongoing basis, it has earmarked sufficient sources of liquidity to meet its estimated 'hot money' withdrawals by investors most likely to withdraw their funds in a stress scenario. This position is managed to ensure that funds identified as potential funds at risk during a time of bank-specific stress are adequately covered by sources of quick liquidity. Holding appropriate levels of quick liquidity is seen as imperative, as liquidity risk normally occurs as a sudden unexpected event.

Not only is it important to maintain liquidity surpluses, but it is imperative to have an established early-warning or trigger mechanism that highlights early signals of potential liquidity distress. Nedbank has established a number of liquidity contingency triggers, which are monitored regularly to facilitate such early warning. This process is recognised as an important liquidity risk management process, which is supported by an appropriate liquidity risk contingency plan and framework.

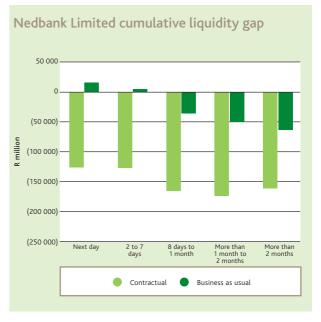
Funding mismatches are managed by currency and a focus is placed on managing short-term funding maturities, daily settlements and collateral management processes. This includes the preplanning of daily cashflow requirements.

Liabilities are appropriately diversified, including by product, market and maturity. As the bank sources its funding from a large variety of depositors representing a cross-section of South African public and private economic sectors, industries, commercial enterprises and individuals with a wide range of maturities and using a large number of investment and transactional banking products, concentration risk within the deposit base is appropriately diversified.

Group ALM and the centralised funding desk continue to look for new alternate sources of funding, facilitated by peer group benchmarking, innovation and marketing. During 2007 new alternate sources of funding included both the issue of Nedbank's inaugural auto loans securitisation programme and RMBS programme, through which approximately R3,4 billion in new funding was raised for the group. Nedbank also raised further long-term foreign funding in 2007 through enhanced relationships with foreign banks. Nedbank anticipates using both these markets to continue diversifying funding sources in the future.

Liquidity risk measurement, policies and portfolio review

The graph below reflects the contractual liquidity gap and estimated business-as-usual scenario developed by Nedbank Limited. Scenario analysis is used in the management of the bank's liquidity risk, including stress scenarios. The management of liquidity risk and particularly cashflows is strongly focused on the short to medium term to ensure that risk management is quick to respond to the immediate cashflow requirements under different stress scenarios. This is particularly relevant given that the severity of this risk normally changes quickly.



Behavioural modelling and stress analyses to identify business as usual as well as potential stress cashflow requirements are carried out regularly and are evolving as markets develop. Behavioural modelling and stress analyses need continual evolution as behaviours are difficult to predict and events are seldom similar.

Medium- and long-term liquidity strategies are derived and motivated by Group ALM, approved by Group ALCO and implemented by the business units and/or Group Treasury. Group ALCO monitors all liquidity strategies to ensure compliance with the Liquidity Risk Management Framework and successful implementation.

The Group ALCO has identified deposits that are deemed to be potential funds at risk. These funds are adequately covered by sources of quick liquidity, excluding the statutory liquid asset holding and cash reserve position. Including these assets, this position was well-covered at the year-end.

Risk and Capital | Management Report | continued

Sources of quick liquidity includes	Estimated amount
Sources of quick liquidity include:	(Rbn)
Sale of other bank paper and unutilised bank credit lines	16,4
Sale of marketable securities held on certain trading desks	21,2
Foreign-correspondent balances and price-sensitive overnight loans	20,8
Surplus liquid assets, and notes and coin	6,2
Quick liquidity, excluding statutory balances	64,6
Statutory liquid assets	17,2
Cash reserves	7,5
Quick liquidity, including statutory balances	89,3

Based on the behaviour of the bank's clients, it is estimated that more than 74% of the total deposit base is stable in nature.

The table below shows the expected profile of Nedbank Group's cashflows in a business-as-usual scenario:

Liquidity gap* – Nedbank Group Limited

		>3 months	>6 months	>1 year	1	Non-deter-	
Rm	<3 months	<6 months	<1 year	<5 years	>5 years	mined	Total
2007							
Cash and cash equivalents (including							
mandatory reserve deposits with central bank)	10 426					8 282	18 708
Other short-term securities	25 793						25 793
Derivative financial instruments	1 736	819	653	3 857	1 982		9 047
Government and other securities	29 637						29 637
Loans and advances	70 054	16 855	43 924	137 306	105 817		373 956
Other assets	5 957					25 758	31 715
	143 603	17 674	44 577	141 163	107 799	34 040	488 856
Total equity and liabilities						35 125	35 125
Derivative financial instruments	1 777	869	890	5 111	2 785		11 432
Amounts owed to depositors	169 911	61 978	76 571	15 690	60 391		384 541
Other liabilities	8 097					37 335	45 432
Long-term debt instruments			616	3 748	7 962		12 326
	179 785	62 847	78 077	24 549	71 138	72 460	488 856
Net liquidity gap	(36 182)	(45 173)	(33 500)	116 614	36 661	(38 420)	-

^{*} Adjusted for business-as-usual liquidity assumptions. During 2007 the assumptions for the expected behaviour of the overnight loan portfolio have been enhanced.

Group ALCO's funding and liquidity management is undertaken with the support of the Group ALM function, which reports and models appropriate risk-based management information. Liquidity risk dashboards provide Group ALCO and the Executive Risk Committee, as well as the board's Group Risk Committee, with appropriate, timely liquidity risk information. This includes measures of compliance with approved policies and limits.



Interest rate risk in the banking book (IRRBB)

IRRBB strategy, governance structures and processes

Interest rate risk in the banking book is managed through a combination of on- and off-balance-sheet strategies, including hedging activities. The principal interest-rate-related contracts used this year included interest rate swaps and forward rate agreements. Basis products, caps, floors and swaptions are used to a lesser extent. IRRBB strategies are evaluated regularly to align with interest rate views and defined risk appetite, ensuring that optimal on- and off-balance-sheet strategies are applied, either positioning the balance sheet or protecting interest income through different interest rate cycles. The balance sheet was well-positioned for interest rate increases experienced in 2007, enhancing net interest income during this period.

Nedbank Group is exposed to interest rate risk primarily because:

- the bank writes a large quantum of prime-linked assets;
- funding is prudently raised across the curve at fixed-term deposit rates that reprice only on maturity;
- short-term demand funding products reprice to different short-end base rates;
- certain ambiguous-maturity accounts are non-rate sensitive; and
- the bank has a mismatch in net non-rate-sensitive balances, including shareholders' funds that do not reprice for interest rate changes.

This is not dissimilar to the other peer group banks given the markets within which we operate and the clients we service.

Group ALCO has made further progress in 2007 in analysing, aligning and managing IRRBB in terms of the likely change in impairments for similar interest rate changes. This relationship between interest rate sensitivity and impairments, which is seen as a natural net income hedge, has become a key focus of Group ALCO in managing IRRBB. This analysis includes an assessment of the lag in impairment changes and the exponential change in impairment charges for consecutive interest rate changes. Due to the complexity in determining the extent of this natural net income hedge, the modelling of this relationship and associated risk management strategies is challenging and continues to be refined and improved.

On-balance-sheet strategies are executed through any one of the business units, depending on the chosen strategy. Changes to the structural interest rate risk profile of the banking book are effected primarily through the use of the derivative

F-152

instruments mentioned above and/or new on-balance-sheet asset and liability products. Hedges are transacted through Group Treasury via the ALM desk, whereby any unwanted IRRBB is passed through a market-making desk into market risk limits or into the external market.

IRRBB cannot be taken by business units and is accordingly extracted from these units via a funds transfer-pricing solution. This solution removes reprice risk from the business units, while leaving credit and funding spread in the businesses in terms of which they are measured. Certain basis risks and endowment on free funds as well as ambiguous deposits reside within these businesses so that basis risk may be managed through pricing and endowment may naturally hedge impairment changes for similar interest rate changes. Strategies regarding the reprice risk are separately measured and monitored, having been motivated by Group ALM and approved by Group ALCO.

IRRBB measurement, policies and portfolio review

The group employs various analytical techniques to measure interest rate sensitivity within the banking book. This includes a static reprice gap analysis, simulated modelling of the bank's earnings at risk and economic value of equity for a standard interest rate shock, as well as stress-testing earnings at risk and economic value of equity for a number of stressed interest rate scenarios. These analyses include the application of parallel and non-parallel interest rate shocks and rate ramps.

At the end of 2007 the group's margin-at-risk sensitivity of the banking book for a 1% parallel reduction in interest rates was 1,65% of total group equity (2006: 2,20% of total group equity), well within the approved risk limit of 2,5%. The increase in sensitivity during 2006 and subsequent decrease in sensitivity at the end of 2007 were the result of specific strategies of Group ALCO aligning with risk appetite and the committee's view on interest rates. Nedbank Limited's economic value of equity decreased to R97 million this year, measured for a 1% parallel decrease in interest rates (2006: R279 million), due to the strategies referred to above.

The table on the following page highlights the group's and the bank's exposure to interest rate risk as measured for normal and stressed interest rate changes:

Risk and Capital Management Report | continued

Sensitivity to interest rate risk

Rm	Note	Year	Nedbank Limited	Other group companies	Nedbank Group
Net interest income sensitivity					
1% instantaneous decline in interest rates		2007 2006	(491) (584)	(87) (63)	(578) (647)
2% instantaneous decline in interest rates	1	2007 2006	(978) (1 168)	(168) (126)	(1 146) (1 294)
Linear path space	2				
Lognormal interest rate sensitivity		2007 2006	(495) n/a	n/a n/a	n/a n/a
Basis interest rate risk sensitivity 0,25% narrowing of prime/call differential	3	2007 2006	(157) (183)	(38) (33)	(195) (216)
Economic value of equity sensitivity	4				
1% instantaneous decline in interest rates		2007 2006	(97) (279)	n/a n/a	n/a n/a
2% instantaneous decline in interest rates		2007 2006	(195) n/a	n/a n/a	n/a n/a
Stress testing					
Net interest income sensitivity					
Instantaneous stress shock	5	2007 2006	(1 974) (1 461)	n/a n/a	n/a n/a
Stress shock modelled as a ramp	6	2007 2006	(1 992) (1 164)	n/a n/a	n/a n/a
Linear path space	2				
Absolute-return interest rate sensitivity		2007 2006	(2 528) n/a	n/a n/a	n/a n/a

n/a: not modelled.

Notes

- Interest rate risk, as currently modelled, exhibits very little convexity. In certain cases the comparative figures have been estimated assuming a linear risk relationship to the interest rate moves.
- 2 Linear path space is a stochastic method used to generate random interest rate paths. These paths are then modelled and a probabalistic impact of interest rate changes on NII is derived. The 'Lognormal interest rate sensitivity' uses two years of interest rate movements to derive interest rate volatility. The stress scenario 'Absolute-return interest rate sensitivity' is based on the volatility of interest rates over nine years.
- 3 Basis interest rate risk sensitivity is quantified using a narrowing in the prime/call interest rate differential of 0,25% and is an indication of the sensitivity of the margin to a squeeze in short-term interest rates.
- 4 Economic value of equity sensitivity is calculated as the net present value (npv) of asset cashflows less the net present value of liability cashflows. Economic value of equity sensitivity is measured using a 1% parallel decrease in the yield curve.
- 5 The instantaneous stress shock is derived from the principles espoused in the Bank for International Settlements paper 'Principles for the Management and Supervision of Interest Rate Risk'. For 2007 the shock scenario uses an instantaneous interest rate shock of a 4% (2006: 2,5%) downward shift in interest rates.
- 6 The stress shock modelled as a ramp uses the same interest rate shock as the instantaneous stress shock described above, but the rate shock is phased in over a nine-month period.

The table below shows the repricing profile of Nedbank Group's banking book balance sheet and highlights the fact that assets reprice quicker than liabilities following derivative-hedging activities:

Interest rate repricing gap - Nedbank Group Limited

	>3 months >6 months			>1 year	T		
Rm	<3 months	<6 months	<1 year	<5 years	>5 years	non-rate	Total
2007							
Total assets	380 535	4 673	3 920	23 115	12 397	64 216	488 856
Total equity and liabilities	281 382	23 780	43 347	15 865	5 538	118 944	488 856
Interest rate hedging activities	(42 477)	17 371	34 780	(6 774)	(2 900)	-	
Repricing profile	56 676	(1 736)	(4 647)	476	3 959	(54 728)	
Cumulative repricing profile	56 676	54 940	50 293	50 769	54 728		
Expressed as a percentage of total assets	11,6	11,2	10,3	10,4	11,2		

Currency translation risk

Currency translation risk remains relatively low and currently aligns with an optimal offshore capital structure. Risk limits are based on the levels of currency-sensitive foreign capital of approximately US\$254 million (2006: US\$278 million).

Market risks

Market risk in the Nedbank Group arises in three main areas:

- Market risk (or position risk) in the trading book arises exclusively in Nedbank Capital.
- Equity (investment) risk in the banking book arises in the private-equity and property portfolios within the Nedbank Capital and Nedbank Corporate clusters respectively, and in other strategic investments of the group.
- IRRBB arising from repricing and/or maturity mismatches between on- and off-balance-sheet components originated across all the business clusters. This is covered in the ALM section above.

Market risk strategy, governance structures and processes

The board approves the market risk appetite and related limits for both the banking book (asset and liability management and investments) and trading book. Group Market Risk Monitoring (GMRM) reports on the market risk portfolio and is instrumental in ensuring that market risk limits are compatible with a level of risk acceptable to the board. Risk taking in the trading activities remained within the group's market risk appetite and limits at all times during the year.

The Group Market Risk Framework, as well as comprehensive governance structures, is in place to achieve effective independent monitoring and management of market risk as follows:

- The board's Group Risk Committee.
- The ALCO and Executive Risk Committee (Group ALCO), which is responsible for ensuring that the impact of market risks is effectively managed and reported on throughout Nedbank Group, and that all policy, risk limit and relevant market risk issues are reported to the Group Risk Committee.
- An independent function within the Group Risk Division, namely Group Market Risk Monitoring (GMRM), which monitors market risks across the Nedbank Group – this is a specialist risk area that provides independent oversight of market risk, validation of risk measurement, policy coordination and reporting.
- The federal model followed by Nedbank Group in terms of which business clusters are responsible and accountable for the management of the market risks that emanate from their activities.
- · A specialist trading risk committee within Nedbank Capital.
- Specialist investment risk committees within the relevant business areas.

Market (position) risk (ie risk from taking proprietary trading positions) means the risk of loss in on- and off-balance-sheet positions arising from movements in market prices. This risk covers trading book:

- interest rate risk:
- · equity position risk;
- foreign exchange risk, including gold;
- · commodities risk; and
- · options risk (in each of the above risks).

Risk and Capital

Management Report

The above risks are managed in terms of the Group Market Risk Framework referred to above, which ensures that market risks are identified and managed. Relevant group, bank and business level policy and methodology documentation supports this framework. The documentation has been comprehensively reviewed to ensure that an appropriate management and control environment supports our aspirations of achieving a worldclass risk management environment.

During the period under review further enhancements to the governance structure were made with the introduction of a Nedbank Capital Trading Risk Committee, which actively monitors the above risks.

Market (position) risk measurement and reporting systems Market risk exposures for trading activities are measured using value at risk (VaR), supplemented by sensitivity and stress scenario analyses, and limit structures are set accordingly.

The VaR risk measure estimates the potential loss in pretax profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by Nedbank Group reflects the 99% probability that the daily loss will not exceed the reported VaR.

VaR methodologies, employed to calculate daily risk numbers, utilise the historical approach to calculate exposure.

While VaR captures Nedbank's exposure under normal market conditions, sensitivity and stress scenario analyses (and in particular stress testing) are used to add insight to the possible outcomes under abnormal market conditions. Nedbank Group uses a number of stress scenarios to measure the impact on portfolio values of extreme moves in markets, based on historical experience as well as hypothetical scenarios. The stress-testing methodology assumes that all

continued

market factors move adversely at the same time and that no actions are taken during the stress events to mitigate risk, reflecting the decreased liquidity that frequently accompanies market shocks.

A comprehensive revision of the market risk management and reporting system was undertaken during 2007. The revision provides for additional flexibility in reporting and monitoring market risk exposures as well as providing an improved capability to rerun components of the environment.

Market risk reports are available at a variety of levels and with a variety of details, ranging from individual trader level right through to a group level view of market risk. Market risk limits are approved at board level and are reviewed periodically, but at least annually. The limits approved by the board are VaR and stress trigger limits. These limits are then allocated to the business clusters, and exposures against these limits are reported to management and bank executives on a daily basis.

The market risk management environment also makes extensive use of sensitivity and stress testing to ensure that conditions that may not be highlighted by the VaR methodology utilised are identified and appropriately managed within limit structures approved at cluster level. Market risk exposures are measured and reported on a daily basis. Documented policy and procedures are in place to ensure that exceptions are timeously resolved.

Nedbank currently has regulatory approval for the standardised approach for market (position) risk, but anticipates receiving approval for the internal model approach in 2008/9. Please refer to page 171 for further details on the regulatory-capital requirements.

Market (position) risk policies and portfolio review

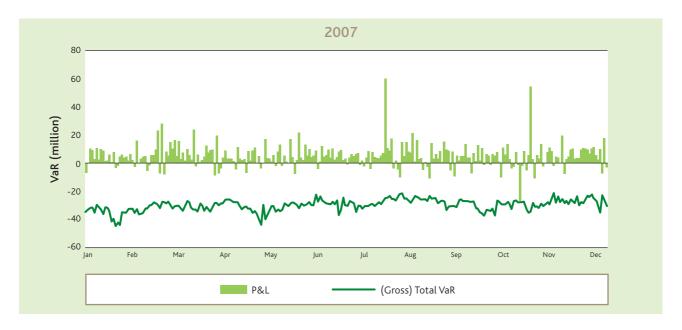
Market risk is governed by a number of group, bank and cluster level policies, which cover management, identification, measurement and monitoring. In addition, all market risk models are subject to independent validation in terms of the Market Risk Governance Framework.

Historical VaR (99%, one-day) by risk type for the year ended 31 December 2007

		· · · · · · · · · · · · · · · · · · ·							
Rm	Average	Minimum	Maximum	Year-end					
Foreign exchange	2,5	0,7	6,4	4,4					
Interest rate	14,5	10,4	22,0	13,8					
Equity products	12,6	5,7	28,7	7,5					
Diversification	(4,7)			(2,4)					
Total VaR exposure	24,9	14,9	37,4	23,3					

Historical VaR (99%, one-day) by risk type for the year ended 31 December 2006

Rm	Average	Minimum	Maximum	Year-end
Foreign exchange	2,8	0,7	5,7	1,4
Interest rate	16,6	7,1	22,9	10,7
Equity products	14,6	4,9	28,0	20,2
Diversification	(6,6)			(4,8)
Total VaR exposure	27,4	14,2	41,2	27,5



The risk appetite within the trading business has remained largely unchanged over the past two years, with foreign exchange and interest rate activities producing consistent revenue. VaR for all significant risk factors has been reported. Daily profit and loss results have been adjusted for the effects of the once-off changes to valuation of the Macquarie joint-venture alliance, as well as for the impact when a portion of the book was sold on to Macquarie. These adjustments total a loss of R305 million for the 2007 financial year.

Risk and Capital Management Report

continued



Equity risk (investment risk) in the banking book

The total equity portfolio for investment risk is R2 473 million. Of that, R2 285 million is held for capital gain, while the rest is mainly strategic investments. The accounting policies and valuation methodologies for equity risk in the banking book are covered in the notes to the financial statements.

	Publicly listed		Privately held		Total	
Investments	2007	2006	2007	2006	2007	2006
Fair value disclosed on balance sheet	598	552	1 875	1 325	2 473	1 877
Cumulative realised gains/(losses) arising from sales and liquidations	88	90	211	123	300	213
Total unrealised gains to income statement (fair value through						
profit and loss)	47	56	184	36	230	92

The information on gains and losses in the above table includes only the portion of the portfolio (ie 92%) that is actively managed and held for capital gain.

Nedbank Group has adopted the market-based simple risk weight approach for regulatory capital purposes. This was approved by SARB. Please refer to page 171 for further details.

Operating risks – business and operational risks

Business risk

Business risk is the risk of adverse outcomes resulting from a weak competitive position or from a poor choice of strategy, markets, products, activities or structures. Major potential sources of business risk include revenue volatility owing to factors such as macroeconomic conditions, inflexible cost structures, uncompetitive products or pricing, and structural inefficiencies.

Nedbank Group actively manages business risk through the various management structures, as set out in the ERMF, and within Group Capital Management by using an earnings-at-risk methodology similar to the group's risk appetite metrics. It is one of the major risk types within the group's Economic Capital Model. Please refer to page 175 for further details.

Operational risk

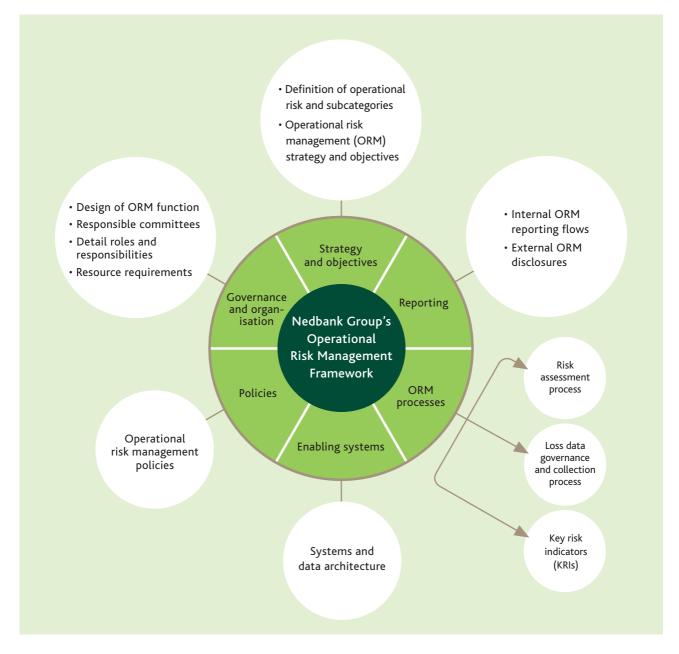
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and/or from external events, including legal risk but not strategic or reputational risk.

Operational-risk strategy, governance structures and processes

To minimise the exposure to operational risk that arises as a consequence of the group's financial risk-taking (credit and

market) and operating activities, we have embedded our Group Operational Risk Management Framework (GORF), which facilitates a consistent and worldclass approach to operational risk management (ORM).

Operational risk is inherent in most of the group's activities and other key risk types, and there are a variety of operational risk sources. This necessitates an integrated approach to the identification, measurement, management and monitoring of operational risk.



Risk and Capital

Management Report

Nedbank Group has approval from SARB to use the standardised approach to operational risk for Basel II regulatory capital from 1 January 2008. We are well-advanced on our operational-risk measurement journey to the advanced measurement approach (AMA), having implemented worldclass operational-risk management in all other respects.

Business management is responsible for the identification, management and monitoring of risk. Operational risk is addressed at the divisional enterprise-wide risk committees (ERCOs). Significant operational risks are escalated to the cluster operational-risk committees and then, if warranted, to the board's Group Risk and Capital Management Committee. Operational-risk officers, who are tasked with coordinating the implementation and maintenance of the operational-risk management processes and GORF in the business, support management in the execution of its duties.

Group Operational-risk Monitoring (GORM) functions in the second line of defence, its primary responsibilities being to maintain and champion the Operational-risk Management Framework (which incorporates Basel II requirements), policies and enablers to support operational-risk management in the business. GORM also champions the implementation of the Basel II requirements for operational risk.

Specialist functions in Group Risk, for example Forensic Services, Business Continuity Planning, Group Legal and Corporate Insurance, also assist frontline businesses with specialist advice, policies and standard setting. Pervasive operational-risk trends are monitored and reported to the Group Risk and Capital Management Committee.

Group Internal Audit (the third line of defence) and Enterprise Governance and Compliance provide assurance to the board that the Operational-risk Management Framework is sound and that the policies and processes related to operational-risk management are adhered to.

Operational-risk measurement, policies and reporting systems

The three primary operational-risk management processes in the group are risk assessment, loss data collection and the tracking of KRIs, which are designed to function in a mutually reinforcing manner.

Risk and control self-assessments are designed to be forward-looking. In other words, management is identifying risks that could threaten the achievability of business objectives, together with the required set of controls and actions, to mitigate the risks. Loss data collection and tracking are backward-looking and enable the monitoring of trends and the analysing of the root causes of loss events. KRIs are designed to be both forward- and backward-looking in the sense that they function not only as early-warning indicators but also as escalation triggers where set risk tolerance levels have been exceeded.

continued

The results of the three processes are utilised to enhance the internal control environment, with the ultimate aim of reducing losses incurred, improving process efficiency and reducing earnings volatility.

Risk profiles, loss trends and risk mitigation actions are reported to and monitored by the risk governance structures of the group.

Management is responsible for developing and maintaining control environments to mitigate operational risks inherent in their business. Specific mitigating action is reported at the ERCOs.

Nedbank Group is in the process of finalising operational-risk tolerance levels and incorporating these into the overall risk-adjusted performance calculations of the group that will drive performance measurement and recognition of the group. At this point the Basel II standardised-approach capital requirements are used in Nedbank Group's Economic Capital Model.

The board annually reviews and approves group level policies.

There are several other important operational-risk specialist functions that assist the business in managing operational risk. These functions include but are not limited to:

- · information security;
- · safety and security services;
- regulatory-risk services (including money-laundering control, financial advice and the new credit legislation awareness);
- · forensic services;
- · business continuity planning and disaster recovery;
- · legal-risk management; and
- the group insurance programme.

Nedbank Group considers financial crime to be a major operational risk that leads not only to financial losses but also damages the very fabric of society. For this reason the group pursues a vigorous policy of mitigating this risk through the following measures:

- Pursuance of a zero-tolerance policy in respect of staff dishonesty.
- Proactive identification and prevention of criminal onslaught against the group.
- · Reactive investigation and recovery of losses.
- Close cooperation with government and industry roleplayers to ensure the successful apprehension and conviction of the perpetrators of financial crime.

Capital management

Capital management strategy, governance structures and process

Nedbank's Capital Management Framework reflects the integration of risk, capital, strategy and performance measurement (and incentives) across the group. This contributes significantly to successful enterprise-wide risk management.

Our comprehensive Capital Management Framework, depicted on page 129, is designed to meet our key external stakeholders' needs, both those focused more on the return or profitability of the group relative to the risk assumed (or risk versus return) and those focused more on the adequacy of the group's capital in relation to its risk profile (or solvency). The challenge for management and the board is to achieve an optimal balance between these two important dimensions. The framework is based on worldclass risk and capital management, integrated with strategy, performance measurement and incentives.

The key objectives contained within the Capital Management Framework are as follows:

- Capital adequacy to be the greater of economic capital and regulatory capital at all times, providing an appropriate capital buffer to ensure solvency.
- Worldclass risk capital analytics, strategic capital management, resources, systems and processes to be integrated to facilitate the optimisation of economic-value creation (and so shareholder value-add) through value-based management (VBM) principles and practices.
- Risk portfolios and capital levels, mix and structure to be optimised within the group's risk appetite.
- The group's cost of capital to be minimised.
- · A best-practice internal capital adequacy assessment process (ICAAP) that comprehensively satisfies Basel II to be maintained.

Internal capital adequacy assessment process

Pillar 2 of Basel II contains four fundamental principles. These are set out below and essentially require implementation of a comprehensive ICAAP by each bank and banking group, and a supervisory review and evaluation process (SREP) thereof by the regulator.

Summary of internal capital adequacy assessment process requirements

ICAAP Principle 1

Every bank should have an ICAAP.

ICAAP Principle 2

Ultimate responsibility for the bank's ICAAP is the board.

ICAAP Principle 3

Written record of ICAAP.

ICAAP Principle 4

Integral part of management and decisionmaking culture of a bank.

ICAAP Principle 5

Proportionality to size and complexity of operations.

ICAAP Principle 6

Regular $in \bar{dependent}$ review.

Requirements of the banks

Banks to have an ICAAP and strategy linked to their capital levels and planning

Principle 3

· Banks expected to hold capital in excess of the regulatory minimum

INTERNAL CAPITAL ADEQUACY **ASSESSMENT PROCESS**

· Regulators with power to enforce.

Requirements of the regulators

Principle 2

- Regulators to review and evaluate banks' ICAAP.
- Regulators able to take action if not satisfied.

Principle 4

Regulators to intervene early to prevent capital falling below required minimum levels.

SUPERVISORY REVIEW AND **EVALUATION PROCESS**

Board and management oversight

- Understand all
- · Set risk appetite.
- Ensure capital adequacy.
- Decide business strategy with regards to capital.
- Set policies.

Sound capital assessment

- Identify, measure and report all material risks.
- Relate capital to
- Integrate capital with risk and
- business plans. Perform capital management.

Comprehensive risk assessment & management process

- · Credit risk
- · Liquidity risk.
- · Concentration risk.
- Do long-run capital planning.

and reporting

- Market risk.
- · Operational risk.
- · Interest rate risk.
- · Reputational risk. • Strategic risk.
- · Procyclicality risk.

Monitoring

- Evaluate level and trend of material risks
- Perform sensitivity analysis of key assumptions.
- Practise good corporate governance.
- Produce reports for management and board.

Internal control review

- Perform internal
- and external audit reviews.
- Monitor compliance. Do stress testing.
- Identify and manage concentrations
- Maintain documentation.

ICAAP Principle 7 Forward-looking.

ICAAP Principle 8 Risk-based.

ICAAP Principle 9

Stress tests and scenario analysis.

ICAAP Principle 10 Diversification and concentration risk.

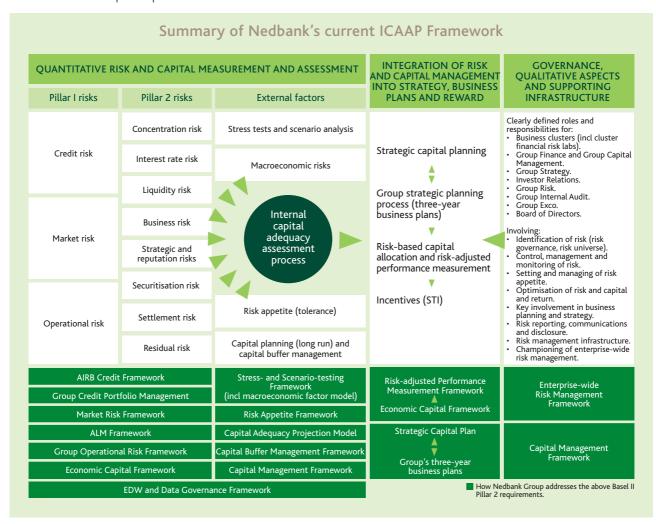
ICAAP Principle 11 Credit concentration

ICAAP Principle 12 Capital models.

Economic capital

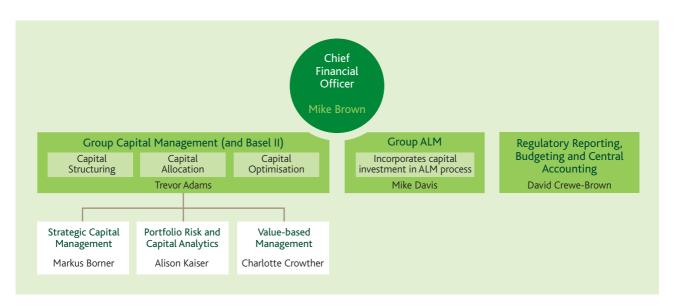
Risk and Capital Management Report | continued

Nedbank's ICAAP blueprint is provided below:



Group Capital Management responsibilities

The Group Capital Management Division reports direct to the Chief Financial Officer and is mandated to champion the successful implementation of the Capital Management Framework and ICAAP across the group. Also reporting to the CFO are the heads of Group ALM and Regulatory Reporting, Budgeting and Central Accounting, who are also key roleplayers in the group's integrated capital management.



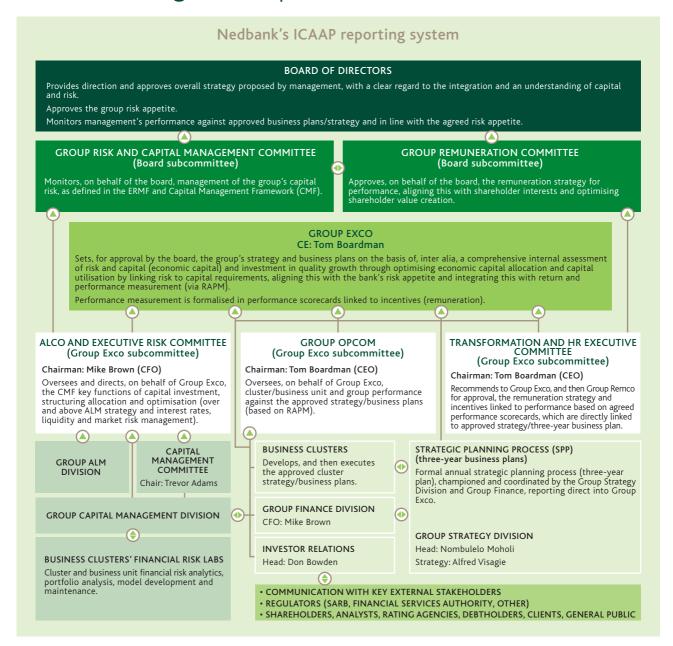
The risk and capital management responsibilities of the board and Group Exco are incorporated in their respective terms of reference (charters) contained in the ERMF. They are assisted in this regard, and in overseeing the group's capital risk (defined in the ERMF), by the board's Group Risk and Capital Management Committee, and the ALCO and Executive Risk Committee (Group ALCO) respectively.

Group ALCO, in turn, is assisted by the Group Capital Management and Group ALM Divisions and the Capital Management Committee (subcommittee of Group ALCO).



Risk and Capital Management Report

continued



Nedbank has been on a journey to implement and thereafter consistently apply worldclass risk and capital management, with our comprehensive Basel II programme as the main catalyst. We believe we have achieved this, and the challenge going forward is to continue enhancing that position and extract the value from our considerable investments in this regard.

Capital investment

Group ALM is responsible for managing the investment profile created through the issue of capital and the internal generation of capital (ie retention of profits). This is integrated into the overall ALCO process of Nedbank Group. Group ALM and Group Capital Management Division work closely together, both being part of Group Finance Division reporting to the CFO.

Our Macroeconomic-factor Model provides further science behind ALCO's decisions on the extent to which the group's capital should be hedged against interest rate changes, if at all, and hence the impact on endowment income. This is done by modelling the relationship between changes in credit extension volumes, impairment levels and the group's endowment income when the economic cycle changes, and the extent to which a natural hedge exists between them.

Capital structuring, allocation and optimisation

Capital adequacy

Group Capital Management measures, assesses, recommends and reports on the group's capital adequacy via the comprehensive ICAAP described above.

This incorporates use of some of the following capabilities to assess and project the group's capital needs with a view to supporting current and future business activities:

- · Group's three-year business plans;
- · Group Credit Portfolio Model;
- Regulatory- and Economic-capital Models (capital calculation engines);

- Macroeconomic-factor Model for capital stress testing, as well as the group's comprehensive Stress- and Scenariotesting Framework, for arriving at appropriate capital buffers;
- Capital Adequacy Projection Model (of both economic- and regulatory-capital requirements in current year and over next three years); and
- strategic capital plan and scenario/sensitivity analysis, focused on optimising the level, mix and structure of the capital base in line with established risk appetite and target capital ratios (including our target debt rating).

Regulatory-capital adequacy

The capital base of the group provides the foundation for lending, off-balance-sheet transactions and other activities. Capital adequacy is measured in terms of the Banks Act, 94 of 1990, under which the group must maintain a minimum level of capital based on risk-adjusted assets and off-balance-sheet exposures.

Until 31 December 2007 the registered banks within the group are subject to regulatory-capital adequacy requirements under Basel I, which changes to Basel II from 1 January 2008. The Basel II Capital Accord also applies to Nedbank Group Limited, being the banking group.

The minimum regulatory-capital requirement was 10% of risk-weighted assets under Basel I until 31 December 2007. Under Basel II the minimum regulatory-capital requirements from 1 January 2008 are as follows:

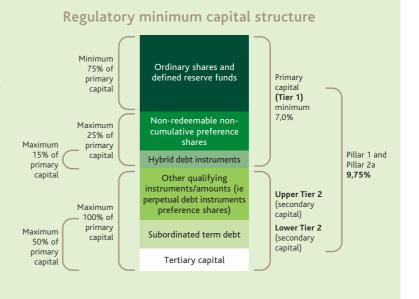
Pillar 1	8,00%
+ Pillar 2a	1,50%
(South African systemic risk)	
	9,50%
+ Pillar 2b	0,25%
(May vary over time at SARB's	
discretion – bank-specific	
idiosyncratic risk)	
Minimum required capital ratio	9,75%
+ buffer (principle 3 of Pillar 2)	X%
(Board decision – see Nedbank's targ	get ratios below)

Risk and Capital Management Report

continued

Qualifying capital and reserves

- Minimum primary (Tier 1) capital percentage is 7% of RWA.
- 25% of primary capital can be in the form of perpetual preference shares and/or hybrid Tier 1 instruments.
- 15% of primary capital may be in the form of hybrid Tier 1 capital.
- Term secondary (Tier 2) capital instruments are restricted to 50% of primary capital (Tier 1).
- Total secondary and tertiary (Tier 3) capital remains restricted to 100% of primary capital.



The group's and bank's target capital ratios are summarised below:

	From 1 January 2008	To 31 December 2007
	Basel II	Basel I
Total ratio	11 – 12%	12%
Tier 1 ratio	8 – 9%	8%

The regulatory capital ratios of the group and Nedbank are summarised below:



The pro forma Basel II capital requirements for the group per the major risk categories are indicated in the table below:

Group Basel II regulatory capital requirements vs available resources – pro forma 31 December 2007

Capita Risk type	l requirements Rm
Credit risk	26 033
Credit portfolios subject to AIRB approach (ie Nedbank Limited):	22 174
Corporate, sovereign, bank (incl SME) Residential mortgage Qualifying revolving retail Other retail	12 130 5 724 737 3 582
Credit portfolios subject to standardised approach:	3 779
Corporate, sovereign, bank Retail exposures	1 738 2 041
Securitisation exposures (IRB approach)	81
Equity risk Equity portfolios subject to the market-based simple risk weight method approach: - Listed (300% risk weighting) - Unlisted (400% risk weighting)	1 671 45 1 626
Market risk	
Trading portfolios subject to standardised approach	452
Operational risk	
Portfolios subject to the standardised approach	2 775
Other assets	1 719
TOTAL MINIMUM CAPITAL REQUIREMENTS (9,75% of risk-weighted assets)	32 650
QUALIFYING CAPITAL AND RESERVES Net surplus over minimum regulatory-capital requirements	37 421 4 771

The qualifying regulatory capital and reserves of the group, highlighting the changes under Basel II on a pro forma basis, are provided below:

	200	Ba	Pro forma Basel II 2007			
	Rm	%	200 Rm	%	Rm	%
Tier 1 capital (Primary)	27 785	8,3	22 932	8,3	26 611	8,0
Share capital and reserves Minority interest: ordinary shareholders Minority interest: preference shareholders Impairments Goodwill Unappropriated profits Excess of expected loss over eligible provisions (50%) Other regulatory differences and non-qualifying reserves	30 193 1 511 3 421 (8) (3 898) (672) - (2 762)		25 116 1 202 3 070 (7) (3 695) (668) –		30 193 1 511 3 421 (8) (3 898) (852) (854) (2 902)	
Tier 2 capital (Secondary)	12 855	3,8	9 593	3,4	10 510	3,1
Long-term debt instruments Tier 2 bonds not qualifying as Tier 2 capital Provision for performing loans Excess of expected loss over eligible provisions (50%) Other regulatory differences	12 326 (1 453) 1 685 - 297		8 518 (416) 1 296 – 195		12 326 (1 453) 350 (854) 141	
Tier 3 capital (Tertiary)	253	0,1	158	0,1	300	0,1
Total	40 893	12,2	32 683	11,8	37 421	11,2

Details of capital instruments issued by Nedbank Group are listed in note 40 to the financial statements on page 88. Nedbank Group's strategic capital management is focused on optimising the level, mix and structure of the capital base. The group continued with its dynamic management of capital with a view to managing Tier 1 capital and the overall capital mix most efficiently, subject to the appropriate shareholder and regulatory approvals, and in careful consideration of the new Basel II regulations.

Risk and Capital Management Report

The following is a summary of our capital management actions for 2007:

- Redeemed the NED2 R4 billion subordinated debt (July 2007).
- · Concluded R6,77 billion in subordinated-debt issues.
- Included in the above number is a 10-year landmark deal with the International Finance Corporation and African Development Bank for R2 billion (NED 9).
- Subordinated-debt issuance was significant during the year due to refinancing of the NED2 R4 billion bond and in support of organic business growth. There are no further significant subordinated-debt redemptions planned prior to 2011
- · Completed a R1,7 billion Imperial Bank asset securitisation.
- Completed a R1,87 billion Nedbank Retail home loan securitisation.
- Issued R364 million in preference shares in April 2007.
- · Executed no share buybacks.

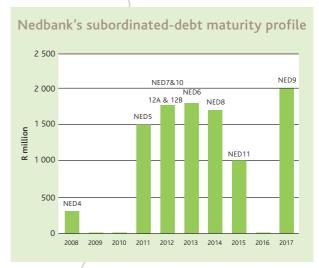
continued

The group maintained its dividend cover policy at 2,25 to 2,75 times.

Our capital plans for 2008 currently include the following:

- Maintain dividend cover policy of 2,25 to 2,75 times.
- Support balance sheet growth by Tier 1 hybrid and Tier 2 debt issues.
- Continue active management of the core Tier 1 and overall capital levels.

Nedbank has now achieved the objective of a smoothed subordinated-debt maturity profile. Further capital issues will continue to build on this.



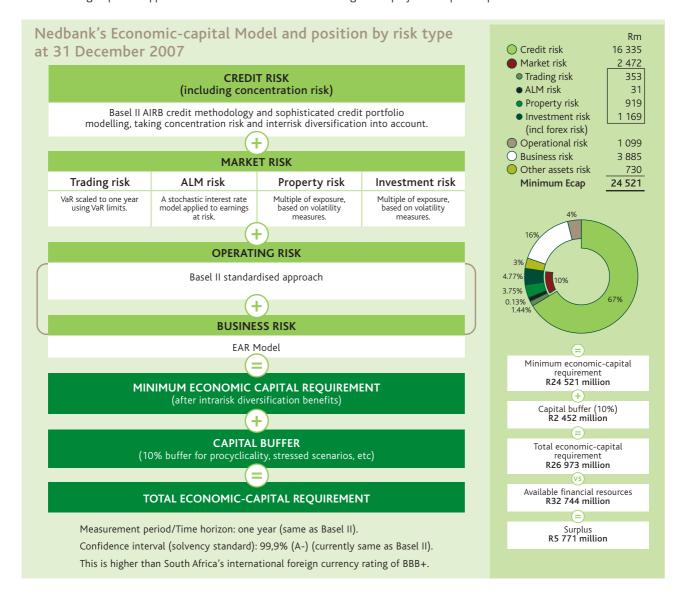


Economic-capital adequacy

Nedbank Group's economic capital has been discussed on page 69 of the Nedbank Group Limited Annual Report. Set out below is the group's economic-capital adequacy at

31 December 2007, including an analysis by risk type and business segment.

Nedbank Group's ICAAP confirms that the group is well-capitalised to its A- or 99,9% confidence level target debt rating (or solvency standard) in terms of its proprietary economic-capital methodology set out earlier. This includes a 10% capital buffer, which is set based on the group's risk appetite metrics and results of stress testing of the projected capital requirements.



Risk and Capital Management Report

continued

External ratings

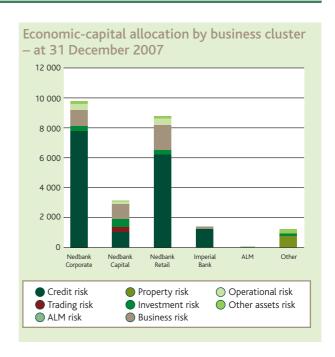
Nedbank Group, Nedbank Limited and Imperial Bank Limited all received rating upgrades from Moody's and/or Fitch during 2007. This has been very pleasing and recognises the turnaround of the bank over the past few years.

	Nedbank Group	Nedbank Limited	Imperial Bank Limited
FITCH			
Foreign currency			
Short-term	F3	F2	
Long-term	BBB	BBB+	
Long-term rating outlook	Stable	Stable	Stable
Local currency			
Long-term senior	BBB	BBB+	
Long-term rating outlook	Stable	Stable	Stable
National			
Short-term	F1+(zaf)	F1+ (zaf)	F1+ (zaf)
Long-term	AA- (zaf)	AA (zaf)	AA- (zaf)
MOODY'S			
Global local currency long-term deposits		Aa3	Aa3
Global local currency short-term deposits		Prime-1	Prime-1
Foreign currency – long-term bank deposits		Baa1	
Foreign currency – short-term bank deposits		Prime-2	
National scale rating		Aa1.za	
Outlook – deposits		Positive	

Capital allocation and risk-adjusted performance measurement

Capital optimisation in Nedbank Group is about seeking an optimal level of capital by optimising the risk profile of the balance sheet through portfolio and value-based management principles, risk-based strategic planning, economic-capital allocation and sound management of the capital buffers. This is achieved by integrating risk-based capital into the group's strategy and aligning this with management's performance measurement, through established governance and management structures, the formal strategic planning process, performance scorecards and as set out in the group's RAPM Framework.

Group Capital Management is also responsible for managing the efficient employment of capital across Nedbank Group's businesses, based on economic-capital allocation and riskadjusted performance measurement.



Risk-adjusted performance measurement

RAPM is ultimately the component in the group's CMF that is essential to achieve successful capital allocation, optimisation and integration into strategy.

Two main measures are implemented through the RAPM Framework: RORAC, which expresses the profit with respect to the risk based capital necessary to generate the revenue, giving a relative measure of performance; and EP, which is an absolute measure of shareholder value creation.

EP and RORAC are now embedded as the group's interpretation and primary measure for shareholder value creation, in conjunction with the existing traditional ROE

measure, and form the key inputs into short-term incentive quantification from 2008.

The use of EP and RORAC increases focus on risk versus return in the decisionmaking process and, consequently, stimulates the use of scarce capital in the most efficient way. Riskadjusted pricing and client value management (CVM) tools are also used as a basis for the pricing of many transactions and as an important determinant in the credit approval process.



Independent Auditor's Report NEDBANK to the members of Nedbank Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the group annual financial statements of Nedbank Limited, which comprise the balance sheet at 31 December 2006, and the income statement, the statement of changes in equity and cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, the Directors' Report and the Remuneration Report as set out on pages 12 to 121.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, these financial statements present fairly, in all material respects, the consolidated financial position of Nedbank Limited at 31 December 2006, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc

Per TA Middlemiss Chartered Accountant (SA) Registered Auditor Director

pug Inc

KPMG Crescent 85 Empire Road, Parktown Johannesburg

Policy Board:

RM Kgosana (Chairman), TW Grieve (Chief Executive), TH Bashall, BG Bauer, DC Duffield, J Geel, A Hari, TH Hoole, D Jackson, GI Maile, AM Mokqabudi, S Naidoo, CM Read, YGH Suleman, D van Heerden, JM Vice

A list of directors' names is available for inspection on request.

Sandown

15 March 2007

Delotte & Touche

Deloitte & Touche Per CG Troskie Partner

Building 8, Deloitte Place The Woodlands, Woodmead Drive Sandton

National Executive: GG Gelink (Chief Executive),
AE Swiegers (Chief Operating Officer),
GM Pinnock (Audit), DL Kennedy (Tax), L Geeringh (Consulting),
MG Crisp (Financial Advisory), L Bam (Strategy),
CR Beukman (Finance), TJ Brown (Clients and Markets),
SJC Sibisi (Public Sector and Corporate Social Responsibility),
NT Mtoba (Chairman of the Board),
J Rhynes (Deputy Chairman of the Board)

A full list of partners and directors is available on request.

F-171 (1

Group income statement

for the year ended 31 December

	N .	2006	2005
	Notes	Rm	Rm
Interest and similar income	7	27 089	22 574
Interest expense and similar charges	8	16 600	13 878
Net interest income		10 489	8 696
Impairment losses on loans and advances	23.1	1 465	987
Income from lending activities		9 024	7 709
Non-interest revenue*	9	8 566	7 454
Operating income		17 590	15 163
Total operating expenses		11 725	10 494
Operating expenses*	10	11 581	10 195
Merger and recovery programme expenses	11.1		121
BEE transaction expenses	11.2	144	178
Indirect taxation	12	334	213
Profit from operations before non-trading and capital items		5 531	4 456
Non-trading and capital items	13	183	833
Profit from operations		5 714	5 289
Share of profits of associates and joint ventures	27.2	68	67
Profit before direct taxation		5 782	5 356
Direct taxation	14.1	1 669	935
Profit for the year		4 113	4 421
Profit attributable to:			
Equity holders of the parent		3 870	4 228
Minority interest – ordinary shareholders		243	193
		4 113	4 421
Basic earnings per share (cents)	15	14 206	15 731
Diluted earnings per share (cents)	15	14 206	15 731
Dividend paid per share (cents)	16.1	2 473	1 951
Dividend declared per share (cents)	16.1	1 926	2 679

^{*2005} restated, refer note 9.



Group balance sheet

at 31 December

		2006	2005
	Notes	Rm	Rm
Assets			
Cash and cash equivalents	17	11 165	10 586
Other short-term securities	18	13 855	9 496
Derivative financial instruments	19.1	10 314	12 534
Government and other securities	21	22 031	22 505
Loans and advances*^	22 & 23	319 180	249 162
Other assets	24	5 120	5 088
Clients' indebtedness for acceptances		2 544	1 248
Current taxation receivable	25	138	119
Investment securities	26	2 385	2 419
Non-current assets held for sale	28	41	66
Investments in associate companies and joint ventures	27	690	397
Deferred taxation asset	29	48	626
Investment property	30	66	87
Property and equipment	31	3 323	3 039
Long-term employee benefit assets	32	1 357	1 225
Computer software and capitalised development costs	33	1 236	1 281
Mandatory reserve deposits with central bank	17	7 026	5 732
Goodwill^	34	1 369	1 370
Total assets		401 888	326 980
Total equity and liabilities			
Ordinary share capital	35.1	27	27
Ordinary share premium		14 422	14 422
Reserves		9 583	6 263
Total equity attributable to equity holders of the parent		24 032	20 712
Preference share capital and premium	35.2	2 770	2 770
Minority shareholders' equity attributable to:			
– ordinary shareholders		955	872
– preference shareholders	35.3	300	
Total equity		28 057	24 354
Derivative financial instruments	19.1	11 549	15 463
Amounts owed to depositors**	36	339 164	271 244
Other liabilities	36.4	9 098	5 224
Liabilities under acceptances		2 544	1 248
Current taxation liabilities	25	338	333
Deferred taxation liabilities	29	1 410	774
Long-term employee benefit liabilities	32	1 210	1 067
Long-term debt instruments	37	8 518	7 273
Total liabilities		373 831	302 626
Total equity and liabilities		401 888	326 980
Guarantees on behalf of customers	38	15 235	11 064

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

^{**}Included in amounts owed to depositors are deposits from fellow subsidiaries amounting to R27,6 billion (2005: R18,5 billion).

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

Group statement of changes in total shareholders' equity

for the year ended 31 December

	Number of ordinary shares	Ordinary share capital Rm	Ordinary share premium Rm	Foreign currency translation reserve Rm	
Balance at 31 December 2004	26 850 570	27	13 945	(186)	
Net income/(expense) recognised directly in equity		_	-	64	
Transfer from/(to) reserves					
Foreign currency translation reserve movements				64	
Revaluation of owner-occupied property					
Share-based payments reserve movements					
Available-for-sale reserve movements					
Redemption of preference share in subsidiaries					
Capitalisation of minorities Acquisition of subsidiaries					
Other					
Ordinary shares issued during the year	389 453	*	480		
Share issue expenses	303 133		(3)		
Preference share dividend paid			, ,		
Dividends to shareholders					
Profit for the year					
Balance at 31 December 2005	27 240 023	27	14 422	(122)	
Net income/(expense) recognised directly in equity		_	-	88	
Transfer from/(to) reserves					
Foreign currency translation reserve movements				88	
Revaluation of owner-occupied property					
Share-based payments reserve movements					
Available-for-sale reserve movements					
Other					
Shares issued/(repurchased) by subsidiary					
Preference share dividend paid					
Dividends to shareholders Profit for the year					
Balance at 31 December 2006	27 240 023	27	14 422	(24)	
Datance at 31 December 2000	27 240 023	21	14 422	(34)	

^{*}Represents amounts less than R1 million.

 $^{{\}it **Represents mainly other non-distributable revaluation surplus on capital items.}$

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



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

Group cash flow statement

for the year ended 31 December

	Notes	2006 Rm	2005 Rm
Cash generated by operations	41.1	8 114	6 672
Cash received from clients* Cash paid to clients, employees and suppliers* Dividends received on investments Recoveries on loans previously written off	41.2 41.3	35 484 (27 469) 164 296	29 758 (23 436) 130 226
Effects of exchange rate changes on cash and cash equivalents (excluding foreign borrowings)		(361)	(6)
Change in funds for operating activities		(5 267)	1 291
Increase in operating assets Increase in operating liabilities	41.4 41.5	(74 299) 69 032	(437) 1 728
Net cash from operating activities before taxation Taxation paid	41.6	2 847 (752)	7 963 (725)
Cash flows from operating activities Cash flows utilised by investing activities		2 095 (730)	7 238 (302)
Acquisition of property and equipment Proceeds on disposal of property and equipment Net movement on non-current assets Net income of investment banking assets Proceeds on disposal of investments in associate companies and other invest	tments	(1 067) 57 25 6 249	(755) 132 (18) 1 337
Disposal of investments in subsidiary companies net of cash	41.7		1
Cash flows from/(utilised by) financing activities		508	(200)
Ordinary shares issued Increase/(Decrease) in long-term debt instruments Capital contribution by minority Dividends paid to ordinary shareholders Preference dividends paid	41.8	1 245 150 (668) (219)	480 (35) 107 (524) (228)
Net increase in cash and cash equivalents Cash and cash equivalents at the beginning of the year (including mandatory reserve deposits with central bank)		1 873 16 318	6 736 9 582
Cash and cash equivalents at the end of the year (including mandatory reserve deposits with central bank)	17	18 191	16 318

^{*2005} restated, refer note 9.





Operational segmental reporting

for the year ended 31 December

	Nedban 2006	k Limited 2005^	Fellow sul 2006	bsidiaries 2005^	Nedbank 2006		
Balance sheet (Rbn) Cash and cash equivalents (including mandatory							
reserve deposits with central banks)	18	16	(1)	(1)	2	1	
Other short-term securities	14	9	(12)	(8)	1	1	
Derivative financial instruments	10 22	13 23	(5)	(3)	1	2	
Government and public sector securities Advances and other accounts	319	249	10		133	102	
Other assets	19	17	(15)	(13)	5	2	
Intergroup assets	_	_	(13)	(13)	33	30	
Total assets	402	327	(23)	(25)	175	138	
Amounts owed to depositors	339	271	14	10	158	125	
Other liabilities	14	10	(35)	(31)	5	3	
Derivative financial instruments	12	15	(1)	(2)			
Intergroup liabilities	_	_					
Long-term debt	9	7					
Allocated capital	28	24	(1)	(2)	12	10	
Total equity and liabilities	402	327	(23)	(25)	175	138	
Income statement (Rm)							
Net interest income	10 489	8 696	(474)	167	4 921	4 025	
Impairments charge on loans and advances	1 465	987	(18)	(202)	176	228	
Income from lending activities Non-interest revenue	9 024 8 566	7 709 7 454	(456) (902)	369 (1 015)	4 745 2 909	3 797 2 426	
Operating income	17 590	15 163	(1 358)	(646)	7 654	6 223	
Total expenses	11 725	10 494	(161)	(523)	3 976	3 528	
Operating expenses	11 581	10 316	(159)	(308)	3 924	3 495	
 BEE transaction expenses 	144	178	(2)	(215)	52	33	
Indirect taxation	334	213	(11)	(10)	35	38	
Profit/(Loss) from operations	5 531	4 456	(1 186)	(113)	3 643	2 657	
Share of profits of associates and joint ventures	68	67	` (85)	(100)	64	51	
Profit/(Loss) before direct taxation	5 599	4 523	(1 271)	(213)	3 707	2 708	
Direct taxation	1 645	898	(262)	(210)	1 091	765	
Profit/(Loss) after taxation	3 954	3 625	(1 009)	(3)	2 616	1 943	
Profit attributable to:				4			
Minority interest – ordinary shareholders	243	193	(66)	(40)	63	49	
Minority interest – preference shareholders	_	_	(219)	(228)			
Headline earnings	3 711	3 432	(724)	265	2 553	1 894	
Selected ratios**							
Average interest-earning banking assets (Rbn)	259	258			148	125	
Return on average assets (%)	1,0+	1,1+			1,7	1,5	
Return on average equity (%)	16,6+	18,4 ⁺			21,9	18,9	
Return on equity (excluding goodwill) (%)	14,9+	14,7+			21,9	18,9	
Interest margin (%) Non-interest revenue to gross income (%)*	4,1 45.0	4,0			3,32 37,2	3,21	
Impairments to advances (%)	45,0 0,51	46,2 0,4			0,15	37,6 0,23	
Efficiency ratio (%)	61,5	65,0			50,8	54,7	
Efficiency ratio (excluding BEE transaction	01,5	05,0			30,0	31,1	
expenses) (%)	60,8	63,9			50,1	54,2	
Effective taxation rate (%)	29	20			29,4	28,3	
Number of employees	22 823	21 358	(1 211)	(758)	5 677	5 236	

⁺These ratios were calculated on simple average assets and equity.

^{*2005} restated, refer note 9.

**These ratios (unless otherwise stated) were calculated using amounts rounded to Rm to provide more accurate information.

Depreciation of R456 million (2005: R427 million) and amortisation of R438 million (2005: R423 million) of property, equipment, computer software and capitalised development costs are charged on an activity-justified transfer pricing methodology by the segment owning the assets to the segments utilising the benefits thereof.



	Nedbank Capital 2006 2005^		Nedba 2006	nk Retail 2005^	Impei 2006	rial Bank 2005^	Shared 2006	Shared Services 2006 2005^		anagement 2005^	Elimir 2006	nations 2005^
	8	8	2	1	1		1	1	5	6		
	18	11	6	4	1	1	'		3	0		
	15	16	· ·	·								
	17	15							4	6		
	41	44	107	83	28	20		0		2		
	8 31	8 15	10	8		1	8	8	3	3	(64)	(45)
	138	117	125	96	30	22	9	9	12	15	(64)	(45)
	89	69	77	67			1				(0.)	(13)
	32	28	8	7			4	2		1		
	13	17										
			34	17	27	19	3	6		3	(64)	(45)
	4	3	6	5	1 2	1 2	1	1	8 4	6 5		
	138	117	125	96	30	22	9	9	12	15	(64)	(45)
											(7	()
	675	698	5 442	4 389	1 079	804	(255)	(366)	(899)	(1 021)		
	118	142	1 047	887	211	115	(72)	(192)	3	9		
	557 048	556 1 746	4 395 4 196	3 502 3 706	868 64	689 51	(183) 411	(174) 480	(902) 43	(1 030) 207	(203)	– (147)
2 6	605	2 302	8 591	7 208	932	740	228	306	(859)	(823)	(203)	(147)
1 '	171	1 010	6 389	5 804	405	353	174	265	(26)	204	(203)	(147)
1 '	149	1 006	6 346	5 705	405	353	149	256	(30)	(44)	(203)	(147)
	22	4	43	99			25	9	4	248		
	29	44	157	164	21	14	101	96	2	(133)		
1 4	405	1 248	2 045 83	1 240	506	373	(47) 6	(55)	(835)	(894) 1	-	_
1	405	1 240		54	FOC	272		61	(025)			
	405 242	1 248 270	2 128 630	1 294 374	506 120	373 79	(41) 135	6 (99)	(835) (311)	(893) (281)	_	_
	163	978	1 498	920	386	294	(176)	105	(524)	(612)	_	_
							(,		(,	()		
	18	7	35	24	193	147		1	219	5		
1 .	145	971	1 463	896	193	147	(176)	104	(743)	228 (845)	_	_
	. 13	371	1 403	330	133	177	(170)	107	(743)	(0+3)		
	56	44	100	81	24	17		1	3	9	(51)	(37)
	1,0	1,2	1,4	1,0	1,5	1,5						
	1,3	27,9	23,0	17,6	24,7	23,2						
	1,3 ,20	27,9 1,58	23,1 5,44	17,6 5,44	24,7 4,47	23,2 4,38						
	,20 '5,2	71,4	43,5	45,8	5,6	4,36 5,9						
	,28	0,43	1,10	1,14	0,87	0,63						
	3,0	41,3	66,3	71,7	35,4	41,2						
4	2 2	11.2	6F.0	70 F	2F 4	11.2						
	2,2 7,2	41,2 21,7	65,9 29,6	70,5 28,9	35,4 23,7	41,2 21,2						
	626	616	13 442	12 127	873	793	3 399	3 398	17	18		

^Restatements of comparatives

Segmental reporting comparative results were restated for 2005 to take account of the ongoing changes for improved profitability measurement. The restatements relate to the introduction, during 2006, of the allocation of the group's STC costs in respect of dividends payable to each cluster, based on profitability, and the alignment of Imperial Bank's contribution, net of minorities, to exclude all group profitability measurement adjustments.

Geographical segmental reporting

for the year ended 31 December

Assets Cash and cash equivalents (including mandatory reserve deposits with central banks) 18 16 (1) (1) Other short-term securities 14 9 (12) (8) Derivative financial instruments 10 13 (5) (3) Government and other securities 22 23 Advances and other accounts 319 249 10 Other assets 19 17 (15) (13) Intergroup assets Total assets 402 327 (23) (25) Amounts owed to depositors 339 271 14 10 Other liabilities 14 10 (35) (31) Other liabilities 15 (1) (2) Intergroup liabilities 16 28 24 (1) (2) Intergroup liabilities 17 10 (2) Intergroup liabilities 18 24 (1) (2) Intergroup liabilities 19 7 Income statement (Rm) Net interest income 10 489 8 696 (474) 167 Impairments charge on loans and advances 1465 987 (18) (202) Income from lending activities 17 590 15 163 (1358) (646) Operating income 17 590 15 163 (1358) (646) Total expenses 11 725 10 494 (161) (523) Indirect taxation 13 4 213 (11) (10) Profit/(Loss) from operations 1465 988 (262) (215) Indirect taxation 15 599 4 523 (1271) (213) Other control of the control of t		Nedbank Limited		Fellow su		
Assets Cash and cash equivalents (including mandatory reserve deposits with central banks) 18 16 (1) (1) Other short-term securities 14 9 (12) (8) Derivative financial instruments 10 13 (5) (3) Government and other securities 22 23 Advances and other accounts 319 249 10 Other assets 19 17 (15) (13) Intergroup assets Total assets 402 327 (23) (25) Amounts owed to depositors 339 271 14 10 Other liabilities 14 10 (35) (31) Other liabilities 14 10 (35) (31) Other liabilities 15 (1) (2) Intergroup liabilities 16 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2		2006	2005	2006	2005	
Cash and cash equivalents (including mandatory reserve deposits with central banks) Derivative financial instruments Derivative financial instruments 10 13 (5) (3) Government and other securities 22 23 Advances and other accounts 319 249 10 Other assets 19 17 (15) (13) Intergroup assets 19 27 (23) (25) Amounts owed to depositors 339 271 14 10 Other liabilities 14 10 (35) (31) Other liabilities 14 10 (35) (31) Other liabilities 15 (1) (2) Intergroup liabilities Long-term debt instruments 9 7 Allocated capital 28 24 (1) (2) Income statement (Rm) Net interest income Indian advances 1465 987 (18) (202) Income from lending activities 9024 7709 (456) 369 Non-interest revenue* 8566 7454 (902) (1015) Operating income 17590 15 163 (1358) (646) Total experts and advances 1465 987 (18) (202) Income grean decovery expenses 11725 0494 (161) (523) — Operating expenses* 11725 10 494 (161) (523) — Operating expenses* 1155 (215) — BEE transaction expenses 11725 10 494 (161) (523) — Merger and recovery expenses 155 (215) — BEE transaction expenses 144 178 (2) (215) Indirect taxation 334 213 (11) (10) Profit/(Loss) from operations 5599 4523 (1271) (213) Direct taxation 1645 898 (262) (210) Profit/(Loss) before direct taxation 5599 4523 (1271) (213) Direct taxation 1645 898 (262) (210) Profit/(Loss) after taxation 5599 4523 (1271) (213) Direct taxation 1645 898 (262) (210) Profit/(Loss) after taxation 5599 4523 (1271) (213) Direct taxion 1666 (40) Minority interest – ordinary shareholders (218)	Balance sheet (Rbn)					
reserve deposits with central banks) Other short-term securities 14 9 (12) (8) Derivative financial instruments 10 13 (5) (3) Advances and other accounts 19 17 (15) (13) Intergroup assets Total assets 402 327 (23) (25) Amounts owed to depositors Other liabilities 14 10 (35) (31) Derivative financial instruments 12 15 (1) (2) Intergroup liabilities Long-term debt instruments 9 7 Allocated capital 28 24 (1) (2) Total equity and liabilities 402 327 (23) (25) Amounts owed to depositors 10 (1) (2) Intergroup liabilities Long-term debt instruments 9 7 Allocated capital 28 24 (1) (2) Total equity and liabilities Non-interest revenue* 9 024 7 709 (456) 369 Income from lending activities 9 024 7 709 (456) 369 Income from lending activities 9 024 7 709 (456) 369 Non-interest revenue* 9 8 566 7 454 (902) (1015) Operating income 17 590 15 163 (1358) (646) Total expenses 11 725 10 494 (161) (523) — Operating expenses* 11 725 10 494 (161) (523) — Operating expenses 1155 — Merger and recovery expenses 11 725 10 494 (161) (523) — Operating expenses 1155 — Merger and recovery expenses 11 581 10 161 (159) (308) — Merger and recovery expenses 11 581 10 161 (159) (308) — Merger and recovery expenses 11 581 10 161 (159) (308) — Perfit/(Loss) from operations Share of profits of associates and joint ventures 68 67 (85) (1186) (113) Share of profits of associates and joint ventures 68 67 (85) (100) Profit/(Loss) before direct taxation 1 645 898 (262) (210) Profit (Loss) before direct taxation 1 645 898 (262) (210) Profit (Loss) after taxation 1 645 898 (262) (210) Profit (Loss) after taxation 1 645 898 (262) (210) Profit (Loss) after taxation 1 645 898 (262) (210) Profit (Loss) after taxation 1 645 898 (262) (210) Profit (Loss) after taxation 1 645 898 (262) (210)	Assets					
Other short-term securities 14 9 (12) (8) Derivative financial instruments 10 13 (5) (3) Government and other securities 22 23 Advances and other accounts 319 249 10 Other assets 19 17 (15) (13) Intergroup assets 402 327 (23) (25) Amounts owed to depositors 339 271 14 10 Other liabilities 14 10 (35) (31) Derivative financial instruments 12 15 (1) (2) Intergroup liabilities 12 15 (1) (2) Intergroup liabilities 28 24 (1) (2) Intergroup liabilities 402 327 (23) (25) Incaded capital 28 24 (1) (2) Intergroup liabilities 402 327 (23) (25) Incade quity and liabilities 402 327	Cash and cash equivalents (including mandatory					
Derivative financial instruments	reserve deposits with central banks)	18	16	(1)	(1)	
Advances and other securities 22 23 249 10 249 10 249 10 249 10 249 249 10 249	Other short-term securities	14	9	(12)		
Advances and other accounts Other assets 19 17 17 18 18 18 19 17 17 18 18 18 18 19 17 17 18 18 18 18 18 18 19 17 17 18 18 18 18 18 18 18 18 18 18 18 18 18	Derivative financial instruments	10	13	(5)		
19	Government and other securities	22	23			
Intergroup assets	Advances and other accounts	319	249	10		
Intergroup assets	Other assets	19	17	(15)	(13)	
Amounts owed to depositors Other liabilities 114 10 (35) (31) Derivative financial instruments 12 15 (1) (2) Intergroup liabilities Long-term debt instruments 9 7 Allocated capital 28 24 (1) (2) Total equity and liabilities Net interest income 10 489 8 696 (474) 167 Impairments charge on loans and advances 1 465 987 (18) (202) Income from lending activities 9 024 7 709 (456) 369 Non-interest revenue* 8 566 7 454 (902) (1 015) Operating income 17 590 15 163 (1 358) (646) Total expenses 11 725 10 494 (161) (523) — Operating expenses* 11 1725 10 494 (161) (523) — Operating expenses 1144 178 (2) (215) Indirect taxation 334 213 (11) (10) Profit/(Loss) from operations Share of profits of associates and joint ventures 68 67 (85) (100) Profit/(Loss) before direct taxation 1 645 898 (262) (210) Profit/(Loss) after taxation 1 645 898 (262) (210) Profit/(Loss) after taxation 1 645 898 (262) (210) Profit/(Loss) after taxation 1 645 898 (266) (40) Minority interest – ordinary shareholders (219) (228)	Intergroup assets					
Other liabilities	Total assets	402	327	(23)	(25)	
Other liabilities	Amounts owed to depositors	339	271	14	10	
Derivative financial instruments 12	Other liabilities	14	10	(35)	(31)	
Intergroup liabilities Section	Derivative financial instruments	12	15			
Allocated capital 28	Intergroup liabilities				` '	
Allocated capital 28 24 (1) (2) Total equity and liabilities 402 327 (23) (25) Income statement (Rm) Net interest income 10 489 8 696 (474) 167 Impairments charge on loans and advances 1 465 987 (18) (202) Income from lending activities 9 024 7 709 (456) 369 Non-interest revenue* 8 566 7 454 (902) (1 015) Operating income 17 590 15 163 (1 358) (646) Total expenses 11 725 10 494 (161) (523) — Operating expenses* 11 581 10 161 (159) (308) — Merger and recovery expenses 155 — BEE transaction expenses 144 178 (2) (215) Indirect taxation 334 213 (11) (10) Profit/(Loss) from operations 5 531 4 456 (1 186) (113) Share of profits of associates and joint ventures 68 67 (85) (100) Profit/(Loss) before direct taxation 5 599 4 523 (1 271) (213) Direct taxation 1 645 898 (262) (210) Profit attributable to: Minority interest – ordinary shareholders 243 193 (66) (40) Minority interest – preference shareholders (219) (228)		9	7			
Total equity and liabilities	Allocated capital	28	24	(1)	(2)	
Net interest income 10 489 8 696 (474) 167	Total equity and liabilities	402	327			
Net interest income	Income statement (Rm)					
Impairments charge on loans and advances	Net interest income	10 489	8 696	(474)	167	
Income from lending activities	Impairments charge on loans and advances	1 465	987		(202)	
Non-interest revenue* 8 566 7 454 (902) (1 015) Operating income 17 590 15 163 (1 358) (646) Total expenses 11 725 10 494 (161) (523) Operating expenses* 11 581 10 161 (159) (308) Merger and recovery expenses 155 (2) (215) BEE transaction expenses 144 178 (2) (215) Indirect taxation 334 213 (11) (10) Profit/(Loss) from operations 5 531 4 456 (1 186) (113) Share of profits of associates and joint ventures 68 67 (85) (100) Profit/(Loss) before direct taxation 5 599 4 523 (1 271) (213) Direct taxation 1 645 898 (262) (210) Profit/(Loss) after taxation 3 954 3 625 (1 009) (3) Profit attributable to: Minority interest – ordinary shareholders 243 193 (66) (40) Minority interest – preference shareholders (228)		9 024	7 709	(456)		
Total expenses - Operating expenses* - Operating expenses* - Merger and recovery expenses - BEE transaction expenses - BEE transaction expenses - BEE transaction - Merger and recovery expenses - BEE transaction expenses - BEE transaction expenses - BEE transaction - BEE transaction expenses - BEE transaction expenses - BEE transaction expenses - BEE transaction - BEE transaction expenses - BEE transaction - BEE transaction expenses - BEE transactio	Non-interest revenue*					
Total expenses - Operating expenses* - Operating expenses* - Merger and recovery expenses - BEE transaction expenses - BEE transaction expenses - BEE transaction - Merger and recovery expenses - BEE transaction expenses - BEE transaction expenses - BEE transaction - BEE transaction expenses - BEE transaction expenses - BEE transaction expenses - BEE transaction - BEE transaction expenses - BEE transaction - BEE transaction expenses - BEE transactio	Operating income	17 590	15 163	(1 358)	(646)	
- Operating expenses* - Merger and recovery expenses - BEE transaction expe	Total expenses	11 725	10 494			
- Merger and recovery expenses - BEE transaction expenses 144 178 (2) (215) Indirect taxation 334 213 (11) (10) Profit/(Loss) from operations Share of profits of associates and joint ventures 68 67 (85) (100) Profit/(Loss) before direct taxation 5 599 4 523 Direct taxation 5 599 4 523 (1 271) (213) Direct taxation 1 645 898 (262) (210) Profit/(Loss) after taxation 3 954 3 625 (1 009) (3) Profit attributable to: Minority interest – ordinary shareholders Minority interest – preference shareholders (219) (228)	·	11 581	10 161			
The color of the				(155)	(555)	
Indirect taxation		144		(2)	(215)	
Profit/(Loss) from operations 5 531 4 456 (1 186) (113) Share of profits of associates and joint ventures 68 67 (85) (100) Profit/(Loss) before direct taxation 5 599 4 523 (1 271) (213) Direct taxation 1 645 898 (262) (210) Profit/(Loss) after taxation 3 954 3 625 (1 009) (3) Profit attributable to: Minority interest – ordinary shareholders 243 193 (66) (40) Minority interest – preference shareholders (219) (228)	Indirect taxation	334	213			
Share of profits of associates and joint ventures 68 67 (85) (100) Profit/(Loss) before direct taxation 5 599 4 523 (1 271) (213) Direct taxation 1 645 898 (262) (210) Profit/(Loss) after taxation 3 954 3 625 (1 009) (3) Profit attributable to: 3 954 193 (66) (40) Minority interest – ordinary shareholders 243 193 (66) (40) Minority interest – preference shareholders (219) (228)	Profit/(Loss) from operations	5 531	4 456			
Direct taxation 1645 898 (262) (210) Profit/(Loss) after taxation 3954 3 625 (1 009) (3) Profit attributable to: Minority interest – ordinary shareholders 243 193 (66) (40) Minority interest – preference shareholders (219) (228)	Share of profits of associates and joint ventures		67			
Direct taxation 1 645 898 (262) (210) Profit/(Loss) after taxation 3 954 3 625 (1 009) (3) Profit attributable to: Minority interest – ordinary shareholders 243 193 (66) (40) Minority interest – preference shareholders (219) (228)	Profit/(Loss) before direct taxation	5 599	4 523	(1 271)	(213)	
Profit attributable to: Minority interest – ordinary shareholders Minority interest – preference shareholders 243 193 (66) (219) (228)	Direct taxation					
Minority interest – ordinary shareholders Minority interest – preference shareholders 243 193 (66) (219) (228)	Profit/(Loss) after taxation	3 954	3 625	(1 009)	(3)	
Minority interest – preference shareholders (219) (228)	Profit attributable to:					
	Minority interest – ordinary shareholders	243	193	(66)	(40)	
Headline earnings 3 711 3 432 (724) 265	Minority interest – preference shareholders			(219)	(228)	
	Headline earnings	3 711	3 432	(724)	265	

^{*2005} restated, refer note 9.



South Africa		Rest of Africa			Rest of world		
2006	2005	2006	2005		2006	2005	
17 18	14 12	1 1	1		1 7	2 4	
15	16	'	'		,	4	
20	22				2	1	
295	237	5	4		9	8	
30	26	1	1		3	3	
(3)	(2)	1			2	2	
392	325	9	7		24	20	
301	243	7	5		17	13	
48	41	1					
13	16					1	
(3)	(4)		1		3	3	
9	7	1	1		4	2	
24	22	1	1		4	3	
392	325	9	7		24	20	
10.150	7.050	F42	220		202	2.42	
10 158 1 458	7 958 1 190	513 19	328 15		292 6	243 (16)	
8 700 8 916	6 768 7 926	494 163	313 199		286 389	259 344	
17 616	14 694	657	512		675	603	
11 009	10 283	445	326		432	408	
10 886	9 769	422	326		432	374	
10 000	121	722	320		432	34	
123	393	23					
337	216	2	3		6	4	
6 270	4 195	210	183		237	191	
151	122	2	45				
6 421	4 317	212	228		237	191	
1 778	1 020	101	62		28	26	
4 643	3 297	111	166		209	165	
248	185	35	31		26	17	
219	228						
4 176	2 884	76	135		183	148	

for the year ended 31 December

1 ACCOUNTING POLICIES

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

1.1 Basis of preparation

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

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

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

1.2 Foreign currency translation

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the respective entities in the group at the date of such transactions by applying to the foreign currency the spot exchange rate ruling at the transaction date. The functional currency of the respective entities in the group is the currency of the primary economic environment in which these entities operate. The results and financial position of each individual entity in the group are translated into the functional currency of the entity.

Monetary assets and liabilities in foreign currencies are translated into the functional currency of the respective group entities at the spot exchange rate ruling at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the respective functional currencies of the group entities using the foreign exchange rates ruling at the dates when the fair values were determined. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are converted into the functional currency of the respective group entities at the rate of exchange ruling at the date of the transaction and are not subsequently retranslated.

Exchange differences that arise on the settlement and translation of monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period they arise. Exchange differences for non-monetary items are recognised consistently with gains and losses on such items. For example, exchange differences relating to an item for which gains and losses are recognised direct in equity are recognised in equity. Conversely, exchange differences for non-monetary items for which gains and losses are recognised in profit or loss, are recognised in profit or loss.

(ii) Investments in foreign operations

Nedbank Limited's presentation currency is South African rands (ZAR). The assets and liabilities, including goodwill, of foreign entities that have functional currencies other than ZAR are translated at the closing rate. Income and expenses are translated using the average exchange rate for the period. The differences that arise on translation are recognised directly in equity. All these exchange differences are recognised as a separate component of equity. On disposal of a foreign operation, the cumulative exchange differences deferred as a separate component of equity relating to the foreign operation being disposed of are recognised in profit or loss when the gain or loss on disposal is recognised. The primary major determinants of non-rand functional currencies are the economic factors that determine the sales price for goods and services and costs. Additional supplementary factors to be considered are funding, autonomy and cash flows.



1.3 Group accounting

(i) Subsidiary undertakings and special-purpose entities

Subsidiary undertakings are those entities, including unincorporated entities such as partnerships, that are controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities and is presumed to exist when the group owns directly or indirectly through subsidiaries, more than half of the voting power of an entity, unless, in exceptional circumstances, it can clearly be demonstrated that such ownership does not constitute control. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the group has control.

Subsidiary undertakings include special-purpose entities (SPEs) that are created to accomplish a narrow, well-defined objective, and may take the form of a company, corporation, trust, partnership or unincorporated entity. The assessment of control for SPEs is based on the substance of the relationship between the group and the special-purpose entity. SPEs in which the group holds half or less of the voting rights, but which are controlled by the group by retaining the majority of risks or benefits, are also included in the group financial statements.

Acquisition of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3: Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5: Non-current Assets Held For Sale and Discontinued Operations, which are measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the costs of the business combination, the excess is immediately recognised in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

The group financial statements include the assets, liabilities and results of the company and subsidiary undertakings (including special-purpose entities) controlled by the group from the date of acquisition until the date the group ceases to control the subsidiary. Intragroup balances, transactions, income and expenses and profits and losses are eliminated in full in preparation of the group financial statements. Unrealised losses are not eliminated to the extent that they provide objective evidence of impairment.

The difference between the proceeds from the disposal of a subsidiary and its carrying amount as of the date of disposal, including the cumulative amount of any exchange differences that relate to the subsidiary in equity, is recognised in the group income statement as the gain or loss on the disposal of the subsidiary.

(ii) Associates

An associate is an entity, including an unincorporated entity such as a partnership, over which the group has the ability to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investment (that is neither a subsidiary nor an investment in a joint venture).

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets and liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included in the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss.

for the year ended 31 December

1 ACCOUNTING POLICIES (continued)

The results and assets and liabilities of associates are incorporated in the group financial statements using the equity method of accounting. The carrying amount of such investments is reduced to recognise any impairment in the value of individual investments. When the group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil, inclusive of any debt outstanding, and recognition of further losses is discontinued, except to the extent that the group has incurred or guaranteed obligations in respect of the associate.

Where an entity within the group transacts with an associate of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the relevant associate.

Investments in associates held with the intention of disposing thereof within 12 months are accounted for as non-current assets held for sale (see note 1.19) and those held by long-term policyholder insurance funds are accounted for as financial assets at fair value through profit or loss (see note 1.5).

Where the group has an investment in an associate company held by its venture capital divisions, the investment is classified as held for trading and is measured at fair value, with changes in fair value recognised in profit or loss in the period in which they occur.

(iii) Joint ventures

Joint ventures are those economic activities over which the group has joint control in terms of a contractual agreement. Joint ventures are incorporated in the group financial statements using the equity method of accounting. Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets and liabilities of the joint venture recognised at the date of the acquisition is recognised as goodwill. The goodwill is included in the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss. The carrying amount of such investments is reduced to recognise any impairment in the value of individual investments.

Where an entity within the group transacts with a joint venture of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the joint venture. When the group's share of losses exceeds the carrying amount of the joint venture, 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 joint venture. Investments in joint ventures held with the intention of disposing thereof within 12 months are accounted for as non-current assets held for sale (see note 1.19) and those held by long-term policyholder insurance funds are accounted for as financial assets at fair value through profit or loss (see note 1.5).

Where the group has an investment in a jointly controlled entity held by its venture capital divisions, the investment is classified as held for trading and is measured at fair value, with changes in fair value recognised in profit or loss in the period in which they occur.

1.4 Investment contracts

(i) Investment contract liabilities

Liabilities for unit-linked and market-linked contracts are reported at fair value. For unit-linked contracts the fair value is calculated as the account value of the units, ie the number of units held multiplied by the bid price value of the assets in the underlying fund (adjusted for taxation). For market-linked contracts the fair value of the liability is determined with reference to the fair value of the underlying assets. This fair value is calculated in accordance with the financial soundness valuation basis, except that negative rand reserves arising from the capitalisation of future margins are not permitted. The fair value of the liability, at a minimum, reflects the initial deposit of the client, which is repayable on demand.

Investment contract liabilities (other than unit-linked and market-linked contracts) are measured at amortised cost.

Embedded derivatives included within investment contracts are separated and measured at fair value, and the host contract liability is measured on an amortised-cost basis.

(ii) Revenue on investment management contracts

Fees charged for investment management services provided in conjunction with an investment contract are recognised as revenue as the services are provided. Initial fees that exceed the level of recurring fees and relate to the future provision of services are deferred and amortised over the anticipated period over which services will be provided.



1.5 Financial instruments

Financial instruments, as reflected on the balance sheet, include all financial assets and financial liabilities, including derivative instruments, but exclude investments in subsidiaries, associated companies and joint ventures (other than venture capital), employee benefit plans, property and equipment, deferred taxation, taxation payable, intangible assets, leases and goodwill. Financial instruments are accounted for under IAS 32 Financial Instruments: Disclosure and Presentation and IAS 39 Financial Instruments: Recognition and Measurement. The group does not apply hedge accounting. This accounting policy should be read in conjunction with the group categorised balance sheet (see note 4).

(i) Initial recognition

Financial instruments are recognised on the balance sheet when the group becomes a party to the contractual provisions of a financial instrument. All purchases of financial assets that require delivery within the timeframe established by regulation or market convention (regular-way purchases) are recognised at trade date, which is the date on which the group commits to purchase the asset. The liability to pay for regular-way purchases of financial assets is recognised on trade date.

Contracts that require or permit net settlement of the change in the value of the contract are not considered regularway contracts and are treated as derivatives between the trade and settlement of the contract.

(ii) Initial measurement

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

(iii) Subsequent measurement

Subsequent to initial measurement, financial instruments are measured at either fair value or amortised cost, depending on their classification:

- Financial assets and financial liabilities at fair value through profit or loss
 - Financial instruments at fair value through profit or loss consist of trading instruments and instruments that the group has elected, on initial recognition date, to designate as at fair value through profit or loss.
- · Trading instruments
 - are financial assets or financial liabilities that were acquired or incurred principally for the purpose of sale or repurchase in the near term,
 - form part of a portfolio with a recent actual pattern of short-term profit-taking, or
 - are derivatives.

The group's derivative transactions include foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options (both written and purchased).

- Financial assets and financial liabilities that the group has elected, on initial recognition date, to designate as at fair value through profit or loss are those that meet any one of the criteria below. That is where
 - the fair value through profit or loss designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from using different bases to measure and recognise the gains and losses on financial assets and financial liabilities, or
 - the instrument forms part of a group of financial instruments that is managed, evaluated and reported on using a fair-value basis in accordance with a documented risk management or investment strategy, or
 - the financial instrument contains an embedded derivative, which significantly modifies the cash flows of the host contract or where the embedded derivative would clearly require separation.

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, with fair value gains and losses (excluding interest income and interest expense calculated on the amortised-cost basis relating to those interest-bearing instruments that have been designated as at fair value through profit or loss) reported in non-interest revenue as they arise. Interest income and interest expense calculated on the amortised-cost basis are reported in interest income and expense.

for the year ended 31 December

1 ACCOUNTING POLICIES (continued)

· Non-trading financial liabilities

All financial liabilities, other than those at fair value through profit or loss, are classified as non-trading financial liabilities and are measured at amortised cost.

· Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative 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 meet the definition of loans and receivables or those that were designated as at fair value through profit or loss or available-for-sale. Held-to-maturity financial assets are measured at amortised cost, with interest income recognised in profit or loss.

· Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the group as at fair value through profit or loss or available-for-sale. Financial assets classified as loans and receivables are carried at amortised cost, with interest revenue recognised in profit or loss. The majority of the group's advances are included in the loans and receivables category.

· Available-for-sale financial assets

Financial assets are classified as available-for-sale where the intention with regard to the instrument and its origination and designation does 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.

Available-for-sale financial assets are measured at fair value, with fair value gains and losses recognised directly in equity along with the associated deferred taxation. Any foreign currency translation gains or losses or interest revenue, measured on an effective-yield basis, are removed from equity to profit and loss as they arise.

(iv) Embedded derivatives

Embedded derivatives in financial and non-financial instruments, such as an equity conversion option in a convertible bond issued by the group, are separated from the host contract, when all of the following conditions are met:

- The economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
- · The combined contract is not measured at fair value, with changes in fair value recognised in profit or loss.

The host contract is accounted for:

- under IAS 39 if it is, itself, a financial instrument; and
- in accordance with other appropriate standards if it is not a financial instrument.

If an embedded derivative is required to be separated from its host contract, but it is not possible to separately measure the fair value of the embedded derivative, either at acquisition or at a subsequent financial reporting date, the entire hybrid instrument is categorised as at fair value through profit or loss and measured at fair value.

(v) Measurement basis of financial instruments

· Amortised cost

Amortised-cost financial assets and financial liabilities are measured at fair value on initial recognition, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, less any cumulative impairment losses.

Fair value

Directly attributable transaction costs are included in the initial fair value of financial assets and financial liabilities, other than those at fair value through profit or loss. The best evidence of the fair value of a financial asset or financial liability at initial recognition is the transaction price, unless the fair value of the instrument is evidenced by comparison with other current observable market transactions in the same instrument or based on a valuation technique whose variables include only market observable data.



Where quoted market prices or rates are available, such market data is used to determine the fair value of financial assets and financial liabilities that are measured at fair value. The bid price is used to measure financial assets held and the offer price is used to measure the fair value of financial liabilities. Mid-market prices are used to measure fair value only to the extent that the group has assets and liabilities with offsetting risk positions.

If quoted bid prices are unavailable, the fair value of financial assets and financial liabilities 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 used 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 a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. In cases where the fair value of financial liabilities cannot be reliably determined, these liabilities are recorded at the amount due.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and have to be settled by delivery of such unquoted equity instruments, are not measured at fair value but at cost. Fair value is considered reliably measurable if:

- the variability in the range of reasonable fair value estimates is not significant for that instrument; or
- the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

(vi) Derecognition

All sales of financial assets that require delivery within the timeframe established by regulation or market convention (regular-way sales) are recognised at trade date, which is the date on which the group commits to the sale of the asset. The group derecognises a financial asset (or group of financial assets) or a part of a financial asset (or part of a group of financial assets) when and only when:

- ullet the contractual rights to the cash flows arising from the financial asset have expired; or
- · it transfers the financial asset, including substantially all the risks and rewards of ownership of the asset; or
- it transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retains control of the asset.

A financial liability (or part of a financial liability) is derecognised when and only when the liability is extinguished, ie when the obligation specified in the contract is discharged, cancelled or has expired.

The difference between the carrying amount of a financial asset or financial liability (or part thereof) that is derecognised and the consideration paid or received, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss for the period.

(vii) Impairment of financial assets

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the group about loss events as a result of:

- · significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the group would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- · the disappearance of an active market for that financial asset because of financial difficulties; or

for the year ended 31 December

1 ACCOUNTING POLICIES (continued)

- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of
 financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the
 individual financial assets in the group, including
 - adverse changes in the payment status of borrowers in the group, or
 - national or local economic conditions that correlate with defaults on the assets in the group.
- · Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

The group first assesses whether there is objective evidence of impairment individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the group determines that there is no objective evidence of impairment for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date on which the impairment is reversed. The amount of the reversal is recognised in profit or loss for the period.

· Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value, because its fair value cannot be reliably measured, or on a derivative asset that is linked to and has to be settled by delivery of such an unquoted equity instrument, or a financial asset that is carried at cost because its fair value could not be determined, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

· Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised directly in equity is removed from equity and recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss for the period.

(viii) Offsetting financial instruments and related income

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off and there is an intention of settling on a net basis or realising the asset and settling the liability simultaneously. Income and expense items are offset only to the extent that their related instruments have been offset in the balance sheet.



(ix) Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method taking into account the expected timing and amount of cash flows. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. Included in interest income and expense is 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 earned while holding trading securities and interest incurred on trading liabilities are reported within non-interest revenue.

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.

(x) Non-interest revenue

· Fees and commission

The group earns fees and commissions from a range of services it provides to customers and these are accounted for as follows:

- Income earned on the execution of a significant act is recognised when the significant act has been performed.
- Income earned from the provision of services is recognised as the service is rendered by reference to the stage of completion of the service.
- Income that forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in interest income.
- Dividend income

Dividend income is recognised when the right to receive payment is established on the ex-dividend date for equity instruments and is included in dividend income.

Net trading income

Net trading income comprises all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading, together with the related interest, expense, costs and dividend.

• Income from investment contracts

See 1.4 (ii) for non-interest revenue arising on investment contracts.

Other

Exchange and securities trading income, from investments and net gains on the sale of investment banking assets, is recognised in profit or loss 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.

Fair value gains or losses on financial instruments at fair value through profit or loss, including derivatives, are included in non-interest revenue. These fair value gains or losses are after deducting the interest component, which is recognised separately in interest income and expense.

Gains or losses on derecognition of financial assets and financial liabilities are included in non-interest revenue.

(xi) Sale and repurchase agreements and lending of securities

Securities sold subject to linked repurchase agreements are retained in the financial statements as trading or investment securities and the counterparty liability is included in amounts owed to other depositors, deposits from other banks, or other money market deposits, as appropriate. Securities purchased under agreements to resell are recorded as loans and advances to other banks or clients, as appropriate. The difference between the sale and repurchase price is treated as interest and recognised over the duration of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements and any interest earned is recognised in profit or loss using the effective interest method.

for the year ended 31 December

1 ACCOUNTING POLICIES (continued)

Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in non-interest revenue. The obligation to return them is recorded at fair value as a trading liability.

(xii) Acceptances

Acceptances comprise undertakings by the group to pay bills of exchange drawn on clients. The group expects most acceptances to be settled simultaneously with the reimbursement from clients. Acceptances are disclosed as liabilities with the corresponding asset recorded in the balance sheet.

(xiii) Financial quarantee contracts

Financial guarantee contracts are recognised as insurance contracts. Liability adequacy testing is performed to ensure that the carrying amount of the liability for financial guarantee contracts is sufficient.

1.6 Taxation

Taxation expense comprises current and deferred taxation. Income taxation is recognised in profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

(i) Current taxation

Current taxation is the expected taxation payable on the taxable income for the year, using taxation rates enacted or substantively enacted at the balance sheet date, and any adjustment to taxation payable in respect of previous years. Secondary tax on companies (STC) that arises from the distribution of dividends is recognised at the same time as the liability to pay the related dividend.

(ii) Deferred taxation

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 taxation bases. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities and is measured at the taxation rates that are expected to be applied to the temporary differences when they reverse. Deferred taxation is charged to profit or loss for the period, 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 taxation rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to equity. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred taxation is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they will not reverse in the foreseeable future.

A deferred taxation asset is recognised to the extent that it is probable that future taxable income will be available against which the unutilised taxation losses and deductible temporary differences can be used. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefits will be realised.

1.7 Intangible assets

(i) Goodwill and goodwill impairment

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures. Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investments, the carrying amount of goodwill is included in the carrying amount of the investment.



All business combinations are accounted for by applying the purchase method of accounting. At acquisition date the group recognises the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their respective fair values. The cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued, in exchange for control, plus any costs directly attributable to the business combination. Any contingent purchase consideration is recognised to the extent that the adjustment is probable and can be measured reliably at the acquisition date. If a contingency that was not included initially in the purchase consideration subsequently becomes probable and measurable, the additional consideration shall be treated as an adjustment to the cost of the business combination. Any excess between the cost of the business combination and the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill in the balance sheet. Goodwill is adjusted for any subsequent remeasurement of contingent purchase consideration.

Goodwill is allocated to one or more cash-generating units (CGUs), being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Goodwill is allocated to the CGUs in which the synergies from the business combinations are expected. Each CGU containing goodwill is annually tested for impairment. An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to a CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

· Impairment testing procedures

The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value in use. The fair value less cost to sell 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 CGU are discounted to their present value using a pretaxation discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU.

Impairment losses relating to goodwill are not reversed.

(ii) 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 profit or loss 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 employee 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 of computer software and development costs is charged to profit or loss 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 only when it increases the future economic benefits embodied in the specific asset to which it relates. 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 profit or loss in the period in which they are incurred. The profit or loss is the difference between the net disposal proceeds and the carrying amount of the asset.

1.8 Impairment (all assets other than goodwill and financial instruments)

The group assesses all assets (other than goodwill and intangible assets not yet available for use) for indications of impairment or the reversal of a previously recognised impairment at each balance sheet date. Should there be indications of impairment, the recoverable amounts of the assets are estimated. These impairments (where the carrying value of an asset exceeds its recoverable amount) or the reversal of a previously recognised impairment are recognised in profit or loss for the period.

for the year ended 31 December

1 ACCOUNTING POLICIES (continued)

Intangible assets not yet available for use are tested at least annually for impairment.

An impairment is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. The fair value less cost to sell 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 pretaxation 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.

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.

1.9 Property and equipment

Items of property and equipment are initially recognised at cost if it is probable that any future economic benefits associated with the items will flow to the group and it has a cost that can be measured reliably. Certain items of property and equipment that had been revalued to fair value on 1 January 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. Subsequent expenditure is recognised in the carrying amount of items of property and equipment if it is measurable and it is probable that future economic benefits associated with the expenditure will flow to the group. All other expenses are recognised in profit or loss as an expense when incurred.

Subsequent to initial recognition, computer equipment, vehicles and furniture and other equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings, whose fair values can be reliably measured, are carried at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluation increases are credited directly to equity under the heading 'Revaluation reserve'. However, revaluation increases are recognised in profit or loss to the extent that they reverse a revaluation decrease of the same asset previously recognised in profit or loss. Revaluation decreases are recognised in profit or loss. However, decreases are debited directly to equity to the extent of any credit balances existing in the revaluation surplus in respect of the same asset. Land and buildings are revalued on the same basis as investment property (refer to note 1.10).

(i) Depreciation

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Items of property and equipment that are classified as held for sale under IFRS 5 are not depreciated. The depreciable amounts of property and equipment are charged to profit or loss on a straight-line basis over the estimated useful lives of the items of property and equipment, unless they are included in the carrying amount of another asset. Useful lives, residual values and depreciation methods are assessed on an annual basis.

On revaluation, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the item concerned and the net amount restated to the revalued amount. Subsequent depreciation charges are adjusted based on the revalued amount.

Any difference between the depreciation charge on the revalued amount and that which would have been charged under historic cost is transferred net of any related deferred taxation between the revaluation reserve and retained earnings as the property is utilised.

Land is not depreciated.

The maximum estimated useful lives are as follows:

Computer equipment
Motor vehicles
6 years

Fixtures and furniture 10 years



Leasehold property
 Significant leasehold property components
 Freehold property
 Significant freehold property components
 50 years
 5 years

(ii) Derecognition

Items of property and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is included in profit or loss and is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. On derecognition any surplus in the revaluation reserve in respect of individual items of property and equipment is transferred directly to retained earnings. Compensation from third parties for items of property and equipment that were impaired, lost or given up is included in profit or loss when the compensation becomes receivable.

1.10 Investment properties

Investment properties are real estate held to earn rentals or for capital appreciation. This does not include real estate held for use in the production or supply of goods or services or for administrative purposes.

Investment properties are stated at fair value. Internal professional valuers perform valuations annually. For practical reasons valuations are carried out on a cyclical basis over a 12-month period due to the large number of properties involved. External valuations are obtained once every three years on a cyclical basis. In the event of a material change in market conditions between the valuation date and balance sheet date an internal valuation is performed and adjustments made to reflect any material changes in value.

The valuation methodology adopted is dependent on the nature of the property. Income-generating assets are valued using discounted cash flows. Vacant land, land holdings and residential flats are valued according to sales of comparable properties. Near vacant properties are valued at land value less the estimated cost of demolition.

Surpluses and deficits arising from changes in fair value are recognised in profit or loss for the period.

For properties reclassified during the year from property and equipment to investment properties, any revaluation gain arising is initially recognised in profit or loss to the extent of previously charged impairment losses. Any residual excess is taken to the revaluation reserve. Revaluation deficits are recognised in the revaluation reserve to the extent of previously recognised gains and any residual deficit is accounted for in profit or loss.

Investment properties that are reclassified to owner-occupied property are revalued at the date of transfer, with any difference being taken to profit or loss.

1.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction and production of qualifying assets are capitalised as part of the costs of those assets. Qualifying assets are those that necessarily take a substantial period of time to prepare for their intended use or sale. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

All other borrowing costs are expensed in the period in which they are incurred.

Details of borrowing costs capitalised are disclosed in the notes by asset category and are calculated at the group's average funding cost, except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred, less any investment income on the temporary investment of those borrowings, are capitalised.

1.12 Long-term employee benefits

Long-term employee benefits include post-employment benefits such as pensions and post-retirement medical aid and other long-term employee benefits such as long-term disability benefits.

(i) Post-employment benefits

Defined-benefit and defined-contribution plans have been established for eligible employees of the group, with assets held in separate trustee-administered funds.

for the year ended 31 December

1 ACCOUNTING POLICIES (continued)

• Defined-contribution plans

Contributions payable to defined-contribution plans in exchange for services rendered by employees are recognised as an expense as incurred.

· Defined-benefit plans

The amount recognised as a defined-benefit liability is the net total of the present value of the defined-benefit obligations at the balance sheet date, any cumulative unrecognised actuarial gains (less any cumulative unrecognised actuarial losses), less the fair value of plan assets at the balance sheet date.

Where this amount is an asset, the group limits the asset to the lower of (i) any cumulative unrecognised actuarial losses and (ii) 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 group recognises in profit or loss the net total of the current service cost, interest cost, expected return on plan assets, actuarial gains and losses recognised using the 'corridor method' and the effect of the limit on any asset.

Actuarial gains and losses are recognised in profit or loss using the 'corridor method' and are not recognised in the statement of changes in equity. The portion of actuarial gains and losses to be recognised for each defined-benefit plan is the excess of the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period over the greater of (i) 10% of the present value of the defined-benefit obligation at that date (before deducting plan assets) and (ii) 10% of the fair value of any plan assets at that date, divided by the expected average remaining working lives of the employees participating in the plan.

(ii) Other long-term employee benefits

The amount recognised as a liability for other long-term employee benefits is the net total of the present value of the defined-benefit obligations at the balance sheet date, less the fair value of plan assets at the balance sheet date.

Where this amount is an asset, the group limits the asset to 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 group recognises in profit or loss the net total of the current service cost, interest cost, expected return on plan assets, actuarial gains and losses that are recognised immediately, and the effect of the limit on any asset.

(iii) All defined-benefit plans

The Projected Unit Credit Method is used to determine the present value of the defined benefit obligations and the related current service cost and past service cost. This actuarial valuation method incorporates the defined benefit obligations known at the balance sheet date as well as information relevant to their estimated future development. As there is no active market in high-quality corporate bonds in South Africa, the discount rates used are determined by reference to market yields on government bonds that have maturity dates approximating the terms of the group's obligations.

Where the group contributes to an insurance policy that is not a qualifying insurance policy, that insurance policy is not a plan asset and the group recognises its right to reimbursement as a separate asset.

1.13 Share-based payments

The group recognises services received in share-based payment transactions as an expense as the services are received with a corresponding increase in equity where the services are received in an equity-settled share-based payment transaction, or a corresponding increase in liabilities where the services are received in a cash settled share-based payments transaction.

The group measures the value of the services received indirectly by reference to the fair value of the equity instruments granted. The group measures the fair value using standard option pricing valuation models. The valuation technique is consistent with generally acceptable valuation methodologies for pricing financial instruments and incorporates all factors and assumptions that knowledgeable, willing market participants would consider in setting the price of the equity instruments.

Share-based payment expenses are adjusted for non-market-related performance conditions.



Where the equity instruments are no longer outstanding, the accumulated share-based payment reserve in respect of those equity instruments is transferred to retained earnings.

(i) Equity-settled share-based payment transactions with employees

If the equity instruments granted vest immediately and the employee is not required to complete a specified period of service before becoming unconditionally entitled to those equity instruments, the group recognises the services received in profit or loss in full at grant date with a corresponding increase in equity.

If the equity instruments do not vest until the employee completes a specified period of service, it is presumed that the services to be rendered by the employee, as consideration for those equity instruments, will be received in the future during the vesting period. The group recognises these services in profit or loss as they are rendered during the vesting period, with a corresponding increase in equity.

(ii) Cash-settled share-based payments transactions with employees

The services received in cash-settled share-based payment transactions with employees and the liability to pay for those services are recognised at fair value as the employee renders the services. Until the liability is settled, the fair value of the liability is remeasured at each reporting date and at settlement date, with changes in fair value recognised in profit or loss.

If the equity instruments do not vest until the employee completes a specified period of service, it is presumed that the services to be rendered by the employee, as consideration for those equity instruments, will be received in the future, during the vesting period. The group recognises these services in profit or loss as they are rendered during the vesting period, with a corresponding increase in liabilities.

(iii) Share-based payment transactions with persons or entities other than employees

Transactions in which equity instruments are issued to historically disadvantaged individuals and organisations in South Africa are accounted for as share-based payments. Where the transaction includes service conditions, the group recognises the expense over the period of the service conditions, with a corresponding increase in equity. Where the transaction includes no service conditions, the group recognises the expense in full at grant date, with a corresponding increase in equity.

1.14 Leases

(i) The group as lessee

Leases in respect of which the group bears substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the lease property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges to achieve an effective rate of interest on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period. The assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Leases in respect of which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to income on a straight-line basis over the term of the lease. When another systematic basis is more representative of the time pattern of the user's benefit, then that method is used.

(ii) The group as lessor

Where assets are leased out under a finance lease arrangement, the present value of the lease payments is recognised as a receivable and included in advances. The difference between the gross receivable and unearned finance income is presented in the balance sheet. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Assets leased out under operating leases are included under property and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar assets. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the term of the lease. When another systematic basis is more representative of the time pattern of the user's benefit, then that method is used.

for the year ended 31 December

1 ACCOUNTING POLICIES (continued)

(iii) Recognition of lease of land

Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. However, when a single lease covers both land and a building, the minimum lease payments at the inception of the lease (including any upfront payments) are allocated between the land and the building in proportion to the relative fair values of the respective leasehold interests. Any upfront premium allocated to the land element that is normally classified as an operating lease represents prepaid lease payments. These payments are amortised over the lease term in accordance with the time pattern of benefits provided. If the lease payments cannot be allocated reliably between these two elements, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases.

1.15 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than 90 days' maturity from the date of acquisition, including cash and balances with central banks that are not mandatory, and amounts due from other banks.

1.16 Other provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, in respect of which it is probable that an outflow of economic benefits will occur and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting is material, provisions are discounted and the discount rate used is a pre-taxation rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

· The following specific policies are applied

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.

A provision for restructuring is recognised only if the group has created a detailed formal plan and raised a valid expectation, among those parties directly affected, that the plan will be carried out, either by having begun implementation or by publicly announcing the plan's main features. Future operating costs or losses are not provided for.

1.17 Segment reporting

The group's primary segments are lines of business and its secondary segments are geographic. The group policy is to disclose mandatory segmental information under IAS 14: Segment Reporting and to disclose additional supplemental information for each business segment at the group's discretion. Where financial information is required for primary and secondary segments, this is provided by way of a matrix format.

The segmental disclosure of results by geography is determined by the origin of business transacted.

The accounting policies of the group's reported segments are the same as the accounting policies of the entire group. Assets, liabilities, revenues or expenses that are not directly attributable to a particular segment are allocated between segments where there is a reasonable basis for doing so. The group accounts for intersegment revenues and transfers as if the transactions were with third parties at current market prices.

1.18 Government grants

Government grants are recognised in the balance sheet initially as deferred income when there is reasonable assurance that they will be received and the group will comply with the conditions attached to them. Grants that compensate the group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable. Grants that compensate the group for the cost of an asset are recognised in profit or loss as revenue on a systematic basis over the useful life of the asset.

1.19 Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount will be recovered principally through sale rather than use. The asset or disposal group must be available for immediate sale in its present condition and the sale should be highly probable, with an active programme to find a buyer and the appropriate level of management approving the sale. Non-current assets held for sale are measured at the lower of carrying amount and fair value less cost to sell and are not depreciated.



A discontinued operation is a clearly distinguishable component of the group's business that has been disposed of or is held for sale, which:

- · represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

1.20 Share capital

Share capital issued by the entity is measured at the proceeds received, net of direct issue costs. No gain is recognised in profit or loss on the purchase, sale, issue or cancellation of the entity's share capital and preference shares that are classified as equity.

Ordinary and preference share capital is classified as equity, if it is non-redeemable by the shareholder, dividends are discretionary and if it represents a residual interest in the assets of the entity after deducting all of its liabilities.

Dividends are recognised as distributions within equity in the period in which they are payable to shareholders. Dividends for the year that are declared after the balance sheet date are disclosed in the notes.

Preference share capital is classified as a liability, if it is redeemable on a specific date or at the option of the preference shareholders or if dividend payments are not discretionary. Dividends thereon are recognised in profit or loss as interest expense.

1.21 Treasury shares

When share capital recognised as equity is repurchased by the entity or other members of the group, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Shares repurchased by the issuing entity are cancelled. Shares repurchased by group entities are classified as treasury shares and are 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.

2 STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE

2.1 Standards

The following standards, mandatory for the group's accounting periods commencing on or after 1 January 2007, have not been early adopted by the group:

(i) IFRS 7 – Financial Instruments: Disclosures and the amendment to IAS 1 – Presentation of Financial Statements: Capital Disclosure

IFRS 7 introduces new requirements to improve the disclosure pertaining to financial instruments in an entity's financial statements. IFRS 7 replaces IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions and some of the requirements of IAS 32 – Financial Instruments: Disclosure and Presentation. The amendment to IAS 1 introduces requirements for the disclosures about an entity's capital. The group will apply IFRS 7 and the amendment to IAS 1 from 1 January 2007. The application of these standards is not expected to have any impact on the group's financial results, but will expand on the existing disclosures surrounding financial instruments and risk management.

(ii) IFRS 8 - Operating Segments

IFRS 8 requires an entity to adopt a management approach to reporting the financial performance of its operating segments. Generally, the information to be reported would be what management is currently using internally for evaluating segment performance and deciding how to allocate resources to operating segments. The application of the IFRS is expected to change the disclosure and measurement basis applied to segment reporting by the group and is not expected to have a significant impact on the group. The group intends to apply IFRS 8 from its effective date, which is for annual periods commencing on or after 1 January 2009.

for the year ended 31 December

2 STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE (continued)

2.2 Interpretations

The following interpretations of existing standards are not yet effective and have not been early-adopted by the group:

(i) IFRIC 7 - Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies

The interpretation clarifies the requirements under IAS 29 relating to

- how comparative amounts in financial statements should be restated when an entity identifies the existence of hyperinflation in the economy of the currency in which its financial statements are measured (its 'functional currency'), when that economy was not hyperinflationary in the prior period, and
- · how deferred taxation items in the opening balance sheet should be restated.

The application of IFRIC 7 is not expected to have any impact on the group's financial results and will be applied from its effective date, which if for annual periods commencing on or after 1 March 2006.

(ii) IFRIC 8 - Scope of IFRS 2

IFRIC 8 clarifies that IFRS 2 – Share-based Payments applies to arrangements where an entity makes share-based payments for apparently nil or inadequate consideration.

IFRIC 8 explains that, if the identifiable consideration given appears to be less than the fair value of the equity instruments granted or liability incurred, other consideration typically has been or will be received. IFRS 2 therefore applies.

IFRIC 8 is effective for annual periods beginning on or after 1 May 2006. The group has early-adopted this interpretation.

(iii) IFRIC 9 - Reassessment of Embedded Derivatives

The interpretation clarifies that reassessment of whether an embedded derivative should be separated from its host contract is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The group will apply the requirements of the interpretation from its effective date, which is for annual periods beginning on or after 1 June 2006, and it is not expected to have any significant impact on the group.

(iv) IFRIC 10 – Interim Financial Reporting and Impairment

The interpretation clarifies the requirement pertaining to the reversal of impairment losses recognised in an interim period in respect of

- · goodwill,
- · investments in equity instruments classified as available for sale, and
- · financial assets measured at cost that would normally be required to be measured at fair value in terms of IAS 39.

Such impairment losses recognised in an interim financial statement period must not be reversed in subsequent interim or annual financial statements. An entity is required to apply the interpretation to goodwill prospectively from the date at which it first applied IAS 36 and to apply the interpretation to investments in equity instruments and financial assets prospectively from the date IAS 39 was first applied.

The impact on the group has been assessed as follows:

The group reports quarterly. Any identified impairments raised at this stage will not be reversed. The group will apply the requirements of the interpretation from its effective date, which is for annual periods commencing on or after 1 November 2006.

(v) IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

This interpretation clarifies that where a parent grants rights to its equity instruments to the employees of a subsidiary, the subsidiary shall measure the services received from its employees in accordance with the requirements applicable to equity-settled share-based payment transactions, with a corresponding increase in equity.

Nedbank Limited, the parent company, grants share options over its shares to employees of Nedbank Limited. Nedbank Limited measures the services received from its employees in accordance with the requirements applicable to cash-settled share-based payment transactions, with a corresponding increase in liabilities. This is due to the fact that, when share options are exercised by employees, Nedbank Limited is required to pay to Nedbank Group Limited the difference between the listing value and the exercise price of the share options.





The impact of this change cannot be estimated reliably. This interpretation will be applied from its effective date for annual periods beginning on or after 1 March 2007.

(vi) IFRIC 12 - Service concession arrangements

The interpretation clarifies the application of existing IFRSs by concession operators for obligations under concession arrangements and rights received in service concession arrangements. The group will apply the requirements of the interpretation from its effective date, which is for annual periods commencing on or after 1 January 2008.

The group is not currently party to concession arrangements. As such, IFRIC 12 is not expected to have any impact on the group.

3 KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board. In the preparation of the financial statements the bank has assumed certain key sources of estimation in recording various assets and liabilities, as set out below.

3.1 Credit impairment of loans and advances

The bank adopted an incurred-loss approach to impairment. Impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more past events that has occurred since initial recognition. This necessitates the establishment of 'impairment triggers' on the occurrence of which an impairment loss is recognised.

Credit impairment is based on discounted estimated future cash flows on an asset or group of assets, where such objective evidence of impairment exists. The discount rate used to calculate the recoverable amount excludes consideration of any anticipated future credit losses.

The bank has created a provision for incurred but not reported (IBNR) losses. The purpose of the IBNR provision is to allow for latent losses on a portfolio of loans and advances that have not yet been individually evidenced. Generally, a period of time will elapse between the incurrence of an impairment event and objective evidence of the impairment becoming evident, which is known as the 'emergence period'. The IBNR provision is based on the probability that loans that are ostensibly performing at the calculation date are impaired, and objective evidence of that impairment becomes evident during the emergence period.

The implementation of these principles is at a divisional level and will be specific to the nature of their individual loan portfolios and the loan loss data available to that division.

3.2 Goodwill

The group determines the 'value in use' of individual cash-generating units (CGUs) by discounting expected future cash flows of each identified CGU. The risk-adjusted discount rate is approximately 12,5 percent. The value in use is then compared to the carrying value of that CGU and an impairment raised, if required.

The calculation uses cash flow projections from business plans for the forthcoming three years, which are then extrapolated for two further years. Extrapolation is achieved using a long-term growth rate, which varies between three and five percent. Impairment losses are not reversed.

3.3 Deferred taxation asset

The deferred taxation asset is recognised based on the probability that sufficient future taxable profits will be available to realise the asset carried for assessed losses within a three- to five-year horizon.

Refer to note 1.6 for further information.

3.4 Fair value through profit or loss

For valuation methodologies utilised to fair value designated financial instruments through profit or loss, (refer to note 20).

3.5 Private equity investment valuations

Private equity investments are based on the underlying value of the net assets and unrecognised intangible assets within the investment vehicles concerned. These values are established either by independent valuers or the directors of those vehicles and are reviewed by Nedbank Limited's Investment Committee.

for the year ended 31 December

4 GROUP BALANCE SHEET – CATEGORIES OF FINANCIAL INSTRUMENTS

		_	At fair valu	ue through or loss	III-ld to	**	Available-	** Financial	Non-
	Notes	Total Rm	Held for trading Rm	* Designated Rm	Held-to- maturity investments Rm	Loans and receivables	financial assets Rm	liabilities at amortised cost Rm	financial assets and liabilities Rm
2006									
Assets									
Cash and cash equivalents	17	11 165				11 165			
Other short-term securities	18	13 855	7 117	6 738					
Derivative financial instruments	19.1	10 314	10 314						
Government and									
other securities	21	22 031	3 066	10 219	3 599	5 147			
	2 & 23	319 180	22 261	25 805		271 114			
Other assets	24	5 120		277		4 843			
Clients' indebtedness for		2 = 4.4							2 = 4 4
acceptances	25	2 544							2 544
Current taxation receivable	25	138		4 272			4.042		138
Investment securities	26	2 385		1 373			1 012		41
Non-current assets held for sale Investments in associate	28	41							41
companies and joint ventures	27	690							690
Deferred taxation asset	29	48							48
Investment property	30	66							66
Property and equipment	31	3 323							3 323
Long-term employee benefit asset	s 32	1 357							1 357
Computer software and	22	4 226							4 226
capitalised development costs Mandatory reserve deposits	33	1 236							1 236
with central bank	17	7 026				7 026			
Goodwill	34	1 369	10.750	44.445	2 500	200 205	4.040		1 369
Total assets		401 888	42 /58	44 412	3 599	299 295	1 012		10 812
Total equity and liabilities	25.1	27							27
Ordinary share capital	35.1	27 14 422							27 14 422
Ordinary share premium Reserves		9 583							9 583
		9 303							9 303
Total equity attributable to equity holders of the parent		24 032	_	_	_	_	_	_	24 032
Preference share capital and									
premium	35.2	2 770							2 770
Minority shareholders' equity	JJ.L	_ , , ,							_,,,
attributable to:									
– ordinary shareholders		955							955
– preference shareholders	35.3	300							300
Total equity		28 057	-	-	-	_	_	-	28 057
Derivative financial instruments	19.1	11 549	11 549						
Amounts owed to depositors	36	339 164	17 750	9 436				311 978	
Other liabilities	36.4	9 098	3 137					5 961	
Liabilities under acceptances		2 544							2 544
Current taxation liabilities	25	338							338
Deferred taxation liabilities	29	1 410							1 410
Long-term employee benefit liabili		1 210							1 210
Long-term debt instruments	37	8 518		4 131				4 387	
Total liabilities		373 831		13 567	_	-			5 502
Total equity and liabilities		401 888	32 436	13 567	-	-	-	322 326	33 559



	-	At fair valu	ue through or loss	Held-to-	**	Available-	** Financial liabilities at	Non- financial
Notes	Total Rm	Held for trading Rm	* Designated Rm	maturity investments Rm	Loans and receivables	financial assets Rm		
2005								
Assets								
Cash and cash equivalents 17	10 586				10 586			
Other short-term securities 18	9 496	6 898			1 866	732		
Derivative financial instruments 19.1	12 534	12 534						
Government and								
other securities 21	22 505	5 645	1 857	6 340	8 663			
Loans and advances 22 & 23	249 162	21 655	23 333		204 174			
Other assets 24	5 088		121		4 967			
Clients' indebtedness for								
acceptances	1 248							1 248
Current taxation receivable 25	119							119
Investment securities 26	2 419		1 652	483		284		
Non-current assets held for sale 28	66							66
Investments in associate								
companies and joint ventures 27	397							397
Deferred taxation asset 29	626							626
Investment property 30	87							87
Property and equipment 31	3 039							3 039
Long-term employee benefit assets 32	1 225							1 225
Computer software and								
capitalised development costs 33	1 281							1 281
Mandatory reserve deposits								
with central bank 17	5 732				5 732			
Goodwill 34	1 370							1 370
Total assets	326 980	46 732	26 963	6 823	235 988	1 016	_	9 458
Total equity and liabilities								
Ordinary share capital 35.1	27							27
Ordinary share premium	14 422							14 422
Reserves	6 263							6 263
Total equity attributable to								
equity holders of the parent	20 712	_	_	_	_	_	_	20 712
Preference share capital and								
premium 35.2	2 770							2 770
Minority shareholders' equity								
attributable to								
ordinary shareholders	872							872
preference shareholders 35.3	0.2							0.2
Total equity	24 354	_	_	_	_	_	_	24 354
Derivative financial instruments 19.1	15 463	15 463						
Amounts owed to depositors 36	271 244	14 120	8 792				248 332	
Other liabilities 36.4	5 224	814					4 410	
Liabilities under acceptances	1 248							1 248
Current taxation liabilities 25	333							333
Deferred taxation liabilities 29	774							774
Long-term employee benefit liabilities 32	1 067							1 067
Long-term debt instruments 37			580				6 693	. 001
Total liabilities	302 626	30 397	9 372				259 435	3 422
Total equity and liabilities	326 980	30 397	9 372				259 435	27 776

 $^{{\}it *Refer to note 20 in respect of financial instruments designated at fair value through profit and loss.}$

^{**}The carrying value of loans and receivables and financial liabilities at amortised cost approximates fair value, due to the variable rate of interest that is charged or received.

4	GROUP BALANCE SHEE	– CATEGORIES OF FINANCIAL INSTRUMENTS	(continued)

					`	,	2	006 Rm	2005 Rm
4.	1 Fair values of held-to-mat Government and other secu Investment securities		nents				3	599	6 340 483
5 LI	QUIDITY GAP								
_			>3 months :		-		Non-deter-		
Rı	n	<3 months	<6 months	<1 year	<5 years	>5 years	minant	Foreign	Total
Ci (ii	006 ash and cash equivalents ncluding mandatory reserve								
	eposits with central bank)	10 916	4 520	2 107		40	6 365	870	18 191
	ther short-term securities	9 166	1 538	2 107	2 227	4 020		1 044	13 855
	erivative financial instruments overnment and other securities	218 2 097	4 126 4	402 505	3 227 12 285	1 938 4 292		403 2 848	10 314 22 031
	pans and advances	74 748	8 790	12 468	91 248	108 574	16 032	7 320	319 180
	on-rate-sensitive assets	74 746	48	56	101	883	16 475	7 320	18 317
	roup companies	112	70	30	101	003	10 47 5	(112)	
_		98 011	14 506	15 538	106 861	115 727	38 872		401 888
	otal equity and liabilities						28 013	44	28 057
	erivative financial instruments	182	3 434	336	4 338	2 902	20 0 13	357	11 549
	mounts owed to depositors	263 884	16 683	28 053	8 735	4 721	5 416	11 672	
	on-rate-sensitive liabilities	1 567	4	39	1 099	2 069	9 650	172	14 600
	ong-term debt instruments	21		4 254	2 572	1 543		128	8 518
	· ·	265 654	20 121	32 682	16 744	11 235	43 079	12 373	401 888
N	et liquidity gap	(167 643)	(5 615)	(17 144)	90 117	104 492	(4 207)	_	_
2	005								
	ash and cash equivalents ncluding mandatory reserve								
	eposits with central bank)	8 416	134			60	6 317	1 391	16 318
	ther short-term securities	7 936	109		60			1 391	9 496
D	erivative financial instruments	199	3 688	367	4 361	3 462		457	12 534
G	overnment and other securities	12 250		30	7 831	1 109		1 285	22 505
Lo	pans and advances	61 728	7 887	10 883	74 307	82 724	6 490	5 143	249 162
Ν	on-rate-sensitive assets	1 855	124	182	110	198	14 201	295	16 965
_		92 384	11 942	11 462	86 669	87 553	27 008	9 962	326 980
To	otal equity and liabilities						24 179	175	24 354
	erivative financial instruments	171	3 266	316	5 818	5 599		294	15 464
	mounts owed to depositors	125 364	55 191	47 718	10 420	4 419	18 587	8 911	270 610
Ν	on-rate-sensitive liabilities	6 200	54	129	347	22	2 316	198	9 266
Lo	ong-term debt instruments	3		2 064	4 835			384	7 286
_		131 738	58 511	50 227	21 420	10 040	45 082	9 962	326 980
N	et liquidity gap	(39 354)	(46 569)	(38 765)	65 249	77 513	(18 074)	_	-



6 INTERES	FRATE	REPRIC	ING GAP
-----------	--------------	--------	---------

2006		years >5 years	and foreign	Total
Total assets 275 809 1 408	3 896 2	1 892 10 281	88 602	401 888
Total equity and liabilities 240 075 14 283	29 312	7 166 1 706	109 346	401 888
Interest rate hedging activities 3 563 6 865	6 730 (1	0 551) (6 607)		_
Repricing profile 39 297 (6 010)	(18 686)	4 175 1 968	(20 744)	_
Cumulative repricing profile 39 297 33 287	14 601 1	8 776 20 744		
Expressed as a percentage of total assets 9,8 8,3	3,6	4,7 5,2		
2005				
Total assets 224 523 2 945	2 728 1	19 953 11 174	65 657	326 980
Total equity and liabilities 200 016 21 907	19 582 1	12 147 486	72 842	326 980
Interest rate hedging activities (15 413) 17 918	11 409	7 279 6 636		27 829
Repricing profile 9 094 (1 044)	(5 445) 1	15 085 17 324	(7 185)	27 829
Cumulative repricing profile 9 094 8 050	,	17 690 35 014	,	
Expressed as a percentage of total assets 2,8 2,5	0,8	5,4 10,7		
7 INTEREST AND SIMILAR INCOME				
		2006		2005
		Rm		Rm
Mortgage loans		12 577		9 934
Finance lease and instalment debtors		4 196		3 303
Bills and acceptances		123		264
Overdrafts		1 235		1 119
Term loans and other		6 826		6 384
Government and public sector securities		1 449		1 200
Short-term funds and securities		683		370
		27 089	i	22 574
8 INTEREST EXPENSE AND SIMILAR CHARGES				
Deposit and loan accounts		10 349		8 069
Current and savings accounts		1 126		920
Negotiable certificates of deposit		2 820		2 428
Other liabilities		1 332		1 508
Long-term debt instruments		973		953
		16 600		13 878

for the year ended 31 December

	2006	2005
	Rm	Rm
NON-INTEREST REVENUE		
Commission and fee income	6 324	5 468
– Securities handling		3
- Cash-handling fees	329	325
– Insurance commission	410	298
– Exchange commission	222	213
– Fees	627	644
– Guarantees	73	63
- Service charges	1 656	1 731
– Other commissions	3 007	2 191
Exchange and other non-interest income	462	210
– Derivative income	222	24
– Exchange	26	30
– Securities dealings	254	349
– Fair-value adjustments	(40)	(193)
Net trading income	1 198	858
– Foreign exchange	603	643
– Debt securities*	551	352
– Equities*	43	(126)
– Other	1	(11)
Rental income	4	57
– Rents received	2	53
 Rental income from properties in possession 	2	4
Investment income	170	131
– Dividend received	164	130
– Surplus on sale of banking investments	6	1
Foreign currency translation gains	1	139
Sundry income*^	407	591
	8 566	7 454

^{*}Restatement of 2005 results - Reclassification of transaction costs in non-interest revenue (NIR)

Expenses amounting to R51 million (2005: R78 million), directly related to NIR, have been reclassified from operating expenses, consistent with industry practice, and have been included in NIR.

These expenses represent transaction costs directly attributable to the acquisition of trading instruments recorded at fair value, which do not include transaction costs. The carrying amount of trading instruments, other than those at fair value through profit or loss, generally includes transaction costs. Consequently, transaction costs that would be included in the determination of the effective interest rate of the instruments and the interest attributable to the instrument have been disclosed within NIR. Comparative results have been restated accordingly.

^Sundry income includes R135 million (2005: R110 million) gross profit, comprising turnover of R338 million (2005: R291 million) and cost of sales of R203 million (2005: R181 million).



	2006 Rm	2005 Rm
OPERATING EXPENSES		
Staff costs	6 237	5 239
Salaries and wagesLong-term employee benefitsShare-based payments expense – employees	5 777 67 393	5 137 (23) 125
Computer processing	1 371	1 222
 Depreciation for computer equipment Amortisation of computer software Operating lease charges for computer equipment Other computer processing expenses 	215 428 118 610	199 413 109 501
Communication and travel Occupation and accommodation	454 910	444 898
Depreciation for owner-occupied land and buildingsOperating lease charges for land and buildingsOther occupation and accommodation expenses	61 315 534	59 322 517
Marketing and public relations Fees and insurances	797 1 337	594 1 221
– Auditors' remuneration	81	82
Audit fees – current yearAudit fees – prior yearOther services	52 4 25	58 24
– Other fees and insurance costs*	1 256	1 139
Office equipment and consumables	247	291
 Depreciation for furniture and other equipment Depreciation for vehicles Operating lease charges for furniture and other equipment Other office equipment and consumables 	160 5 30 52	161 6 41 83
Other sundries* Fees to alliance partners	238 (10)	267 19
Old MutualMacquarie	(10)	(14) 33
Total operating expenses	11 581	10 195
Included in staff costs are the following: Executive directors' remuneration** Non-executive directors' remuneration**	16 9	16 8
	25	24

^{*}Refer note 9 on non-interest revenue for information on the reclassification of 2005 results.

Certain expenses incurred by the company on behalf of subsidiary companies are recovered from subsidiary companies.

^{**}Refer to pages 113 to 115 of the Remuneration Report for a detailed breakdown of directors' remuneration.

		2006 Rm	2005 Rm
11	OTHER OPERATING EXPENSES 11.1 Merger and recovery programme expenses Property-related Other		17 6
	Recovery programme expenses Merger expenses	-	23 98
		-	121
	11.2 BEE transaction expenses BEE share-based payment expenses Fees	136 8	156 22
		144	178
	Refer to note 43 for a description of the BEE scheme.		
12	INDIRECT TAXATION Value-added taxation RSC levies Revenue stamps Other transaction taxes	260 33 1 40	117 59 14 23
		334	213
	The value-added taxation comprises that portion which is irrecoverable as a result of the interest earned in the banking sector.		
13	NON-TRADING AND CAPITAL ITEMS Impairment of goodwill Profit on sale of subsidiaries, investments and property and equipment Impairment of investments Impairment of property and equipment, software and capitalised development costs Other non-trading and capital items	(1) 242 (3) (55)	(1) 934 (103) (7) 10
		183	833
14	DIRECT TAXATION 14.1 Charge for the year South African normal taxation		
	 Current charge at 29% Capital gains taxation Deferred taxation Change due to taxation rate decreasing from 30% to 29% Benefit of taxation losses utilised Foreign taxation 	358 18 1 133	261 32 502 37 (31) 81
	Current and deferred taxation on income Prior-year underprovision – current taxation Prior-year overprovision – deferred taxation	1 573 (44) 67	882 408 (387)
	Total taxation on income Secondary taxation on companies (STC) Taxation on non-trading and capital items	1 596 49 24	903 (5) 37
	Impairment of fixed assets Profit on sale of subsidiaries, investments and property	(14) 38	37
		1 669	935



	2006 %	2005 %
14 DIRECT TAXATION (continued)		
14.2 Taxation rate reconciliation (excluding non-trading and capital items)		
Standard rate of South African normal taxation	29	29
Non-taxable dividend income	(3)	(6)
Differences between foreign taxation rates and		
South African taxation rate		(1)
Translation gains/(losses)		(1)
Effect of taxation losses utilised	(1)	(1)
Risk provision	3	2
Structured deals	(1)	(5)
STC	1	
Other	1	3
Total taxation on income as percentage of profit before taxation		
(excluding transaction taxes and non-trading and capital items)	29	20

14.3 Future taxation relief

The group has estimated taxation losses of R6 883 million (2005: R7 958 million) that can be set off against future taxable income, of which R6 113 million (2005: R7 662 million) has been applied to a deferred taxation balance. The majority of the unrecognised deferred tax asset relates to the non-recognition of deferred tax assets on assessed losses on the initial acquisition of an entity, where the recognition of these would have caused negative goodwill. Furthermore, the group has accumulated STC credits amounting to R304 million at the year-end (2005: R570 million), which have arisen as a result of dividends received exceeding dividends paid. A deferred taxation asset of R26 million (2005: R64 million) has been raised on these STC credits.

15 EARNINGS PER SHARE

Basic 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 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.

	Basic		Headline	
2006	Basic	Diluted	Basic	Diluted
Profit attributable to equity holders of the parent	3 870	3 870	3 870	3 870
Adjusted for:				
 Non-trading and capital items (per note 13) 			(183)	(183)
 Taxation on non-trading and capital items 				
(per note 14)			24	24
Adjusted profit attributable to equity holders				
of the parent	3 870	3 870	3 711	3 711
Weighted average number of ordinary shares	27 240 023	27 240 023	27 240 023	27 240 023
Adjusted for:				
 Share schemes that have a dilutive effect 				
Adjusted weighted average number				
of ordinary shares	27 240 023	27 240 023	27 240 023	27 240 023
Earnings per share (cents)	14 206	14 206	13 622	13 622

for the year ended 31 December

			Basic		eadline
	2005	Basic	Diluted	Basic	Diluted
15	EARNINGS PER SHARE (continued)				
	Profit attributable to equity holders of the parent	4 228	4 228	4 228	4 228
	Adjusted for:				
	 Non-trading and capital items (per note 13) 			(833)	(833)
	 Taxation on non-trading and capital items 				
	(per note 14)			37	37
	Adjusted profit attributable to equity holders				
	of the parent	4 228	4 228	3 432	3 432
	Weighted average number of ordinary shares	26 876 034	26 876 034	26 876 034	26 876 034
	Adjusted for:				
	 Share schemes that have a dilutive effect 				
	Adjusted weighted average number				
	of ordinary shares	26 876 034	26 876 034	26 876 034	26 876 034
	Earnings per share (cents)	15 731	15 731	12 770	12 770

16 DIVIDENDS

	Last date to register	Millions of shares	Cents per share	Rm
16.1 Ordinary shares				
2006				
Final declared for 2005 – paid 2006	26 Apr 06	27	1 488	402
Interim declared for 2006	15 Sep 06	27	985*	266
Ordinary dividends paid in 2006			2 473	668
Final ordinary dividend declared for 2006			941*	
2005				
Final declared for 2004 – paid 2005	23 Mar 05	27	760	204
Interim declared for 2005	4 Aug 05	27	1 191**	320
Ordinary dividends paid in 2005			1 951	524
Final ordinary dividend declared for 2005			1 488**	

^{*}Total dividend declared for 2006 = 1 926 cents per share.

Dividends exclude minority interest in subsidiary companies.

16.2	Preference	shares
------	------------	--------

Days	Rate %	Rm
184	7,88	110
159	7,88	95
22	8,25	14
365		219
	184 159 22	184 7,88 159 7,88 22 8,25

	Number of shares	Cents per share	Rm
Dividends declared			
Final declared for 2005 – paid March 2006	277 298 896	40	110
Interim declared for 2006 – paid August 2006	277 298 896	40	109
			219
Final declared for 2006 – payable March 2007	277 298 896	44	122

^{**}Total dividend declared for 2005 = 2 679 cents per share.



16.2 Preference shares	(continued)
------------------------	-------------

2005	Days	Rate %	Rm
Dividends paid			
1 Jul 2004 – 15 Aug 2004	46	8,63	30
16 Aug 2004 – 31 Dec 2004	138	8,25	87
1 Jan 2005 – 17 Apr 2005	107	8,25	67
18 Apr 2005 – 30 Jun 2005	74	7,88	44
	365		228
	Number	Cents	
	of shares	per share	Rm
Dividends declared			
Final declared for 2004 – paid March 2005	277 298 896	42	117
Interim declared for 2005 – paid August 2005	277 298 896	40	111
			228

17 CASH AND CASH EQUIVALENTS

		2006 Rm	2005 Rm
	Coins and banknotes Money at call and short notice Balances with central banks – other than mandatory reserve deposits	2 293 8 753 119	1 761 8 162 663
	Cash and cash equivalents excluding mandatory reserve deposits with central banks Mandatory reserve deposits with central banks	11 165 7 026 18 191	10 586 5 732 16 318
	Money at call and short notice constitutes amounts withdrawable in 32 days or less. Mandatory reserve deposits are not available for use in the group's day-to-day operations. Cash on hand, balances with central banks and mandatory reserve deposits are non-interest-bearing. Other money market placements are floating interest rate assets.		
18	OTHER SHORT-TERM SECURITIES 18.1 Analysis Negotiable certificates of deposit Treasury bills Other	7 816 6 039 13 855	5 018 3 746 732 9 496
	18.2 Sectoral analysis Banks Government and public sector	7 816 6 039 13 855	5 018 4 478 9 496

for the year ended 31 December

19 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 otherwise 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 specific 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 a 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 the contract. Collateral may be in the form of cash or in the form of a lien over a client's assets entitling the group to make a claim for current and future liabilities.

Risk monitoring

Details of the group's financial risk management objectives and policies are included within the Risk and Capital Management Report on pages 122 to 163 and the interest rate risk analysis is detailed on page 47.

	2006	2005
	Rm	Rm
19.1 Total carrying amount of derivative financial instruments		
Gross carrying amount of assets	10 314	12 534
Gross carrying amount of liabilities	(11 549)	(15 463)
Net carrying amount	(1 235)	(2 929)

A detailed breakdown of the carrying amount, notional principal and fair value of the various types of derivative financial instruments held by the group is presented in the following tables.



19.2 Notional principal of derivative financial instruments

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 basis of the notional amounts and other terms of the derivative, which relate to interest rates, exchange rates, securities' prices or financial and other indices.

		2006			2005	
	Notional	Positive	Negative	Notional	Positive	Negative
	principal	value	value	principal	value	value
	Rm	Rm	Rm	Rm	Rm	Rm
Equity derivatives	34 415	19 778	14 637	85 531	28 911	56 620
Options written	14 424	(1 875)	16 298	34 173		34 173
Options purchased	17 981	20 671	(2 690)	28 911	28 911	
Futures	2 010	982	1 028	22 447		22 447
Exchange rate contracts	193 939	101 887	92 052	128 587	68 558	60 029
Forwards	179 006	95 477	83 529	121 688	64 401	57 287
Exchange futures	29	14	15			
Currency swaps	13 404	5 614	7 790	6 378	3 698	2 680
Options purchased	782	782		485	459	26
Options written	718		718	36		36
Interest rate contracts	332 224	156 321	175 903	396 097	185 619	210 478
Interest rate swaps	219 476	94 387	125 089	250 143	115 163	134 980
Forward rate agreements	90 103	48 658	41 445	115 745	57 314	58 431
Options purchased	2 780	2 780		2	2	
Options written	1 415		1 415	2 367		2 367
Futures	10 092	6 087	4 005	18 676	8 608	10 068
Caps	5 591	3 162	2 429	3 955	1 682	2 273
Floors	2 176	796	1 380	4 889	2 530	2 359
Credit-linked notes	_			225	225	
Credit default swaps	591	451	140	95	95	
Total notional principal	560 578	277 986	282 592	610 215	283 088	327 127

for the year ended 31 December

19 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

19.3 Carrying amount of derivative financial instruments

The amounts disclosed represent the value of all derivative instruments held at year-end. 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-pricing models.

		2006			2005	
	Net	Carrying	Carrying	Net	Carrying	Carrying
	carrying	amount of	amount of	carrying	amount of	amount of
	amount	assets	liabilities	amount	assets	liabilities
	Rm	Rm	Rm	Rm	Rm	Rm
Equity derivatives	68	2 335	2 267	(43)	1 714	1 757
Options written	(2 105)	(1)	2 104	(1 723)		1 723
Options purchased	2 109	2 109		1 699	1 699	
Futures	64	227	163	(19)	15	34
Exchange rate contracts	518	4 845	4 327	503	3 896	3 393
Forwards	598	4 423	3 825	339	3 337	2 998
Exchange futures	(1)	14	15			
Currency swaps	(79)	402	481	139	532	393
Options purchased	6	6		27	27	
Options written	(6)		6	(2)		2
Interest rate contracts	(1 821)	3 134	4 955	(3 389)	6 924	10 313
Interest rate swaps	(1 849)	3 033	4 882	(3 386)	6 124	9 510
Forward rate agreements	19	67	48	(2)	95	97
Options purchased	3	3				
Options written	(15)		15	(10)		10
Futures	2	4	2	2	691	689
Caps	5	12	7	(1)		1
Floors	3	4	1	4	10	6
Credit default swaps	11	11		4	4	
Total carrying amount	(1 235)	10 314	11 549	(2 929)	12 534	15 463

	Exchange rate contracts Rm	Interest rate contracts Rm	Equity derivatives Rm	Total Rm
9.4 Analysis of derivative financial instruments				
Positive fair value of derivatives				
2006				
Maturity analysis				
Under one year	4 067	417	664	5 148
One to five years	691	996	1 539	3 226
Over five years	87	1 721	132	1 940
	4 845	3 134	2 335	10 314
2005				
Maturity analysis				
Under one year	3 628	454	629	4 711
One to five years	41	3 301	1 019	4 361
Over five years	227	3 169	66	3 462
	3 896	6 924	1 714	12 534



	Exchange rate	Interest rate	Equity	
	contracts Rm	contracts Rm	derivatives Rm	Total Rm
19.4 Analysis of derivative financial instruments (continued)				
Negative fair value of derivatives				
2006				
Maturity analysis				
Under one year	3 518	342	450	4 310
One to five years	763	1 820	1 755	4 338
Over five years	46	2 793	62	2 901
	4 327	4 955	2 267	11 549
2005				
Maturity analysis				
Under one year	2 949	457	640	4 046
One to five years	430	4 339	1 049	5 818
Over five years	14	5 517	68	5 599
	3 393	10 313	1 757	15 463
Notional principal of derivatives				
2006				
Maturity analysis				
Under one year	170 563	164 525	22 205	357 293
One to five years	18 809	117 527	11 549	147 885
Over five years	4 567	50 172	661	55 400
	193 939	332 224	34 415	560 578
2005				
Maturity analysis				
Under one year	123 493	212 664	69 488	405 645
One to five years	1 929	125 983	15 427	143 339
Over five years	3 165	57 450	616	61 231
	128 587	396 097	85 531	610 215

20 FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

The group has satisfied the criteria for designation of financial instruments at fair value through profit or loss in terms of the accounting policy adopted in the annual financial statements.

Various fixed-rate advances are entered into by the bank. The overall interest rate risk of the bank is then hedged by the Asset and Liability Management Division by way of an interest rate swap. The interest rate risk is then passed out to the market through the trading desk.

The swaps and frontdesk trading instruments meet the definition of 'derivatives', and are therefore held at fair value in terms of IAS 39. The fixed-rate advances, however, do not meet this definition. Therefore, to avoid an accounting mismatch by holding the advances at amortised cost and the balance of the hedging schemes' instruments at fair value, the advances are designated at fair value through profit or loss and are therefore held at fair value.

Various instruments are designated at fair value through profit or loss consistent with the relevant entity's documented risk management or investment strategy.

In these investment strategies, the fair value is the instrument attribute that is managed and reviewed on a regular basis. Business strategies, operating mandates and/or investment strategies are aligned with the fair value of the instruments.

The risk of the portfolio is measured and monitored on a fair-value basis. Performance measurement is directly aligned to the fair value, and is reported to key management staff on a regular basis.

	Maximum			
	exposure to credit risk Rm	period (refer to note 23) Rm	Cumulative Rm	
NANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE				
HROUGH PROFIT OR LOSS (continued)				
0.1 Financial assets designated at fair value through				
profit or loss				
2006				
Negotiable certificates of deposit (NCDs) purchased	1 044			
Treasury bills	5 694			
Government-guaranteed	8 957			
Other dated securities	1 262			
Commercial mortgage loans	10 930	(34)	9	
Instalment credit	64	3	4	
Leases and debentures	192			
Preference shares	1 344			
Debentures	7			
Loans and advances (secured and unsececured)	7 289		10	
Unsecured loans and advances	24			
Overdrafts	31			
Foreign correspondents	2 061			
Other loans	2 480	3	94	
Trade and other bills and acceptances	699			
Loans to other banks	684			
Debtors and accruals	277			
Listed investments	607			
Unlisted investments	383			
Endowment policy	383			
	44 412	(28)	117	
2005				
Government-guaranteed	1 417			
Other dated securities	440	4.5	40	
Commercial mortgage loans	12 431	12	43	
Instalment credit	140	(2)	1	
Leases and debentures	253			
Preference shares	1 834			
Debentures	8		10	
Loans and advances (secured and unsececured)	4 578		10	
Unsecured loans and advances	31	74	0.4	
Other loans	2 557	71	91	
Trade and other bills and acceptances	1 501			
Debtors and accruals Listed investments	121			
Unlisted investments Unlisted investments	751			
LIGHTER INVESTMENTS	442			
	450			
Endowment policy	459 26 963	81	145	



Nedbank Limited has estimated the change in credit risk in accordance with the guidance contained with the 'Amendments to IAS 39: Recognition and Measurement: The Fair Value Option' as the amount of the change in fair value of the financial instrument that is not attributable to changes in market conditions that give rise to market risk. For loans and receivables that have been designated at fair value through profit or loss, individual credit spreads are determined at inception as the difference between the benchmark interest rate and the interest rate charged to the client. Subsequent changes in the benchmark interest rate and the credit spread give rise to changes in fair value in the financial instrument. Loans and receivables are reviewed for observable changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. No credit derivatives are used to hedge the credit risk on any of the financial assets designated at fair value through profit or loss.

	Fair value	Contractually payable at maturity	Difference	_	fair value due in credit risk Cumulative
	Rm	Rm	Rm	Rm	Rm
2 Financial liabilities designated					
at fair value through profit or loss					
2006					
Long-term subordinated-					
debt instruments	(4 130)	(4 122)	8	8	8
Call and term deposits	(1 957)	(1 944)	13	2	3
Fixed deposits and shares	(258)	(261)	(3)	(2)	(1)
Promissory notes and other liabilities	(1 735)	(1 740)	(5)	9	5
Foreign currency liability	(5 486)	(5 483)	3		
	(13 566)	(13 550)	16	17	15
2005					
Long-term subordinated-					
debt instruments	(580)	(533)	47		
Call and term deposits	(2 353)	(2 226)	127	3	1
Fixed deposits and shares	(3 683)	(3 672)	11	1	1
Promissory notes and other liabilities	(1 936)	(1 813)	123	(3)	(4)
Foreign currency liability	(418)	(413)	5		
Negotiable certificates of deposit	(402)	(394)	8		
	(9 372)	(9 051)	321	1	(2)

The change in fair value due to credit risk has been determined as the difference between fair values determined using a liability curve (adjusted for credit) and a risk-free liability curve.

The curves were constructed using a standard bootstrapping process to drive a zero-coupon yield curve. The credit adjusted curve was based on offer rates of negotiable certificates of deposit (NCDs) and promissory notes (PNs) out to five years, and thereafter the offer rates of bonds.

for the year ended 31 December

	2006 Rm	2005 Rm
GOVERNMENT AND OTHER SECURITIES		
21.1 Analysis		
Government and government-guaranteed securities	12 497	14 483
Other dated securities	9 534	8 022
	22 031	22 505
21.2 Sectoral analysis		
Financial services, insurance and real estate	2 008	2 033
Banks	6 690	1 893
Manufacturing	24	11
Transport, storage and communication	106	59
Government and public sector	12 497	17 894
Other services	706	615
	22 031	22 505
21.3 Valuation		
Listed securities		
– Carrying amount	21 426	22 056
– Market value	21 480	22 264
Unlisted securities		
– Carrying amount	605	449
– Directors' valuation	609	449
Total market/directors' valuation	22 089	22 713

22 LOANS AND ADVANCES

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 finance sectors.



A commercial mortgages		2006	2005
Home loans		Rm	Rm
Commercial mortgages 46 016 37 887 Properties in possession 131 300 Credit cards 5 269 4 064 Overdrafts 13 737 11 599 Other loans to clients* 69 500 53 082 Net finance lease and instalment debtors (note 22.4) 43 358 34 935 Gross investment 47 090 37 454 Uneamed finance charges (3 732) (2 519 Preference shares and debentures 6 840 5893 Factoring accounts 839 680 Trade, other bills and bankers' acceptances 1 731 3 850 Term loans 31 860 23 734 Remittances in transit 160 28 Deposits placed under reverse repurchase agreements 6 703 3 066 Impairment of advances (note 23.1) (5 128) (4 980 Comprises: — Loans and advances to clients 309 868 24 1022 — Loans and advances to clients 309 868 24 1022 — Loans and advances to clients 309 868 29 102 Pri	22.1 Classifications of loans and advances		
Properties in possession 131 309 Credit cards 5 269 4 064 Overdrafts 13 737 11 599 Other loans to clients* 69 500 53 082 Net finance lease and instalment debtors (note 22.4) 43 358 34 935 Gross investment 47 090 37 454 Uneamed finance charges (3 732) (2 519 Preference shares and debentures 6 840 5 893 Factoring accounts 8 39 680 Trade, other bills and bankers' acceptances 1 731 3 850 Term loans 31 860 23 734 Remittances in transit 160 82 Deposits placed under reverse repurchase agreements 6 703 3 066 Comprises: 324 308 254 142 Impairment of advances (note 23.1) (5 128) (4 980 Comprises: - Loans and advances to clients 30 9 868 241 022 - Loans and advances to banks 124 440 13 120 22.2 Sectoral analysis 10 440 13 120 Individuals	Home loans	98 164	74 961
Properties in possession 131 309 Credit cards 5 269 4 064 Overdrafts 13 737 11 599 Other loans to clients* 69 500 53 082 Net finance lease and instalment debtors (note 22.4) 43 358 34 935 Gross investment 47 090 37 454 Uneamed finance charges (3 732) (2 519 Preference shares and debentures 6 840 5 893 Factoring accounts 8 39 680 Trade, other bills and bankers' acceptances 1 731 3 850 Term loans 31 860 23 734 Remittances in transit 160 82 Deposits placed under reverse repurchase agreements 6 703 3 066 Comprises: 324 308 254 142 Impairment of advances (note 23.1) (5 128) (4 980 Comprises: - Loans and advances to clients 30 9 868 241 022 - Loans and advances to banks 124 440 13 120 22.2 Sectoral analysis 10 440 13 120 Individuals	Commercial mortgages	46 016	37 887
Credit cards 5 269 4 064 Overdrafts 13 737 11 598 Other loans to clients* 69 500 53 082 Net finance lease and instalment debtors (note 22.4) 43 358 34 935 Gross investment 47 090 37 454 Unearned finance charges (3 732) (2 519) Preference shares and debentures 6 840 5 893 Factoring accounts 839 680 Trade, other bills and bankers' acceptances 1 731 3 850 Term loans 31 860 82 Remittances in transit 160 82 Deposits placed under reverse repurchase agreements 6 703 3 06 Deposits placed under reverse repurchase agreements 6 703 3 06 Comprises: - 1 43 98 254 142 Comprises: - - 43 98 24 142 Comprises: - - - 13 1980 249 162 Comprises: - - - 14 440 13 120 13 120 14 14		131	309
Overdrafts 13 737 11 599 Other loans to clients* 69 500 53 082 Net finance lease and instalment debtors (note 22.4) 43 358 34 985 Gross investment 47 090 37 454 Unearned finance charges (3 732) (2 519 Preference shares and debentures 6 840 5 893 Factoring accounts 839 680 Trade, other bills and bankers' acceptances 1 731 3 850 Term loans 31 860 23 734 Remittances in transit 160 82 Deposits placed under reverse repurchase agreements 6 703 3 066 Jay 100 324 308 254 142 Impairment of advances (note 23.1) (5 128) (4 980 Comprises: 319 180 249 162 Comprises: 10 ans and advances to clients 309 868 241 022 Loans and advances to clients 309 868 241 022 Loans and advances to banks 14 440 13 120 Individuals 125 499 109 474 Banks		5 269	4 064
Other loans to clients* 69 500 53 082 Net finance lease and instalment debtors (note 22.4) 43 358 34 935 Gross investment 47 090 37 452 Unearned finance charges (3 732) (2 519 Preference shares and debentures 6 840 5 893 Factoring accounts 839 688 Trade, other bills and bankers' acceptances 1 731 3 850 Term loans 31 860 23 734 Remittances in transit 160 82 Deposits placed under reverse repurchase agreements 6 703 3066 Deposits placed under reverse repurchase agreements 6 703 3066 Comprises: 324 308 254 142 Impairment of advances (note 23.1) (5 128) (4 980 Comprises: 319 180 249 162 Comprises: 309 868 241 022 Loans and advances to clients 309 868 241 022 Loans and advances to banks 12 440 13 120 22.2. Sectoral analysis 11 440 13 120 Individuals		13 737	11 599
Net finance lease and instalment debtors (note 22.4)	Other loans to clients*	69 500	
Gross investment 47 090 37 454 Unearned finance charges (3 732) (2 519 Preference shares and debentures 6 840 5 893 Factoring accounts 839 68 840 2 893 Trade, other bills and bankers' acceptances 1 731 3 850 Term loans 31 860 23 734 Remittances in transit 160 82 Deposits placed under reverse repurchase agreements 6 703 3066 Impairment of advances (note 23.1) (5 128) (4 980 Comprises: 319 180 249 162 Loans and advances to clients 309 868 241 022 Loans and advances to banks 14 440 13 120 22.2 Sectoral analysis 324 308 254 142 Individuals 125 499 109 474 Financial services, insurance and real estate 97 498 57 831 Banks 14 440 13 120 Manufacturing 11 661 14 799 Building and property development 8 571 10 977 Transport, storage and communication 8 456 6171 Retailers, catering and			
Uneamed finance charges (3 732) (2 519)			
Preference shares and debentures		11 000	
Factoring accounts Trade, other bills and bankers' acceptances Trade, other bills and bankers' acceptances Term loans Remittances in transit Deposits placed under reverse repurchase agreements 6 703 3 066 Impairment of advances (note 23.1) Impairment of advan	-		(2 5 19
Trade, other bills and bankers' acceptances 1 731 3 850 Term loans 31 860 23 734 Remittances in transit 160 82 Deposits placed under reverse repurchase agreements 6 703 3 066 Jay 308 254 142 18 Impairment of advances (note 23.1) (5 128) (4 980 Comprises: 319 180 249 162 Comprises: 1 20 30 3868 241 022 Loans and advances to clients 309 868 241 022 Loans and advances to banks 14 440 13 120 22.2 Sectoral analysis 114 440 13 120 Individuals 125 499 109 474 Financial services, insurance and real estate 97 498 57 831 Banks 14 440 13 120 Manufacturing 11 1661 14 799 Building and property development 8 571 10 977 Transport, storage and communication 8 456 6 617 Retailers, catering and accommodation 7 446 4 323 Wholesale and trade 7 043 2 450 Mining and quarrying 5 89		6 840	5 893
Term loans 31 860 23 734 Remittances in transit 160 82 Deposits placed under reverse repurchase agreements 6 703 3 08 Impairment of advances (note 23.1) (5 128) (4 980 Comprises: 319 180 249 162 Comprises: - Loans and advances to clients 309 868 241 022 - Loans and advances to banks 14 440 13 120 324 308 254 142 324 308 254 142 22.2 Sectoral analysis 10 14 440 13 120 13 120 Individuals 125 499 109 474 10 977 Financial services, insurance and real estate 97 498 57 831 57 831 Banks 14 440 13 120 13 120 14 440 13 120 Manufacturing 11 661 14 799 10 947 14 440 13 120 12 14 440 13 120 12 14 440 13 120 12 14 440 13 120 12 14 440 13 120 14 440 13 120 14 440 13 120 14 440 13 120 14 440 13 1		839	680
Remittances in transit 160 82 Deposits placed under reverse repurchase agreements 6 703 3 066 Impairment of advances (note 23.1) (5 128) (4 980 Comprises: 319 180 249 162 Comprises: 2 Loans and advances to clients 309 868 241 022 Loans and advances to banks 14 440 13 120 22.2 Sectoral analysis 1 125 499 109 474 Individuals 125 499 109 474 Financial services, insurance and real estate 97 498 57 831 Banks 14 440 13 120 Manufacturing 11 661 14 799 Building and property development 8 571 10 977 Transport, storage and communication 8 456 6 617 Retailers, catering and accommodation 7 446 4 323 Wholesale and trade 7 043 2 450 Mining and quarrying 5 895 7 221 Agriculture, forestry and fishing 2 546 2 615 Government and public sector 6 702 2 953 Other services* 328 551 21 758 Ceg an	Trade, other bills and bankers' acceptances	1 731	3 850
Deposits placed under reverse repurchase agreements	Term loans	31 860	23 734
Marting and property development Marting and property development Marting and property development Marting and quarrying Marting and an and public sector Marting and an an and public sector Marting and an	Remittances in transit	160	82
Impairment of advances (note 23.1) (5 128) (4 980 Comprises: 319 180 249 162 Comprises: 309 868 241 022 Loans and advances to clients 309 868 241 022 Loans and advances to banks 14 440 13 120 322 308 254 142 22.2 Sectoral analysis 125 499 109 474 Individuals 125 499 109 474 Financial services, insurance and real estate 97 498 57 831 Banks 14 440 13 120 Manufacturing 11 661 14 799 Building and property development 8 571 10 977 Transport, storage and communication 8 456 6 617 Retailers, catering and accommodation 7 446 4 323 Wholesale and trade 7 043 2 450 Mining and quarrying 5 895 7 221 Agriculture, forestry and fishing 2 546 2 619 Government and public sector 6 702 2 953 Other services* 328 551 21 758 South Africa* 309 085 247 682 Other Af	Deposits placed under reverse repurchase agreements	6 703	3 066
Comprises: Loans and advances to clients 309 868 241 022		324 308	254 142
Comprises: Loans and advances to clients 309 868 241 022	Impairment of advances (note 23.1)	(5 128)	(4 980
Loans and advances to clients		319 180	249 162
Loans and advances to banks	Comprises:		
22.2 Sectoral analysis 125 499 109 474 175 499 109 474 175 499 109 474 175 499 175 499 175 499 175 499 175 499 175 499 175 499 175 499 175 499 175 499 175 499 175 499 175 499 175 499 175 499 175 499 175 498 175 499	·	309 868	241 022
22.2 Sectoral analysis 125 499 109 474 Financial services, insurance and real estate 97 498 57 831 8anks 14 440 13 120 1661 14 799 8 161 1661 14 799 8 161 1661 14 799 8 161 1661 14 799 8 161 1661	– Loans and advances to banks	14 440	13 120
Individuals 125 499 109 474 Financial services, insurance and real estate 97 498 57 831 Banks 14 440 13 120 Manufacturing 11 661 14 799 Building and property development 8 571 10 977 Transport, storage and communication 8 456 6 617 Retailers, catering and accommodation 7 446 4 323 Wholesale and trade 7 043 2 450 Mining and quarrying 5 895 7 221 Agriculture, forestry and fishing 2 546 2 619 Government and public sector 6 702 2 953 Other services* 28 551 21 758 22.3 Geographical analysis 324 308 254 142 22.3 Geographical countries 5 309 4 537 Europe 8 391 1 015 Asia 871 93 USA 394 117 Other 258 698		324 308	254 142
Individuals 125 499 109 474 Financial services, insurance and real estate 97 498 57 831 Banks 14 440 13 120 Manufacturing 11 661 14 799 Building and property development 8 571 10 977 Transport, storage and communication 8 456 6 617 Retailers, catering and accommodation 7 446 4 323 Wholesale and trade 7 043 2 450 Mining and quarrying 5 895 7 221 Agriculture, forestry and fishing 2 546 2 619 Government and public sector 6 702 2 953 Other services* 28 551 21 758 22.3 Geographical analysis 324 308 254 142 22.3 Geographical countries 5 309 4 537 Europe 8 391 1 015 Asia 871 93 USA 394 117 Other 258 698	22.2 Sectoral analysis		
Banks 14 440 13 120 Manufacturing 11 661 14 799 Building and property development 8 571 10 977 Transport, storage and communication 8 456 6 617 Retailers, catering and accommodation 7 446 4 323 Wholesale and trade 7 043 2 450 Mining and quarrying 5 895 7 221 Agriculture, forestry and fishing 2 546 2 619 Government and public sector 6 702 2 953 Other services* 28 551 21 758 22.3 Geographical analysis 309 085 247 682 Other Africa* 309 085 247 682 Other African countries 5 309 4 537 Europe 8 391 1 015 Asia 871 93 USA 394 117 Other 258 698	-	125 499	109 474
Manufacturing 11 661 14 799 Building and property development 8 571 10 977 Transport, storage and communication 8 456 6 617 Retailers, catering and accommodation 7 446 4 323 Wholesale and trade 7 043 2 450 Mining and quarrying 5 895 7 221 Agriculture, forestry and fishing 2 546 2 619 Government and public sector 6 702 2 953 Other services* 28 551 21 758 22.3 Geographical analysis 324 308 254 142 22.3 Geographical analysis 309 085 247 682 Other Africar countries 5 309 4 537 Europe 8 391 1 015 Asia 871 93 USA 394 117 Other 258 698	Financial services, insurance and real estate	97 498	57 831
Building and property development 8 571 10 977 Transport, storage and communication 8 456 6 617 Retailers, catering and accommodation 7 446 4 323 Wholesale and trade 7 043 2 450 Mining and quarrying 5 895 7 221 Agriculture, forestry and fishing 2 546 2 619 Government and public sector 6 702 2 953 Other services* 28 551 21 758 324 308 254 142 22.3 Geographical analysis 309 085 247 682 Other African countries 5 309 4 537 Europe 8 391 1 015 Asia 871 93 USA 394 117 Other 258 698	Banks	14 440	13 120
Building and property development 8 571 10 977 Transport, storage and communication 8 456 6 617 Retailers, catering and accommodation 7 446 4 323 Wholesale and trade 7 043 2 450 Mining and quarrying 5 895 7 221 Agriculture, forestry and fishing 2 546 2 619 Government and public sector 6 702 2 953 Other services* 28 551 21 758 324 308 254 142 22.3 Geographical analysis 309 085 247 682 Other African countries 5 309 4 537 Europe 8 391 1 015 Asia 871 93 USA 394 117 Other 258 698	Manufacturing	11 661	14 799
Transport, storage and communication 8 456 6 617 Retailers, catering and accommodation 7 446 4 323 Wholesale and trade 7 043 2 450 Mining and quarrying 5 895 7 221 Agriculture, forestry and fishing 2 546 2 619 Government and public sector 6 702 2 953 Other services* 28 551 21 758 324 308 254 142 22.3 Geographical analysis 309 085 247 682 Other African countries 5 309 4 537 Europe 8 391 1 015 Asia 871 93 USA 394 117 Other 258 698		8 571	10 977
Retailers, catering and accommodation 7 446 4 323 Wholesale and trade 7 043 2 450 Mining and quarrying 5 895 7 221 Agriculture, forestry and fishing 2 546 2 619 Government and public sector 6 702 2 953 Other services* 28 551 21 758 324 308 254 142 22.3 Geographical analysis 309 085 247 682 Other African countries 5 309 4 537 Europe 8 391 1 015 Asia 871 93 USA 394 117 Other 258 698		8 456	6 617
Wholesale and trade 7 043 2 450 Mining and quarrying 5 895 7 221 Agriculture, forestry and fishing 2 546 2 619 Government and public sector 6 702 2 953 Other services* 28 551 21 758 324 308 254 142 22.3 Geographical analysis 309 085 247 682 Other African countries 5 309 4 537 Europe 8 391 1 015 Asia 871 93 USA 394 117 Other 258 698		7 446	4 323
Mining and quarrying 5 895 7 221 Agriculture, forestry and fishing 2 546 2 619 Government and public sector 6 702 2 953 Other services* 28 551 21 758 324 308 254 142 22.3 Geographical analysis 309 085 247 682 Other African countries 5 309 4 537 Europe 8 391 1 015 Asia 871 93 USA 394 117 Other 258 698	_	7 043	
Agriculture, forestry and fishing Government and public sector Other services* 22.3 Geographical analysis South Africa* Other African countries Europe Asia USA Other Other Agriculture, forestry and fishing 2 546 2 619 2 953 2 1758 3 24 308 2 551 2 1 758 3 24 308 2 54 142 2 22.3 Geographical analysis 5 309 085 2 47 682 6 8 391 1 015 6 394 1 17 6 0ther 6 702 7 953 7 1 9			
Government and public sector 6 702 2 953 Other services* 28 551 21 758 324 308 254 142 22.3 Geographical analysis 309 085 247 682 Other Africa* 5 309 4 537 Europe 8 391 1 015 Asia 871 93 USA 394 117 Other 258 698	0 1 7 0		
Other services* 28 551 21 758 324 308 254 142 22.3 Geographical analysis South Africa* 309 085 247 682 Other African countries 5 309 4 537 Europe 8 391 1 015 Asia 871 93 USA 394 117 Other 258 698			
324 308 254 142 22.3 Geographical analysis South Africa* 309 085 247 682 Other African countries 5 309 4 537 Europe 8 391 1 015 Asia 871 93 USA 394 117 Other 258 698	·		
22.3 Geographical analysis 309 085 247 682 South Africa* 5 309 4 537 Europe 8 391 1 015 Asia 871 93 USA 394 117 Other 258 698			
South Africa* 309 085 247 682 Other African countries 5 309 4 537 Europe 8 391 1 015 Asia 871 93 USA 394 117 Other 258 698	22.3 Geographical analysis	22.300	231112
Other African countries 5 309 4 537 Europe 8 391 1 015 Asia 871 93 USA 394 117 Other 258 698		309 085	247 682
Europe 8 391 1 015 Asia 871 93 USA 394 117 Other 258 698			
Asia 871 93 USA 394 117 Other 258 698			
USA 394 117 Other 258 698			
Other 258 698			
	- Card	324 308	254 142

		2006	2005
		Rm	Rm
22	LOANS AND ADVANCES (continued) 22.4 Net investment in finance lease receivables		
	Gross finance lease and instalment debtors:		
	No later than 1 year	8 544	7 778
	Later than 1 year and no later than 5 years	38 352	29 401
	Later than 5 years	194	275
		47 090	37 454
	Unearned future income on finance lease and instalment debtors	(3 732)	(2 519)
	Net finance lease and instalment debtors	43 358	34 935
	The net finance lease and instalment debtors may be analysed as follows:		
	No later than 1 year	7 867	7 255
	Later than 1 year and no later than 5 years	35 312	27 424
	Later than 5 years	179	256
		43 358	34 935
	*2005 restated, refer to the group balance sheet on page 17.		
23	IMPAIRMENT OF ADVANCES		
	23.1 Impairment of advances		
	Balance at the beginning of the year	4 980	6 746
	Income statement charge	1 465	987
	 loans and advances advances designated fair value through profit and loss (refer note 20) 	1 493 (28)	906 81
	Amounts written off against the impairment and other movements	(1 613)	(2 979)
	Recoveries of amounts previously written off against the impairment	296	226
	Impairment of advances	5 128	4 980
	23.2 Ratio of impairments		
	Impairment of advances at the end of the year	5 128	4 980
	Total advances	324 308	254 142
	Ratio (%)	1,6	2,0
24	OTHER ASSETS		
	Sundry debtors and other accounts	5 099	5 072
	Deferred acquisition costs	21	16
_		5 120	5 088
25	CURRENT TAXATION		
	Normal taxation		
	– Current taxation prepaid	138	119
	- Current taxation liability	(338)	(333)
		(200)	(214)



	2006 Rm	2005 Rm
26 INVESTMENT SECURITIES		
26.1 Carrying amount		
Listed investments	502	682
Eland Platinum Holdings Limited	19	
Enaleni Pharmaceuticals	2	35
Mastercard Incorporated	66	
Net 1 UEPS Technologies Inc		274
Private equity portfolio	382	351
Other	33	22
Unlisted investments	1 883	1 737
Endowment policies	383	459
NIBI Fund		483
Strate Limited	20	16
Private equity portfolio	449	714
Other	1 031	65
Total listed and unlisted investments	2 385	2 419
26.2 Fair value of listed and unlisted investments		
Listed at market value	502	682
Unlisted at directors' valuation	1 883	1 737
	2 385	2 419
A register of private equity and other investments is available for the company's registered offices.	inspection at	
27 INVESTMENTS IN ASSOCIATE COMPANIES AND JOINT VENTUR	ES	
27.1 Carrying amount		
Unlisted investments	690	397
	690	397
27.2 Movement in carrying amount		
Carrying amount at the beginning of the year	397	437
Share of associate companies' and joint ventures' profit after		
for the current year	68	67
Dividends received	(16)	
Net acquisitions/(disposals) of associate companies and joint		
at cost	241	(67)
Assets transferred to non-current assets held for sale		(40)
Carrying amount at the end of the year	690	397
27.3 Analysis of carrying amount		
Associate investments – on acquisition		
Unlisted: Net asset value	361	124
– Unlisted: Goodwill	198	198
Share of retained earnings since acquisition	150	78
Dividends received	(19)	(3)
	690	397
Information relating to investments in associate companies a	ppears on pages 108 and 109.	

for the year ended 31 December

	2006 Rm	2005 Rm
INVESTMENTS IN ASSOCIATE COMPANIES AND JOINT VENTURES (continued) 27.4 Valuation		
Unlisted at directors' valuation	784	576
	784	576
27.5 Goodwill included in associate investments The carrying amount of investments includes the following amount in respect of goodwill:		
Carrying amount at the beginning of the year	198	272
CostAccumulated impairment losses	198 -	701 (429)
Arising on acquisitions Realised through disposals Goodwill transferred to non-currrent assets held for sale		10 (64) (20)
Carrying amount at the end of the year	198	198
CostAccumulated impairment losses	198 -	198 –
		Total Rm
27.6 Analysis of investments in associate companies and joint ventures Summarised financial information 2006		
Total assets		1 878
Total liabilities		1 599
Operating results		165
2005		
2005		
Z005 Total assets Total liabilities		1 924 1 759

28 NON-CURRENT ASSETS HELD FOR SALE

2006	Previously included in:	Non-current asset held for sale Rm	Related amounts recognised in profit and loss Rm	Net carrying amount Rm
Properties sold not yet transferred*	Property and equipment	41		41
		41	_	41
2005				
	Investment in			
	associates and			
The IQ Business Group (Pty) Limited*	joint venture	40		40
Properties sold not yet	Property and			
transferred	equipment	26		26
		66	_	66

^{*}Commitments for the sale of several properties had been entered into at year-end. Transfer, however, had not been effected at that date. Transfer of the properties is expected to take place during 2007.



		2006 Rm	2005 Rm
29	DEFERRED TAXATION		
	29.1 Reconciliation of deferred taxation balance		
	Deferred taxation asset		
	Balance at the beginning of the year	626	1 220
	Current-year temporary differences	(578)	(594)
	 Client credit agreements 	(33)	33
	– Impairment	(338)	(36)
	 Income and expenditure accruals 	2 015	(489)
	 Taxation losses – recognised during the year 		(102)
	 Taxation losses – transferred to deferred tax liability 	(2 222)	
	Balance at the end of the year	48	626
	Deferred taxation liability		
	Balance at the beginning of the year	774	954
	Current-year temporary differences	664	(404)
	 Client credit agreements 	368	(19)
	– Impairment	(341)	, ,
	– Income and expenditure accruals	1 891	(385)
	– Taxation losses – recognised during the year	968	
	 Taxation losses – transferred to deferred tax liability 	(2 222)	
	Other movements	(28)	224
	Balance at the end of the year	1 410	774
	29.2 Analysis of deferred taxation		
	Deferred taxation asset		
	Client credit agreements		33
	Impairment	3	341
	Income and expenditure accruals	45	(1 970)
	Taxation losses		2 222
		48	626
	Deferred taxation liability		
	Client credit agreements	2 367	1 999
	Impairment	(341)	
	Income and expenditure accruals	638	(1 225)
	Taxation losses	(1 254)	
		1 410	774

	2006	2005
	Rm	Rm
INVESTMENT PROPERTY		
30.1 Fair value		
Fair value at the beginning of the year	87	119
Additions	1	5
Disposals	(22)	(39)
Net gain from fair-value adjustments		2
Fair value at end of year	66	87
30.2 Fair value of investment property		
The above investment properties are freehold and are either held to earn		
rentals or for capital appreciation. External valuations have been obtained		
for all investment properties and have been determined in accordance with		
the bank's accounting policy – 1.10. The valuers are all members or		
associates of the Institute of Valuers (SA).		
The carrying amount of these properties is the fair value of property as		
determined by these registered independent valuers who have recent		
experience in the location and category of the property being valued.		
The assumed discount rate applied was 16,5%, and takes into account the		
type of property and the property location.		
Valuations determined by reference to existing market conditions		16
Valuations based on discounted future income streams	66	71
	66	87
30.3 Rental income and operating expenses from investment property		
Rental income from investment property	11	15
Direct operating expenses arising from investment property		
that generated rental income.	10	15
30.4 Minimum contractual lease rental income from investment property		
2006		11
2007	13	13
2008	14	14
2009	15	15
2010	16	16
2011 and beyond	_	_
	58	69





F-223

for the year ended 31 December

31 PROPERTY AND EQUIPMENT

	L	and	Buildings		
	2006	2005	2006	2005	
	Rm	Rm	Rm	Rm	
Gross carrying amount					
Balance at 1 January	366	321	1 732	1 728	
Acquisitions	2	10	26	87	
Increases arising from revaluation	29	65	82	202	
Transfer to non-current assets held for sale	(4)	(6)	(14)	(20)	
Disposals		(24)		(190)	
Reclassification			(35)		
Writeoff of accumulated depreciation on revaluations			(24)	(75)	
Effect of movements in foreign exchange rates			8		
Balance at 31 December	393	366	1 775	1 732	
Accumulated depreciation and impairment losses					
Balance at 1 January			106	258	
Depreciation charge for the year			61	59	
Writeoff of accumulated depreciation on revaluations			(24)	(75)	
Transfer to non-current assets held for sale			(2)		
Disposals				(136)	
Effect of movements in foreign exchange rates			8		
Balance at 31 December	-	-	149	106	
Carrying amount					
At 1 January	366	321	1 626	1 470	
At 31 December	393	366	1 626	1 626	

Registers providing the information regarding land and buildings, as required in terms of schedule 4 of the Companies Act, 61 of 1973, are available for inspection at the registered office of the company.

Equipment (principally computer equipment, motor vehicles, fixtures and furniture) is stated at cost less accumulated depreciation and impairment losses. Property is recognised at fair value, which is based on external valuations obtained every three years on a rotation basis for all properties in accordance to the group's accounting policy – 1.9. The valuers are all members or associates of the Institute of Valuers (SA). An annual internal review is also done on those properties not subject to external valuation. The carrying amount of properties is the fair value as determined by the valuors less subsequent accumulated depreciation and impairment losses. Adjustments in the valuation of the properties are recorded in the revaluation reserve, which is amortised over the remaining useful life of the property.

In determining the fair value of properties the assumed discount rates applied for future income streams range between 9,5% and 16,5% and take into account the type of property and the property's location.

If land and buildings were carried under the cost and not the revaluation model, the carrying amount would have been R1 485 million (2005: R1 523 million).



Computer equipment		Furniture and ot	her equipment	Vel	nicles	To	Total	
2006	2005	2006	2005	2006	2005	2006	2005	
Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	
1 908	1 910	1 351	1 642	41	50	5 398	5 651	
443	332	212	182	9	6	692	617	
						111	267	
						(18)	(26)	
(222)	(334)	(98)	(473)	(8)	(15)	(328)	(1 036)	
						(35)		
						(24)	(75)	
7		(15)		1		1	-	
2 136	1 908	1 450	1 351	43	41	5 797	5 398	
1 502	1 635	729	967	22	24	2 359	2 884	
215	199	160	161	5	6	441	425	
						(24)	(75)	
						(2)	-	
(221)	(332)	(81)	(399)	(4)	(8)	(306)	(875)	
(1)		(3)		2		6	_	
1 495	1 502	805	729	25	22	2 474	2 359	
406	275	622	675	19	26	3 039	2 767	
641	406	645	622	18	19	3 323	3 039	

for the year ended 31 December

32 LONG-TERM EMPLOYEE BENEFITS

The group has a number of defined-benefit and defined-contribution plans in terms of which it provides pension, post-retirement medical aid and long-term disability benefits to employees and their dependants on retirement, death or disability. All eligible employees and former employees are members of trustee-administered or underwritten schemes within the group, financed by group companies and employee contributions. All South African retirement 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 by these 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 by the defined-contribution schemes are determined by the accumulated contributions and investment earnings.

At the dates of the latest valuations, the defined-benefit plans were in a sound financial position in terms of section 16 of the Pensions Funds Act. During 1998 active members in the Nedcor 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.

The funds that constitute the assets and liabilities that the group has recognised in the balance sheet in respect of its defined-benefit plans are listed below. The latest actuarial valuations were performed at 31 December 2006, except for the valuation of the Nedbank Namibia Medical Aid Fund, which was last valued at 31 December 2005.

Refer note 10 for the expense relating to the defined benefit plans.

Post-employment benefits

Defined-benefit pension and provident funds

- · Nedcor Pension Fund (including the Optiplus policy).
- BoE Funds, which consist of NBS Group Pension Fund, BoE Limited Pension Fund (1969) and the Pension Fund of BoE Bank: Business Division.
- Nedbank UK Pension Fund.
- Other funds, which consist of Lion Match Group Pension Fund and Lion Match Closed Pension Fund, Nedbank Swaziland Limited Pension Fund and Nedbank Lesotho Pension Fund.

Defined-benefit medical aid funds

- Nedcor Medical Aid Scheme for Nedbank employees and pensioners.
- · Nedcor Medical Aid Scheme for BoE employees and pensioners.
- · Nedbank Namibia Medical Aid Fund.

Other long-term employee benefits

Disability fund

· Nedbank Group Disability Fund (including the Old Mutual Alternative Risk Transfer Fund (OMART) policy).

Optiplus (Nedcor defined-benefit pension fund) and OMART (Nedbank Group disability fund) are insurance policies, the proceeds of which can be used only to pay or fund the employee benefits under the specific funds. However, these policies are not qualifying insurance policies in terms of IAS 19 Employee Benefits since they are held with related parties. These rights to reimbursement are therefore recognised as separate assets and in all other respects are treated in the same way as other plan assets.



	Assets	Liabilities	Net asset/ (liability)
.1 Analysis of long-term employee benefits assets and liabilities 2006			
Post-employment benefits	1 207	(1 060)	147
Other long-term employee benefits – disability fund	150	(150)	-
	1 357	(1 210)	147
2005			
Post-employment benefits	1 024	(938)	86
Other long-term employee benefits – disability fund	201	(129)	72
	1 225	(1 067)	158

The group's defined-benefit obligation in terms of the Nedbank Group Disability Fund is recognised together with an equal reimbursement right that arises as a result of the insurance policy the group's parent company has with OMART. The full surplus in OMART was recognised in 2005. However, the group was not entitled to recognise this surplus of R72 million and it has therefore been reversed in the current year's income statement.

32.2 Post-employment benefits

Tost employment benefits	Present value of obligation	Fair-value plan assets	Surplus/ (Deficit)	Unrecognised actuarial (gains)/ losses and assets	Net asset/ (liability)
Analysis of post-employment benefit assets and liabilities (Rm) 2006					
Pension funds	3 855	5 135	1 280	(1 011)	269
Nedcor FundBoE FundsNedbank UK FundOther funds	3 253 270 226 106	4 262 424 263 186	1 009 154 37 80	(749) (156) (26) (80)	260 (2) 11 -
Medical aid funds	810	700	(110)	(12)	(122)
Nedcor scheme for Nedbank employeesNedcor scheme for BoE employeesNedbank Namibia scheme	715 90 5	700	(15) (90) (5)	(13) 1	(28) (89) (5)
Total	4 665	5 835	1 170	(1 023)	147
2005					
Pension funds	3 715	4 434	719	(525)	194
Nedcor FundBoE FundsNedbank UK FundOther funds	3 148 277 193 97	3 709 390 177 158	561 113 (16) 61	(349) (116) 4 (64)	212 (3) (12) (3)
Medical aid funds	714	614	(100)	(8)	(108)
Nedcor scheme for Nedbank employeesNedcor scheme for BoE employeesNedbank Namibia scheme	622 87 5	614	(8) (87) (5)	(11) 3	(19) (84) (5)
Total	4 429	5 048	619	(533)	86

	Pension and		
	provident	Medical	T-4 I
	funds	aid funds	Total
2.2 Post-employment benefits (continued)			
Present value of defined-benefit obligation (Rm)			
2006			
Balance at the beginning of the year	3 715	714	4 429
Current service cost	21	27	48
Interest cost	222	58	280
Contribution by plan participants	7		7
Actuarial (gains)/losses	(45)	43	(2
Benefits paid	(188)	(32)	(220
Other movements	123		123
Balance at the end of the year	3 855	810	4 665
2005			
Balance at the beginning of the year	3 502	628	4 130
Current service cost	31	25	56
Interest cost	217	53	270
Contribution by plan participants	7		7
Actuarial losses	157	47	204
Benefits paid	(184)	(30)	(214
Settlements		(9)	(9
Other movements	(15)		(15
Balance at the end of the year	3 715	714	4 429
Fair value of plan assets (Rm)			
2006			
Balance at the beginning of the year	4 434	614	5 048
Expected return on plan assets	292	49	341
Actuarial gains	433	47	480
Contributions by the employer	34	22	56
Contributions by plan participants	7		7
Benefits paid	(188)	(32)	(220
Other movements	123		123
Balance at the end of the year	5 135	700	5 835
2005			
Balance at the beginning of the year	3 971	538	4 509
Expected return on plan assets	254	45	299
Actuarial gains	366	42	408
Contributions by the employer	35	19	54
Contributions by plan participants	7		7
Benefits paid	(184)	(30)	(214
Other movements	(15)		(15



	Pension and provident funds	Medical aid funds	Total
Net asset/(liability) recognised (Rm) 2006			
Present value of defined-benefit obligation	3 855	810	4 665
Fair value of plan assets	5 135	700	5 835
Funded status	1 280	(110)	1 170
Unrecognised net actuarial gains	(798)	(12)	(810)
Unrecognised asset due to asset ceiling	(213)		(213)
	269	(122)	147
Asset	1 207		1 207
Liability	(938)	(122)	(1 060)
2005			
Present value of defined-benefit obligation	3 715	714	4 429
Fair value of plan assets	4 434	614	5 048
Funded status	719	(100)	619
Unrecognised net actuarial gains	(328)	(8)	(336)
Unrecognised asset due to asset ceiling	(197)		(197)
	194	(108)	86
Asset	1 024		1 024
Liability	(830)	(108)	(938)
Total expense recognised (Rm)			
2006	21	27	40
Current service cost Interest cost	222	58	48 280
Expected return on plan assets	(292)	(49)	(341)
Actuarial gains	(8)	(1-7	(8)
Effect of application of asset ceiling	16		16
	(41)	36	(5)
2005			
Current service cost	31	25	56
Interest cost	217	53	270
Expected return on plan assets	(254)	(45)	(299)
Actuarial gains Settlements	(16)	(9)	(16)
Effect of application of asset ceiling	(14)	(9)	(9) (14)
	(36)	24	(12)
	(36)	24	(12)

	Pension and provident funds	Medical aid funds	Total
32.2 Post-employment benefits (continued) Movements in net asset/(liability) recognised (Rm 2006			
Balance at beginning of the year Net expense recognised in the income statement Contributions paid by the employer	194 41 34	(108) (36) 22	86 5 56
Balance at the end of the year	269	(122)	147
2005 Balance at the beginning of the year Net expense recognised in the income statement Contributions paid by the employer	123 36 35	(103) (24) 19	20 12 54
Balance at the end of the year	194	(108)	86
Distribution of plan assets (%) 2006			
Equity instruments Debt instruments Property	36,46 22,48 1,23	24,00	34,97 19,78 1,08
Cash International Other	7,49 8,13 24,21	49,00 7,00 20,00	12,47 7,99 23,71
	100,00	100,00	100,00
2005 Equity instruments Debt instruments Property	49,06 28,25 1,54	23,90	46,01 24,81 1,35
Cash International Other	4,74 9,53 6,88	48,80 6,20 21,10	10,10 9,12 8,61
	100,0	100,00	100,00
Actual return on plan assets (Rm) 2006	725	96	821
2005	620	87	707
Principal actuarial assumptions (%) 2006			
Discount rates Expected rates of return on plan assets Inflation rate Expected rates of salary increases Pension increase allowance	4,8 and 8 4 to 9 2,75 to 5 5,75 2,75 to 4,25	8 and 8,5 8,5 5,5 6,5	
Annual increase to medical aid subsidy Average expected retirement age (years)		6,25 and 6,5 60 and 63	
2005 Discount rates Expected rates of return on plan assets Inflation rate	4,8 and 8 4 to 9 2,75 and 4,25	8 8	
Expected rates of salary increases Pension increase allowance Annual increase to medical aid subsidy Average expected retirement age (years)	5,75 2,75 to 4,5	6 and 6,25 60 and 63	



	Pension and provident funds	Medical aid funds	Total
Experience adjustments on present value of defined-benefit obligation for past four years 2006	84	43	127
2005 2004 2003	(31) (78) (62)	47 16 42	16 (62) (20)
Experience adjustments on fair value of plan assets for past four years 2006	433	47	480
2005 2004 2003	366 153 (86)	42 28 10	408 181 (76)
Estimate of future contributions Contributions expected for ensuing year	37	24	61
Surplus/(Deficit) for past five years	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)
Pension funds 2006	3 855	5 135	1 280
2005 2004 2003 2002	3 715 3 502 2 586 1 962	4 434 3 971 2 839 2 780	719 469 253 818
Medical aid funds 2006	810	700	(110)
2005 2004 2003 2002	714 628 561 457	614 538 471 422	(100) (90) (90) (35)
Effect of 1% change in assumed medical cost trend rates (Rm)		2006	2005
1% increase – effect on current service cost and interest 1% increase – effect on accumulated benefit obligation 1% decrease – effect on current service cost and interest 1% decrease – effect on accumulated benefit obligation	t cost	15 115 (13) (103)	14 108 (11) (89)

	d Software Rm	Software evelopment costs Rm	Total Rm
COMPUTER SOFTWARE AND CAPITALISED DEVELOPMENT COSTS 2006	KIII	Kill	IXIII
Cost			
Balance at the beginning of the year	2 571	472	3 043
Other acquisitions – separately acquired	60	374	434
Other acquisitions – internally developed	1		1
Development costs commissioned to software	345	(345)	_
Disposals or retirements	(171)	(2)	(173)
Balance at the end of the year	2 806	499	3 305
Accumulated amortisation and impairment losses			
Balance at the beginning of the year	1 582	180	1 762
Amortisation charge	428	1	429
Impairment losses	55		55
Disposals and retirements	(175)	(2)	(177)
Balance at the end of the year	1 890	179	2 069
Carrying amount			
At the beginning of the year	989	292	1 281
At at the end of the year	916	320	1 236
2005			
Cost			
Balance at the beginning of the year	2 572	283	2 855
Other acquisitions – separately acquired	47	284	331
Other acquisitions – internally developed	91	(91)	_
Foreign exchange and other movements	2		2
Disposals and retirements	(141)	(4)	(145)
Balance at the end of the year	2 571	472	3 043
Accumulated amortisation and impairment losses			
Balance at the beginning of the year	1 301	179	1 480
Amortisation charge	413		413
Impairment losses		1	1
Foreign exchange and other movements	2		2
Disposals or retirements	(134)		(134)
Balance at the end of the year	1 582	180	1 762
Carrying amount			
At the beginning of the year	1 271	104	1 375
At the end of the year	989	292	1 281



		2006 Rm	2005* Rm
34	GOODWILL		
	34.1 Reconciliation of carrying amount		
	Carrying amount at the beginning of the year	1 370	1 356
	Arising on business combinations		23
	Realised through disposals		(8)
	Impairments recognised through the income statement	(1)	
	Foreign currency translation and other		(1)
	Carrying amount at the end of the year	1 369	1 370

34.2 Analysis

	2006				2005	
		Accumulated		Ac	cumulated	
		impairment	Carrying	ir	npairment (Carrying
Rm	Cost	losses	amount	Cost	losses	amount
Special-purpose entities			_	40	(40)	_
Peoples Mortgage Limited	198	(198)	-	198	(198)	-
Imperial Bank	285	(25)	260	285	(25)	260
Nedbank Namibia Limited	115	(2)	113	115	(2)	113
Capital One	82		82	82		82
American Express	81		81	81		81
Lion Match Factory (Pty) Limited	21		21	21		21
Nedbank Limited – BoE Bank Limited	807		807	807		807
Other	6	(1)	5	7	(1)	6
	1 595	(226)	1 369	1 636	(266)	1 370

^{*2005} restated, refer to the group balance sheet on page 17.

Goodwill is allocated to individual cash-generating units based on business activity. Impairment testing is done on a regular basis by comparing the net carrying value of the cash-generating units to the estimated value in use. The value in use is determined by discounting estimated future cash flows of each cash-generating unit. The discounted-cash-flow calculations have been performed using Nedbank's cost of equity, which is calculated using the capital asset pricing model. No impairments resulting from impairment testing have been effected for this reporting period. Management regards the useful lives of all cash-generating units to be indefinite.

	2006 Rm	2005 Rm
Goodwill on a geographical basis relates to Africa in total and is as follows:		
Carrying amount	1 369	1 370
Estimated value in use	80 013	108 279
Net estimated recoverable amounts	78 644	106 909
Refer to note 3.2 for key assumptions made during goodwill impairment testing.		

F-233 (

for the year ended 31 December

	2006 Rm	2005 Rm
SHARE CAPITAL		
35.1 Ordinary share capital Authorised		
30 000 000 (2005: 30 000 000) ordinary shares of R1 each	30	30
Issued		
27 240 023 (2005: 27 240 023) fully paid ordinary shares of R1 each	27	27
No ordinary shares were issued during the financial year ended		
31 December 2006.		
	27	27
Subject to the restrictions imposed by the Companies Act, 61of 1973, as amended	d,	
the unissued shares are under the control of the directors until the forthcoming		
annual general meeting. In terms of special resolutions passed in the May 2006		
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.		
35.2 Preference share capital and premium		
Authorised		
1 000 000 000 (2005: 300 000 000) non-redeemable,		
non-cumulative preference shares of R0,001 each	*	*
Issued		
277 240 023 (2004: 277 298 896) non-redeemable, non-cumulative preference		
shares of R0,001 each	*	2.770
Preference share premium	2 770	2 770
	2 770	2 770
35.3 Imperial Bank Limited preference share capital and premium		
Authorised		
8 000 000 (2005: 0) non-redeemable, non-cumulative , non-participating		
preference shares of R0,0005 each	*	
Issued		
3 000 000 (2005: 0) non-redeemable, non-cumulative	*	
non-participating preference shares of R0,0005 each Preference share premium	300	
- Treference share premium		
	300	-

^{*}Represents amounts less than R1 million.



Nedbank Limited preference shares are classified as equity instruments, while Imperial Bank Limited preference share capital and premium are classified as minority interest by Nedbank Limited.

The preference share confers on the holder the right to capital of the company in the form of a cash dividend prior to payment of dividends to any other class of shareholder. The rate is limited to 75% of the prevailing prime rate on a deemed value of R10, and is never compounded. The dividends, if declared, accrue half-yearly on 30 June and 31 December and are payable within 120 days of these dates respectively.

If a preference dividend is not declared, the dividend shall not accumulate and will never become payable by the company, whether in preference to payments to any other class of share or otherwise.

If, due to any amendment of the Income Tax Act, No 58 of 1962, the dividends become taxable in the hands of the shareholders and the payment of the perference share dividends becomes a deductible expense for the company, then the 75% of prevailing prime rate shall be increased to the extent that the company incurrs a saving on servicing the preference shares. If such an amendment does not result in a saving for the company, but a decrease in the returns on the preference share investment, no amendment to the rate is envisaged.

Each preference share confers on the holder the right to a return of capital on the winding-up of the company prior to any payment to any other class of share, but are not entitled to any further participation in the profits, assets or any surplus assets of the company in such circumstances.

The holders of this class of share are not entitled to be present or vote (even by proxy) at any meeting of the company except when a declared dividend or part thereof remains in arrears and unpaid after six months from the due date or a resolution is proposed that directly affects the rights attached to the preference share or the interests of the holder, including resolutions to wind up the company or to reduce its share capital.

At every general meeting where the preference shareholder is entitled to vote, the voting rights are restricted to the holder's nominal value in proportion to the total nominal value of all shares issued by the company.

No shares in the capital of the company, in priority to the preference shares, can be created or issued without prior sanction by way of a resolution passed at a separate class meeting, properly constituted in terms of the provisions set out in the articles of association, of the holders of preference shares.

35.4 Share options - staff schemes

Share options granted under the Nedcor (1994) Share Incentive Trust and Nedbank Group (2005) Option Scheme 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 rates determined by the schemes' trustees and expire at the earlier of termination 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 recoverable from 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.

Refer to pages 278 to 280 of the Nedbank Group Limited annual report for further details on share option schemes.

for the year ended 31 December

	2006	2005
	Rm	Rm
DEPOSITS, CURRENT ACCOUNTS AND OTHER CREDITORS		
36.1 Classifications		
Current accounts	41 189	35 792
Savings deposits	8 981	8 567
Other deposits and loan accounts	223 039	179 167
– Call and term deposits	111 334	82 250
– Fixed deposits	22 640	23 358
– Cash management deposits	39 273	35 181
– Other deposits and loans accounts	49 792	38 378
Foreign currency liabilities	9 203	8 811
Negotiable certificates of deposit	45 518	33 701
Deposits received under repurchase agreements	11 234	5 206
	339 164	271 244
Comprises:		
– Amounts owed to depositors	313 018	219 039
– Amounts owed to banks	26 146	52 205
	339 164	271 244
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.		
Foreign currency liabilities are either matched by advances to clients or hedged		
against exchange rate fluctuations. Deposits received under repurchase agreements		
are secured by pledge of the assets sold.		
36.2 Sectoral analysis		
Banks	26 146	52 205
Government and public sector	20 176	28 310
Individuals	90 110	78 410
Business sector	202 732	112 319
	339 164	271 244
36.3 Geographical analysis		
South Africa	326 365	263 306
Other African countries	7 000	4 520
Europe	4 970	2 958
Asia	513	26
USA	259	80
Other	57	354
	339 164	271 244



		2006 Rm	2005 Rm
36.4 Other l	iabilities		
Credito	rs and other accounts	4 979	3 756
Share-b	ased payments liabilities	538	249
Short-ti	ading securities and spot positions	3 137	814
Provisio	n for onerous contracts (note 36.4.1)		4
	ay accrual (note 36.4.2)	399	363
Deferre	d revenue	45	38
		9 098	5 224
36.4.1	Provision for onerous contracts		
	Balance at the beginning of the year	4	7
	Recognised in profit and loss	(4)	(3)
	Balance at the end of the year	_	4
	Onerous leases resulted from the writedown of R81 million in 2000 for properties and leasehold premises to recognise the permanent diminution of value resulting from the reconfiguration of the retail branch network.		
36.4.2	Leave pay accrual		
	Balance at the beginning of the year	363	376
	Movements from business combinations	1	(2)
	– Additions	1	1
	– Disposals		(3)
	Recognised in profit or loss	41	(6)
	Utilised during the year	(4)	(5)
	Unused amounts reversed	(2)	
	Balance at the end of the year	399	363
	Provisions have been raised in accordance with IAS 37: Provisions, Continuous as set out in note 38.	gent Liabilities and	Contingent Ass

for the year ended 31 December

		2006 Rm	2005 Rm
LONG-TERM DEBT INSTRUMENTS			
	Instrument terms		
Rand-denominated		8 389	6 901
R515 million bonds repayable on 4 December 2008 (IBP1)	13,5% per annum	553	580
R500 million bonds repayable on 30 December 2010 (IBP) R2 billion subordinated callable notes repayable on	2) 8,38% per annum	506	
20 September 2011 (NED01)**^ R4 billion subordinated callable notes repayable	11,3% per annum*		2 064
on 9 July 2012 (NED02)**	13,15% per annum*	4 254	4 254
R1,5 billion subordinated callable notes repayable on	7,85% per annum*		
24 April 2016 (NED05)**		1 456	
R1,5 billion subordinated callable notes repayable on	9,84% per annum*		
19 September 2018 (NED06)***		1 616	
R200 million unsecured debentures repayable on	Interest-free		
30 November 2029		4	3
US dollar-denominated		128	371
US\$40 million repayable on 17 April 2008	6-month Libor on		
, , , , , , , , , , , , , , , , , , , ,	nominal value		253
US\$18 million repayable on 31 August 2009	1,5 basis points below		
	6-month Libor on		
	nominal value	128	118
Namibian dollar-denominated		1	1
N\$40 million long-term debenture issue repayable	17% per annum until		
on 15 September 2030	15 September 2000 –		
	thereafter interest-free	1	1
Total long-term debt instruments in issue		8 518	7 273

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 are either 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.

Tier 3 capital

Included in fixed deposits on page 80 is a R300 million subordinated-debt instrument, issued on 20 September 2005 and callable on 20 September 2008, of which R158 million qualified as Tier 3 capital. At 31 December 2005 R300 million was included in deposits that qualified as Tier 3 capital.

^{*}Interest is payable on these notes biannually.

^{**}Callable by the issuer, Nedbank Limited, after five years from date of issue, being 20 September 2001, 9 July 2002 and 24 April 2006 (ie 20 September 2006, 9 July 2007 and 26 April 2011), at which time the interest converts to a floating three-month Jibar rate, plus a spread of 2,49%, 2,60% and 1,70% respectively.

^{***}Callable by the issuer, Nedbank Limited, after seven years from the date of issue, being 20 September 2006 (ie 20 September 2013), at which time the interest converts to a floating three-month Jibar rate, plus a spread of 2,05%.

[^]The debt instrument was redeemed on its call date of 20 September 2006.



		2006 Rm	2005 Rm
38 CONTINGENT	IABILITIES		
Guarantees on be	half of clients	15 235	11 064
Confirmed letters	of credit and discounting transactions	2 752	4 904
Unutilised faciliti	es and other	45 372	31 365
Share options		3	5
		63 362	47 338

The group in the ordinary course of business enters into transactions that expose the group to tax, legal and business risks. Provisions are made for known liabilities 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 contingent liabilities. This is in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets.

There are a number of legal or potential claims against Nedbank Limited and its subsidiary companies, the outcome of which cannot at present be foreseen.

Historically a number of group companies entered into structured finance transactions with third parties using the tax base of these companies. Pursuant to the terms of the majority of these transactions, the underlying third party has contractually agreed to accept the risk of any tax being imposed by the South African Revenue Service (SARS), although the obligation to pay in the first instance rests with the group companies. It is only in limited cases where, for example, the credit quality of a client becomes doubtful, or where the client has specifically contracted out of the repricing of additional taxes, that the recovery from a client could be less than the liability that could arise on assessment, in which case provisions are made. SARS has examined the tax aspects of some of these types of structures and SARS could assess these structures in a manner contrary to that initially envisaged by the contracting parties. As a result group companies could be obliged to pay additional amounts to SARS and recover these from clients under the applicable contractual arrangements.

		2006	2005
		Rm	Rm
39	COMMITMENTS		
	39.1 Capital expenditure approved by directors		
	Contracted	394	449
	Not yet contracted	231	154
		625	603

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.

for the year ended 31 December

39 COMMITMENTS (continued)

39.2 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 escalation and expansions. The following are the minimum contractual lease payments under non-cancellable leases:

2006	2007	2008	2009	2010	2011 and beyond
	Rm	Rm	Rm	Rm	Rm
Land and buildings	412	467	506	561	3 586
Furniture and equipment	185	224	238	264	617
	597	691	744	825	4 203
2005	2006	2007	2008	2009	2010 and beyond
	Rm	Rm	Rm	Rm	Rm
Land and buildings	306	327	355	382	3 265
Furniture and equipment	115	137	147	167	402
	421	464	502	549	3 667

39.3 Commitments under derivative instruments

The group enters into option contracts, financial futures contracts, forward rate and interest rate swap agreements and other financial agreements in the normal course of business (note 19).

40 FOREIGN CURRENCY CONVERSION GUIDE

Monetary figures in these financial statements are expressed in the nearest million South African rand. The approximate value of the South African rand at 31 December against the following currencies was:

Balance at the beginning of the year	2006	2005	2006	2005
	Actual	Actual	Average	Average
United States dollar	0,1429	0,1580	0,1467	0,1570
Pound sterling	0,0728	0,0916	0,0790	0,0867
Euro	0,1085	0,1335	0,1159	0,1269



		2006 Rm	2005 Rm
CASH	FLOW INFORMATION		
41.1 R	econciliation of profit from operations to cash flows from operating activities		
Р	rofit from operations	5 714	5 289
А	djusted for:		
-	Depreciation (note 10)	441	425
_	Amortisation: Computer software (note 10)	428	413
-	Goodwill impairment (note 13)	1	1
-	Movement in impairment of advances	1 761	1 213
-	(Profit)/Loss on disposal of property and equipment	(13)	98
-	Net income on investment banking assets	(6)	(1)
-	Effects of exchange rate changes on cash and cash equivalents		
	(excluding foreign borrowings)	(361)	(6)
-	Impairment losses on investments, property and equipment (note 13)	58	110
-	Loss/(Profit) on sale of subsidiaries, investments and property (note 13)	(242)	(934)
-	Other non-trading and capital items (note 13)		(10)
-	Transaction taxes	334	213
_	Foreign currency translation profit	(1)	(139)
C	ash generated by operations	8 114	6 672
41.2 C	ash received from clients		
Ir	nterest and similar income (note 7)	27 089	22 574
C	fommission and fees (note 9)	6 324	5 468
Т	rading income (note 9)*	1 198	858
C	Other income	873	858
		35 484	29 758
41.3 C	ash paid to clients, employees and suppliers		
Ir	nterest expense (note 8)	(16 600)	(13 878)
S	taff costs (note 10)	(6 237)	(5 239)
C	Other operating expenses*	(4 632)	(4 319)
_		(27 469)	(23 436)
41.4 lr	ncrease in operating assets		
C	Other short-term securities	(4 359)	3 930
C	Sovernment and public sector securities	474	3 530
А	dvances and other accounts	(70 414)	(7 897)
_		(74 299)	(437)

for the year ended 31 December

		2006	2005
		Rm	Rm
41 (CASH FLOW INFORMATION (continued)		
4	41.5 Increase in operating liabilities		
	Current and savings accounts	5 811	1 518
	Other deposits, loans and foreign currency liabilities	44 264	12 362
	Negotiable certificates of deposit	11 817	5 859
	Liabilities in respect of repurchase agreements	6 028	(7 296)
	Creditors and other liabilities	1 112	(10 715)
		69 032	1 728
_	41.6 Taxation paid		
	Amounts prepaid at the beginning of the year	(214)	63
	Income statement charge (excluding deferred tax)	(378)	(752)
	Total indirect taxation	(334)	(213)
	Portion of transaction taxation on property and equipment acquired to be		
	depreciated in future years	(26)	(37)
	Amounts payable at the end of the year (note 25)	200	214
		(752)	(725)
2	41.7 Disposal of investments in subsidiary companies net of cash		
	Deposits, current accounts and other creditors		2
	Net assets disposed	_	2
	(Loss)/Profit on disposal		(1)
	Consideration received	_	1
	Cash and cash equivalents disposed	_	_
	Net consideration	_	1
_	41.8 Dividends paid to ordinary shareholders		
	Recognised in the group statement of changes in total shareholders' equity	(668)	(524)
	*2005 restated, refer note 9.		
42 1	MANAGED FUNDS		
4	12.1 Fair value of funds under management – by type		
	Unit trusts	27 751	17 469
	Third party	21 376	16 529
	Private clients**	1 652	1 457
		50 779	35 455
2	12.2 Fair value of funds under management – by geography		
	South Africa	50 469	35 219
	Rest of world	310	236
		50 779	35 455



42.3 Reconciliation of movement in funds under management - by type

			Private	
	Unit trusts	Third party	clients	Total
	Rm	Rm	Rm	Rm
Balance at 31 December 2004	11 333	16 763	1 293	29 389
Inflows	10 191	5 632		15 823
Outflows	(7 930)	(6 734)	(147)	(14 811)
Mark-to-market value adjustment	3 875	868	311	5 054
Balance at 31 December 2005*	17 469	16 529	1 457	35 455
Inflows	12 988	6 525		19 513
Outflows	(7 821)	(4 681)		(12 502)
Mark-to-market value adjustment	5 115	3 003	195	8 313
Balance at 31 December 2006	27 751	21 376	1 652	50 779

42.4 Reconciliation of movement in funds under management - by geography

	South	Rest of	
	Africa	world	Total
	Rm	Rm	Rm
Balance at 31 December 2004	29 389		29 389
Inflows	15 587	236	15 823
Outflows	(14 811)		(14 811)
Mark-to-market value adjustment	5 054		5 054
Balance at 31 December 2005*	35 219	236	35 455
Inflows	19 513		19 513
Outflows	(12 502)		(12 502)
Mark-to-market value adjustment	8 239	74	8 313
Balance at 31 December 2006	50 469	310	50 779

The group, through a number of subsidiaries and joint ventures, 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 group income statement as non-interest revenue.

^{*}Restated due to elimination of crossholding of assets under management within the group.

^{**}Other financial services included in private clients.

for the year ended 31 December

43 SHARE-BASED PAYMENTS

Nedbank Group Limited shares, share options on Nedbank Group Limited shares and equity instruments in respect of Nedbank Group Limited shares are granted to employees as part of their remuneration package as services are rendered, as well as to clients, business partners and affinity groups as an incentive to retain and grow business within the group. The following are the share and share option schemes that have been in place during the year. The traditional employee schemes will be cash-settled and the BEE schemes will be equity-settled.

As the group cannot estimate reliably the fair value of services received nor the value of additional business received, the group rebuts the presumption that such services and business can be measured reliably. The group therefore measures their fair value by reference to the fair value of the shares, share options or equity instruments granted, in line with the group's accounting policy. The fair value of such shares, share options and equity instruments is measured at the grant date utilising the Black-Scholes valuation model.

43.1 Description of arrangements

Scheme	Trust	Description
Traditional employee scher	nes	
Nedcor Group (1994) Share Option Scheme	Nedbank Employee Share Trust	Share options were granted to key staff to motivate senior employees to remain with the group. The granting of share options was based on job level, merit and performance, and was entirely at the discretion of the trustees acting on recommendation of the Group Remuneration Committee. Grants were made twice a year for new appointments and annually for existing staff on dates determined by the trustees.
Nedbank Group (2005) Share Option Scheme	Nedbank Group (2005) Share Scheme Trust	Share options are granted to key staff to motivate senior employees to remain with the group. The granting of share options is based on job level, merit and performance, and is entirely at the discretion of the trustees acting on recommendation of the Group Remuneration Committee. Grants are made twice a year for new appointments and annually for existing staff on a date determined by the trustees.
Nedbank Group (2005) Matched Share Scheme	Nedbank Group (2005) Share Scheme Trust	All employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.



Maximum term

continued

Vesting requirements

Annual allocations to existing staff are linked to the achievement of predetermined targets for growth in headline earnings over the performance period of three and four years. Completion of three years' service.	
Completion of three years' service.	
	5 years
Three years' service and achievement of Nedbank Group performance targets. Where these performance targets are not met, 50% will vest provided that	3 years

for the year ended 31 December

43 SHARE-BASED PAYMENTS (continued)

43.1 Description of arrangements (continued)

Scheme	Trust	Description
Nedbank Eyethu BEE schemes – Employees		
Black Executive Scheme	Nedbank Eyethu Black Executive Trust	Restricted shares and share options were granted to certain black employees on a senior management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Black Management Scheme	Nedbank Eyethu Black Management Trust	Restricted shares and share options were granted to certain black employees on a middle and senior management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Broad-based Employee Scheme	Nedbank Eyethu Broad-based Employee Trust	Restricted shares granted to all qualifying employees who do not participate in any other share incentive scheme operating in the group. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights. However, the participants are not entitled to deal in the shares for a period of five years.
Nedbank Eyethu BEE schemes – Clients		
Retail Scheme	Nedbank Eyethu Retail Trust	For every three shares acquired, participants qualify for an additional bonus share after a three-year period. The participants can elect to settle the payment for the shares in a once-off lump-sum payment or by a monthly debit order over 36 months. Should there be any contractual breach by the participants, they will cease to qualify for the bonus shares.
Corporate Scheme	Nedbank Eyethu Corporate Scheme Trust and Aka-Nedbank Eyethu Trust	Restricted shares were allocated to existing black corporate clients and to Aka Capital (Pty) Limited, a key corporate client that has the role of the black development partner in the scheme, at par value, with notional funding over a period of six years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights. Should there be any contractual breach by the participants, they will cease to qualify for these shares.



Vesting requirements	Maximum term
Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	7 years
Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	7 years
n/a	5 years
Participants must operate and maintain a primary transaction account with Nedbank for three years.	3 years
Participants must use Nedbank as their primary banker for six years.	6 years

for the year ended 31 December

43 SHARE-BASED PAYMENTS (continued)

43.1 Description of arrangements (continued)

Scheme	Trust	Description
Nedbank Namibia Omufima BEE schemes – Employees		
Black Management Scheme	Nedbank Eyethu Black Management Trust	Restricted shares and share options were granted to certain black employees on a middle and senior management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Broad-based Employee Scheme	Nedbank Eyethu Broad-based Employee Trust	Restricted shares granted to all qualifying employees who do not participate in any other share incentive scheme operating in the group. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
 Nedbank Namibia Omufima BEE schemes – Business partners and affinity groups 		
Black Business Partner Scheme	Central Consortium SPV Three Investments (Pty) Limited, Coastal Consortium SPV Three Investments (Pty) Limited and Northern Empowerment SPV Three Investments (Pty) Limited	Each SPV was issued an equal number of restricted shares at R2,53 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Affinity Group Scheme	Southern Consortium SPV Three Investments (Pty) Limited and Eastern Consortium SPV Three Investments (Pty) Limited	Each SPV was issued an equal number of restricted shares at R1 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Education Scheme	Nedbank Namibia Education Trust	Each SPV was issued an equal number of restricted shares at R1 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.



for the year ended 31 December

Vesting requirements	Maximum term
Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	7 years
No dealing in these shares during the restricted period of five years.	5 years
No dealing in these shares during the 10-year notional funding period.	10 years
No dealing in these shares during the 10-year notional funding period.	10 years
No dealing in these shares during the 10-year notional funding period.	10 years

for the year ended 31 December

43 SHARE-BASED PAYMENTS (continued)

43.2 Effect on profit and financial position

	Share-based	d payments	Share-based	hare-based payments		Share-based payments	
	expe	ense	reserve		liabil	lity	
	2006	2005	2006	2005	2006	2005	
	Rm	Rm	Rm	Rm	Rm	Rm	
Traditional employee schemes	393	125	-	_	538	249	
Nedbank Group (1994) Share Option Scheme	219	86			330	210	
Nedbank Group (2005) Share Option Scheme	157	33			185	33	
Nedbank Group (2005) Matched Share Scheme	17	6			23	6	
Nedbank Eyethu BEE schemes	115	156	139	28	_	-	
Retail Scheme	38	1	39	1			
Corporate Scheme	51	14	65	14			
Black Executive Scheme	7	2	9	2			
Black Management Scheme	19	11	26	11			
Broad-based Employee Scheme		128					
Nedbank Namibia Omufima BEE schemes	21	-	16	-	_	-	
Namibia Black Business Partner Scheme	9		9				
Namibia Affinity Group Scheme	3		3				
Namibia Education Scheme	4		4				
Namibia Black Management Scheme							
Namibia Broad-based Employee Scheme	5						
	529	281	155	28	538	249	



43.3 Movements in number of instruments

	2006		2005		
		Weighted		Weighted	
	Number of	average	Number of	average	
	instruments	exercise price	instruments	exercise price	
		R		R	
Nedbank Group (1994) Share Option Scheme					
Outstanding at the beginning of the year	16 457 215	84,02	28 905 173	90,07	
Granted			718 693	73,14	
Forfeited	(501 256)	77,11	(4 918 072)	97,13	
Exercised	(2 311 648)	80,31	(3 099 459)	61,50	
Expired	(4 520 563)	96,71	(5 149 120)	118,72	
Outstanding at the end of the year	9 123 748	79,33	16 457 215	84,02	
Exercisable at the end of the year	3 490 864	102,28	4 412 911	102,53	
Weighted average share price for options					
exercised (R)		123,80		83,72	
Nedbank Group (2005) Share Option Scheme					
Outstanding at the beginning of the year	5 586 759	77,71			
Granted	6 142 374	110,71	5 815 509	77,69	
Forfeited	(828 423)	94,02	(228 750)	77,23	
Exercised	(89 500)	79,19			
Outstanding at the end of the year	10 811 210	95,19	5 586 759	77,71	
Exercisable at the end of the year	90 800	86,46	2 200	76,79	
Weighted average share price for options					
exercised (R)		130,47		_	

for the year ended 31 December

43 SHARE-BASED PAYMENTS (continued)

43.3 Movements in number of instruments (continued)

	2	006	2005		
	Number of instruments	Weighted average exercise price R	Number of instruments	Weighted average exercise price R	
Nedbank Group (2005) Matched Share Scheme Outstanding at the beginning of the year Granted Forfeited	327 025 153 960 (31 335)		327 025		
Outstanding at the end of the year	449 650	-	327 025	_	
Exercisable at the end of the year Weighted average share price for options exercised (R)	-	-	-	- -	
Retail Scheme Outstanding at the beginning of the year Granted Forfeited	459 382 985 724 (6 655)		459 382		
Outstanding at the end of the year	1 438 451	-	459 382	-	
Exercisable at the end of the year Weighted average share price for options exercised (R)	-	-	-	-	
Corporate Scheme Outstanding at the beginning of the year Granted Forfeited	9 051 369 892 130 (4 358)	108,06 108,06 108,06	9 051 369	108,06	
Outstanding at the end of the year	9 939 141	108,06	9 051 369	108,06	
Exercisable at the end of the year Weighted average share price for options exercised (R)	-	-	-	-	
Black Executive Scheme Outstanding at the beginning of the year Granted Forfeited	672 000 217 501 (37 451)	56,06 72,43 47,90	672 000	56,06	
Outstanding at the end of the year	852 050	60,60	672 000	56,06	
Exercisable at the end of the year Weighted average share price for options exercised (R)	24 000	74,75 -	-	-	
Black Management Scheme Outstanding at the beginning of the year Granted Forfeited Exercised Expired	3 554 438 902 751 (592 293) (28 012) (34 908)	68,47 100,01 73,34 74,75 74,75	3 606 506 (52 068)	68,47 68,47	
Outstanding at the end of the year	3 801 976	75,10	3 554 438	68,47	
Exercisable at the end of the year Weighted average share price for options exercised (R)	40 226	73,93 119,99	_	-	



43.3 Movements in number of instruments (continued)

	2	2006	2005		
	Number of instruments	Weighted average exercise price R	Number of instruments	Weighted average exercise price R	
Namibia Black Business Partner Scheme Outstanding at the beginning of the year Granted	199 929	278,98			
Outstanding at the end of the year	199 929	278,98	_	_	
Exercisable at the end of the year Weighted average share price for options exercised (R)	-	-	-	-	
Namibia Affinity Group Scheme Outstanding at the beginning of the year Granted	74 048	282,47			
Outstanding at the end of the year	74 048	282,47	-	-	
Exercisable at the end of the year Weighted average share price for options exercised (R)	-	-	-	-	
Namibia Education Scheme Outstanding at the beginning of the year Granted	98 730	282,47			
Outstanding at the end of the year	98 730	282,47	_	_	
Exercisable at the end of the year Weighted average share price for options exercised (R)	-	-	-	-	
Namibia Black Management Scheme Outstanding at the beginning of the year Granted	75 400	77,92			
Outstanding at the end of the year	75 400	77,92	-	_	
Exercisable at the end of the year Weighted average share price for options exercised (R)	-	-	-	-	

for the year ended 31 December

43 SHARE-BASED PAYMENTS (continued)

43.4 Instruments outstanding at the end of the year by exercise price

		2006	2005		
		Weighted		Weighted	
		average		average	
	Number of	remaining	Number of	remaining	
	instruments	contractual life	instruments	contractual life	
		(years)		(years)	
Nedbank Group (1994) Share Option Scheme					
45,00	1 132 882	1,7	2 856 808	2,5	
55,75	345 800	3,6	365 900	4,6	
60,00	82 169	1,7	187 656	2,5	
60,01	3 270 796	3,3	3 559 800	4,3	
61,40	25 000	3,4	25 000	4,4	
69,20	162 115	2,8	319 930	3,8	
73,00		,-	100 000	5,3	
74,40	463 500	4,3	523 200	5,3	
79,50		,	127 903	0,5	
81,00	2 890	1,3	4 667	2,3	
84,00		,	29 762	1,0	
86,40	221 159	0,8	483 580	1,6	
88,00	985 214	2,2	2 443 700	2,9	
89,70	22 058	0,6	62 945	1,5	
90,90	7 667	1,1	14 333	2,1	
96,00	5 208	0,1	65 291	0,8	
97,50	3 200	٥, .	17 172	0,1	
102,19	84 250	2,2	131 500	3,2	
102,65	82 050	1,8	340 798	2,7	
111,00	35 556	1,5	43 333	2,5	
115,00	33 330	.,5	23 700	2,1	
123,00	21 347	0,8	21 347	1,8	
123,60	1 725 579	1,4	2 171 350	2,2	
125,00	297 975	1,2	1 918 022	1,9	
128,60	231 313	1,2	10 700	0,2	
130,60			368	0,2	
130,80	72 950	0,7	108 269	1,4	
131,45	, 2 330	0,.	2 920	0,8	
132,00			3 100	1,0	
133,20			84 800	0,2	
134,00			512	0,2	
136,20	500	0,2	168 953	0,2	
139,00		-,-	313	0,2	
142,00			15 700	0,8	
150,00	385	0,2	385	1,2	
151,00	98	0,2	98	1,2	
152,00		-,-	108 500	0,6	
155,20			30 000	0,8	
157,00	76 600	0,2	84 900	1,1	
	9 123 748	2,4	16 457 215	2,9	
	3 120 7 10	=, .	.0 .0		
Nedbank Group (2005) Share Option Scheme	4 400 700	2.5	4.025.050	4.5	
76,79	4 499 709	3,5	4 935 959	4,5	
84,68	576 400	3,5	650 800	4,6	
107,03	418 900	4,6			
110,98	5 316 201	4,1			
	10 811 210	3,8	5 586 759	4,5	
Nedbank Group (2005) Matched Share Scheme					
0,00	449 650	1,7	327 025	2,4	
	449 650	1,7	327 025	2,4	
		•		, .	

2005



43.4 Instruments outstanding at the end of the year by exercise price (continued)

		2006	2005		
	Number of	Weighted average remaining	Number of	Weighted average remaining	
	instruments	contractual life (years)	instruments	contractual life (years)	
Retail Scheme					
0,00	1 438 451	2,1	459 382	2,9	
	1 438 451	2,1	459 382	2,9	
Corporate Scheme					
108,06	9 939 141	4,6	9 051 369	5,6	
	9 939 141	4,6	9 051 369	5,6	
Black Executive Scheme					
0,00	228 275	3,8	168 000	4,6	
74,75	480 000	5,3	504 000	6,6	
107,03	51 239	6,6			
110,98	92 536	6,2			
	852 050	5,1	672 000	6,1	
Black Management Scheme					
0,00	324 813	3,8	298 609	4,6	
74,75	2 730 055	5,5	3 255 829	6,6	
107,03	372 947	6,6			
110,98	374 161	6,2			
	3 801 976	5,6	3 554 438	6,4	
Namibia Black Business Partner Scheme					
278,98	199 929	10,0			
	199 929	10,0	-	-	
Namibia Affinity Group Scheme 282,47	74 048	10,0			
	74 048	10,0	_	_	
Namibia Education Scheme	00.720	10.0			
282,47	98 730	10,0			
	98 730	10,0	_	-	
Namibia Black Management Scheme					
0,00	17 396	5,0			
101,29	58 004	7,0			
	75 400	6,5	-	_	

for the year ended 31 December

43 SHARE-BASED PAYMENTS (continued)

43.5 Instruments granted during the year

The weighted average fair value of instruments granted during the year has been calculated by means of the Black-Scholes option pricing model, using the following inputs and assumptions.

	Nedbank Group	Nedbank Group	Nedbank Group	- "	
	(1994) Share	(2005) Share	(2005) Matched	Retail	
	Option Scheme	Option Scheme	Share Scheme	Scheme	
2006					
Number of instruments granted		6 142 374	153 960	985 724	
Weighted average fair value per instrument granted (R)		28,12	114,45	99,85	
Weighted average share price (R)		118,50	128,45	114,21	
Weighted average exercise price (R)		110,71			
Weighted average expected volatility (%)*		27,0	27,0	27,0	
Weighted average life (years)		4,0	3,0	3,0	
Weighted average expected dividends (%)**		4,7	3,9	4,6	
Weighted average risk-free interest rate (%)		7,4	7,4	7,4	
Number of participants		1 096	443	30 741	
Weighted average vesting period (years)		3,0	3,0	3,0	
Possibility of not vesting (%)		10	7	1,5	
Expectation of meeting performance criteria (%)			100	98,5	
2005					
Number of instruments granted***	718 693	5 815 509	327 025	459 382	
Weighted average fair value per instrument granted (R)	24,59	20,70	71,07	86,14	
Weighted average share price (R)***	74,49	75,93	75,50	91,63	
Weighted average exercise price (R)**	73,14	77,69			
Weighted average expected volatility (%)*	29,0	29,0	29,0	29,0	
Weighted average life (years)	5,5	4,0	3,0	3,0	
Weighted average expected dividends (%)	2,1	2,1	2,1	2,1	
Weighted average risk-free interest rate (%)	7,9	7,5	7,7	7,5	
Number of participants***	31	1 409	507	6 032	
Weighted average vesting period (years)	3,5	3,0	3,0	3,0	
Possibility of not vesting (%)***	5	5	5	5	
Expectation of meeting performance criteria (%)***	100		100	95	

^{*}Volatility is determined using expected volatility for all shares listed on the JSE.

^{**}The dividend yield used for the grants made in 2006 has been based on forecast dividends, whereas in 2005 it was based on historical dividends.

This has resulted in changes in some of the 2005 inputs, the effect of which is immaterial.

^{***}Certain refinements have been made to the 2005 inputs.



	Black	Black	Broad-based	Namibia Black	Namibia	Namibia	Namibia Black	Namibia Broad-
Corporate	Executive	Management	Employee	Business Partner	Affinity Group	Education	Management	based Employee
Scheme	Scheme	Scheme	Scheme	Scheme	Scheme	Scheme	Scheme	Scheme
892 130	217 501	902 751		199 929	74 048	98 730	75 400	39 816
55,10	58,76	36,18		45,00	44,55	44,55	59,76	124,70
121,35	114,61	112,96		124,00	124,00	124,00	124,70	124,70
108,06	72,43	100,01		278,98	282,47	282,47	77,92	124,70
28,0	27,9	28,0		29,0	29,0	29,0	27,9	
4,8	5,7	5,9		10,0	10,0	10,0	5,8	
.,0	3,3	4,6		,	,.	.5,5	3,7	
8,6	7,9	8,0		8,1	8,1	8,1	8,4	
4	9	423		3	2	1	29	504
4,8	5,0	5,0		10,0	10,0	10,0	5,0	
5	5	12,5					5	
		,-						
0.0	F1 260	672.000	2 606 506	1 471 700				
90	151 369	672 000	3 606 506	1 471 700				
	24,96 87,90	45,94	38,00	87,90 87,90				
	108,06	87,90 56,06	87,90 68,47	67,90				
	29,0	29,0	29,0					
	6,0	29,0 5,8	29,0 5,9					
	6,0	3,6 1,6	5,9 1,9					
	7 7		7,6					
	7,7 75	7,6 18	7,6 719	14 717				
	6,0			14 / 1/				
		5,0 5	5,0 5					
	4,1	5	5					

for the year ended 31 December

44 RELATED PARTIES

44.1 Relationship with parent, ultimate controlling party and investees

The group's parent company is Nedbank Group Limited which holds 100% (2005: 100%) of Nedbank Limited's ordinary shares. The ultimate controlling party is Old Mutual plc, incorporated in the United Kingdom.

Material subsidiaries of the group are identified on page 110 and associates of the group are identified on pages 108 and 109.

44.2 Key management staff compensation

Key management staff are those persons who have authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, including all directors of the company and its parent, as well as members of the Executive Committee who are not directors, as well as close members of the family of any of these individuals.

Details of the compensation paid to the board of directors are disclosed in the Remuneration Report on pages 113 to 115 and details of their shareholdings in the company are disclosed in the Directors' Report on page 15. Compensation paid to the board of directors is aggregated below, together with the aggregate compensation paid to the key management staff, as well as the number of share options and instruments held.

	Key			
	Directors	management staff	Total	
Compensation (Rm)				
2006				
Directors' fees – Paid by parent	5		5	
Directors' fees	4		4	
Remuneration	26	61	87	
- Short-term employee benefits	16	48	64	
 Post-employment benefits 		3	3	
– Gain on exercise of options	10	10	20	
	35	61	96	
2005				
Directors' fees – Paid by parent	5		5	
Directors' fees	3		3	
Remuneration	19	39	58	
- Short-term employee benefits	15	36	51	
- Termination benefits	1		1	
- Gain on exercise of options	3	3	6	
	27	39	66	



	r	Key nanagement	
	Directors	staff	Total
Number of share options and instruments			
2006			
Outstanding at the beginning of the year	1 323 209	1 543 823	2 867 032
Granted	210 165	490 420	700 585
Forfeited		(4 575)	(4 575)
Exercised	(179 734)	(247 809)	(427 543)
Expired	(26 917)	(160 260)	(187 177)
Transferred	7 015	94 666	101 681
Outstanding at the end of the year	1 333 738	1 716 265	3 050 003
2005			
Outstanding at the beginning of the year	1 153 351	1 822 609	2 975 960
Granted	591 415	474 696	1 066 111
Exercised	(421 557)	(753 482)	(1 175 039)
Outstanding at the end of the year	1 323 209	1 543 823	2 867 032

44.3 Related-party transactions

The following significant transactions were entered into between the Nedbank Limited group and the following related parties. All of these transactions were entered into in the normal course of business and are market-related, unless otherwise indicated.

	Due fror	m/(owing to)
Outstanding balances (Rm)	2006	2005
Parent/Ultimate controlling parent		
Loans and advances to Old Mutual plc	116	160
Investment in Old Mutual plc bonds	48	
Deposits from Nedbank Group Limited – interest-free	(100)	(63)
Deposits from Old Mutual plc		(273)
Bank accounts held by Nedbank Group Limited – interest-free	2 201	2 371
Bank accounts held by Old Mutual plc		(3)
Dividend payable to Nedbank Group Limited	(122)	(110)
Due to Nedbank Group Limited on exercise of share options during the year – interest-free	(103)	
Shares in Nedbank Group Limited held by Nedbank Namibia Omufima BEE scheme trusts	18	
Forward exchange rate contracts with Old Mutual plc	(2)	2
Interest rate contracts with Old Mutual plc	(20)	(9)

for the year ended 31 December

44 RELATED PARTIES (continued)

44.3 Related-party transactions (continued)

	Due fron	Due from/(owing to)		
Outstanding balances (Rm)	2006	2005		
Fellow subsidiaries				
Loan to Nedcor Securities (Pty) Limited	4 094	*		
Loan to Nedbank Malawi Limited	7	*		
Advances to various other fellow subsidiaries	27	*		
Loans and advances from Old Mutual Life Assurance Company (SA) (Pty) Limited		(969)		
Deposits from Nedcor Securities (Pty) Limited	(4 599)	*		
Deposits from Old Mutual Life Assurance Company (SA) (Pty) Limited	(1 089)	(1 944)		
Deposits from Old Mutual Asset Managers (SA) (Pty) Limited	(2 711)	*		
Deposits from other fellow subsidiaries	(1 202)	*		
Bank accounts held by Old Mutual Group Achievement Limited	(1 206)	*		
Bank accounts held by Old Mutual Life Assurance Company (SA) (Pty) Limited	(1 047)	(1 136)		
Bank accounts held by Syfrets Securities Limited	105	*		
Bank accounts held by other fellow subsidiaries	(762)	*		
Insurance-related payables to various insurance fellow subsidiaries	(27)	*		
Equity derivatives with various fellow subsidiaries	12 306	492		
Forward exchange rate contracts with various fellow subsidiaries	1 810	104		
Interest rate contracts with various fellow subsidiaries	(70)	103		
Associates				
Loans to various associates	404	180		
Impairment provision in respect of various associates		(126)		
Deposits from various associates	(58)	(68)		
Bank accounts held by various associates	(4)	(41)		
Bank accounts held by Visigro Investments (Pty) Limited	3	, ,		



	Due from/(owing to)		
Outstanding balances (Rm)	2006	2005	
Key management staff			
Mortgage bonds to key management staff	19	11	
Loans to entities under the influence of key management staff	49		
Deposits from key management staff	(11)	(19)	
Deposits from entities under the influence of key management staff	(211)		
Bank accounts held by key management staff	10	9	
Bank accounts held by key management staff	(6)	(6)	
Bank accounts held by entities under the influence of key management staff	44		
Bank accounts held by entities under the influence of key management staff	(61)		
The Wiphold and Brimstone consortia and Aka Capital (Pty) Limited are related parties since certain key management staff of the company have significant influence over these entities. These entities are participants in the Nedbank Eyethu BEE schemes, and the share-based payments reserve and liability recognised in respect of these entities and key management staff are detailed below.			
Wiphold consortium	(108)	(108)	
Brimstone consortium	(107)	(107)	
Aka Capital (Pty) Limited	(12)	(3)	
Key management staff – Directors			
Key management staff – EXCO	(3)	(1)	
Share-based payments reserve	(230)	(219)	
Key management staff – Directors	(32)	(16)	
Key management staff – EXCO	(43)	(20)	
Share-based payments liability	(75)	(36)	
Long-term employee benefit plans Deposit from Nedbank Namibia Medical Aid Fund Bank account held by Nedbank Swaziland Pension Fund Pank accounts held by other funds	(15) 42	(274\	
Bank accounts held by other funds	(45)	(274)	

for the year ended 31 December

44 RELATED PARTIES (continued)

44.3 Related-party transactions (continued)

Transactions (Rm)	Incom 2006	ne/(Expense) 2005
Parent/Ultimate controlling party Interest income from Old Mutual plc Interest expense to Old Mutual plc Dividend declared to Nedbank Group Limited	(668)	11 (1) (524)
Interest income from various fellow subsidiaries Interest expense to Syfrets Securities Limited Interest expense to various other fellow subsidiaries Facilities management fee to Old Mutual Properties (Pty) Limited Insurance fees to various fellow subsidiaries Lease income from BoE (Pty) Limited Administration fee income from various fellow subsidiaries Administration fee expense to BoE (Pty) Limited IT support fee income from Nedgroup Insurance Company Limited Asset management fees to various fellow subsidiaries Rebate expense to various fellow subsidiaries Commission income from Nedgroup Investments (IOM) Limited Advisory fee income from Nedgroup Investments (IOM) Limited Structuring fee income from NBSA Nominees Limited	210 (1 588) (512) (5) (106) 18 20 (11) 6 (8) (20) 13 11	136 * (493) * * * * * * * * * * * *
Associates Interest income from various associates Interest expense to various associates Fee income from various associates Impairment expense in respect of various associates Reversal of impairment provision in respect of various associates	(2)	72 (19) 2 (3) 177
Key management staff Interest income from key management staff Interest income from entities under the influence of key management staff Interest expense to key management staff Interest expense to entities under the influence of key management staff The share-based payments charge in respect of the entities that are participants in	2 4 (11)	1 (2)
the Nedbank Eyethu BEE schemes and key management staff is detailed below. Wiphold consortium Brimstone consortium Aka Capital (Pty) Limited Key management staff – Directors Key management staff – EXCO	(9) (2)	(108) (107) (3) (1)
Share-based payments expense (included in BEE transaction expense)	(11)	(219)
Key management staff – Directors Key management staff – EXCO	(33) (37)	(7) (10)
Share-based payments expense (included in staff costs)	(70)	(17)
Performance fees are also paid to the Wiphold and Brimstone consortia in terms of the Nedbank Eyethu BEE scheme. Wiphold consortium Brimstone consortium	(4) (3)	(7) (5)
Performance fees	(7)	(12)



Aka Capital (Pty) Limited ('Aka Capital') is considered to be a related party by virtue of Dr RJ Khoza, a director and non-executive Chairman of Nedbank Group Limited, having significant influence over this entity.

In October 2001 BoE Bank Limited ('BoE'), via its private equity division, acquired a then 25% equity interest in Aka Capital, subsequently diluted to 20%, as a result of issues of new shares by Aka Capital. Nedbank Limited's private equity division maintained the aforementioned 20% shareholding when the group acquired control of BoE.

In August 2006, in line with its investment horizon, the Nedbank private equity division exited its entire 20% interest in Aka Capital at arm's length to existing shareholders of Aka Capital, including, inter alia, Dr Khoza (4,2% for R11,4 million) and Old Mutual Life Assurance Company (South Africa) Limited, the major shareholder of the group's parent (5% for R13 million). The funding of the acquisition made by Dr Khoza, via an SPV, was financed, at arm's length, by the group, of which R11,4 million is outstanding at year-end.

	Incom	ie/(Expense)
Transactions (Rm)	2006	2005
Long-term employee benefit plans		
Interest income from Nedbank Swaziland Pension Fund	3	
Interest income from Nedcor Pension Fund		1
Interest expense to other funds	(2)	(13)
The group has insurance policies with the major shareholder of Nedbank Group		
Limited, Old Mutual Life Assurance Company (SA) Limited. The group has the		
Optiplus policy in respect of its pension plan obligations and the OMART policy		
in respect of its disability plan obligations. These policies are shown as		
reimbursement rights, with a corresponding liability. The amounts included in		
the financial statements in respect of these policies are as follows.		
Also refer note 32 for further details.		
Optiplus policy reimbursement right	937	812
OMART policy reimbursement right	150	201
Included in long-term employee benefit assets	1 087	1 013
Optiplus policy obligation	(937)	(812)
Disability obligation	(150)	(129)
Included in long-term employee benefit liabilities	(1 087)	(941)

^{*}Comparative information not available.

Analysis of investments in associates and joint ventures

for the year ended 31 December

Percentage holding							
	2006	2005	Acquisition				
Name of company	%	%	date	Year-end			
Capegate Lifestyle (Pty) Limited***		34	Dec 02	Aug			
Capricorn Science & Technology (Pty) Limited	42	42	Nov 98	Sep			
Century Square Development Trust	35	35	May 01	Feb			
Clidet No 683 (Pty) Limited	49		Aug 06	Feb			
G & C Shelf 31 (Pty) Limited	40	40	May 04	Feb			
Grapnel Property Group (Pty) Limited***		40	Mar 03	Sep			
Kimberly Clark SA Holdings (Pty) Limited	50	50	Aug 04	Dec			
Lyric Rose (Pty) Limited	48	49	Jul 02	Feb			
Masingita Property Investment Holdings (Pty) Limited	35	35	Aug 05	Feb			
Robow Investments No 47 (Pty) Limited	50	50	Dec 02	Feb			
Sanbona Properties (Pty) Limited	50	50	Oct 03	Apr			
Sandton Square Portion 8 (Pty) Limited	25	25	Jul 02	Apr			
Steenberg Office Development (Pty) Limited	25	25	Jul 02	Feb			
The Internet Solution (Pty) Limited **		20	Jun 00	Sep			
The IQ Business Group (Pty) Limited+		41	Jul 00	Jun			
Visigro Investments (Pty) Limited	30		Jun 06	Feb			
Whirlprops 33 (Pty) Limited	49	49	Jan 05	Feb			
Other							

^{*}Represents amounts less than R1million.

^{**}Disposed of in 2005.

^{***}Disposed of in 2006.

⁺Transferred to non-current assets held for sale in 2005 (disposed of in 2006).



Date to which		ccounted	Carrying	g amount	Market Directors'		Net indebtedr to/(from) a	
equity income	2006	2005	2006	2005	2006	2005	2006	2005
accounted for	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
	68	67	690	397	784	576	404	180
Dec 2006				24		24		19
Dec 2006			19	30	19	30	18	
Dec 2006			4	3	4	3	1	
Dec 2006			170		170		170	
Dec 2006			88	8	88	28	21	21
Dec 2006				17		7		
Dec 2006	31	28	259	242	349	349		
Dec 2006			10	8	10	8	8	8
Dec 2006			26	*	26		24	
Dec 2006			*	5		5	7	7
Dec 2006			*	*		12	62	59
Dec 2006						29	32	29
Dec 2006				1		1		
Jul 2005		10						
Dec 2005		6						
Dec 2006			25		25		25	
Dec 2006	32	22	54	22	54	22		
Dec 2006	5	1	35	37	39	58	36	37
	68	67	690	397	784	576	404	180

Analysis of investments in major subsidiaries

for the year ended 31 December

	lee	Group ued capital		Group Effective holding		
	2006	2005	2006	2005		
	Rm	Rm	Rm	Rm		
Banking						
Nedbank Namibia Holdings Limited	18	17	90	90		
Nedbank Namibia Limited	17	16	90	90		
Imperial Bank Limited	3	4	50	50		
Nedbank (Lesotho) Limited	20	20	100	100		
Nedbank (Swaziland) Limited	12	12	67	67		
Peoples Mortgage Limited	45	45	100	100		
Trust and participation bond administration						
Nedgroup Collective Investments Limited	6	6	100	100		
Syfrets Participation Bond Managers (Pty) Limited	1	1	100	100		
Other companies						
BoE Management Limited	*	*	100	100		
Lion Match Factory (Pty) Limited	*	*	82	82		
Nedgroup Investment 102 Limited	6	6	100	100		
Nedcor Trade Services Limited (Mauritius)	2	2	100	100		

^{*} Represents amounts less than R1 million.

Note 1

Headline earnings from subsidiaries (after eliminating intercompany transactions).

	2006	2005
	Rm	Rm
Aggregate earnings	3 846	3 897
Aggregate losses	135	466

Note 2

General information required in terms of the 4th schedule of the Companies Act, 61 of 1973, is detailed in respect of only those subsidiaries where the financial position or results are material to the group. It is considered that the disclosure in these statements of such information in respect of the remaining subsidiaries would entail expenses out of proportion to the value to members. Other subsidiaries consist of nominees, property-owning and financial holding companies acquired in the course of lending activities. A register detailing information in respect of all subsidiaries is available for inspection at the registered office.

Nedbank Group Limited Remuneration Report



Remuneration plays a critical role in attracting, motivating and retaining high-performing and talented individuals to achieve Nedbank Group's objectives.

Nedbank Group's philosophy is to encourage sustainable long-term performance and at all times align performance with the strategic direction and specific value drivers of the business as well as with the interests of stakeholders. Remuneration management in Nedbank Group is integrated into other management processes, such as transformation, performance management and talent management, within the ambit of the overall Group Human Resources Policy, and is increasingly aligned with other Old Mutual Group subsidiaries in South Africa.

The group's market position is to pay for performance, while ensuring that there is a distribution of remuneration around the market median where performance is on par with predetermined financial and non-financial targets. Performance is measured relative to business plans and objectives included in the performance scorecards.

In 2006 Nedbank moved away from the internal grading structure to job-based remuneration and individual performance management and career path planning. External market remuneration information is critical to ensure that all components of remuneration are market-related and that the short-term incentive scheme encourages appropriate behaviour. In addition, the long-term incentive schemes have a purpose of retaining key employees.

Remuneration Committee membership and charter

The Group Remuneration Committee (the committee) operates according to a charter approved by the Nedbank Group Board. The board delegates responsibility to the committee for the investigation and benchmarking of remuneration practices and for considering and approving proposals made on remuneration practices for the group.

The committee consists of non-executive directors (the majority of whom are independent) and is chaired by an independent non-executive director. The committee comprises JB Magwaza (Chairman), Chris Ball, Brian Figaji, Cedric Savage and Jim Sutcliffe. Reuel Khoza was a member of the committee until he was appointed Chairman of the Nedbank Group. Tom Boardman, Chief Executive; Bob Head, Regional Director, Southern Africa of Old Mutual plc, and non-executive director of Nedbank Group; and Shirley Zinn, Group Human Resources Director, Nedbank; are permanent invitees to the meetings. Tom Boardman and Shirley Zinn recuse themselves from discussions on their own remuneration. The committee met five times during 2006.



The committee considers remuneration 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's responsibilities include:

- investigating and benchmarking remuneration practices and broad terms and conditions of employment for all permanent employees to ensure that these are fair and competitive, and approving the overall cost of remuneration increases awarded to employees;
- reviewing, monitoring and approving the design principles supporting incentive arrangements for, and the final pools allocated for distribution to, eligible employees;
- reviewing, monitoring and approving the Nedbank Group Employee Share Schemes;
- approving the granting of share incentives to employees, the applicability of financial targets linked to these incentives and the actual financial targets, where applicable;
- determining the remuneration, incentives and other additional benefits for the Chief Executive, executive directors and other senior executives of the group;
- making recommendations to the board on remuneration adjustments, short- and long-term incentives for the Chief Executive, executive directors and other senior executives of the group (the Chief Executive's remuneration is subject to final confirmation by the Remuneration Committee of Old Mutual plc);
- making recommendations to a subcommittee of the board on the fees paid to the Chairman, Vice-chairman and non-executive directors; and
- approving performance scorecards for the Chief Executive and members of the Nedbank Executive Committee.

Remuneration Report • continued

The committee applies the guiding principles of the remuneration policy as far as is practicable, but both the board and the committee retain the right to use their discretion to deviate from this policy in exceptional circumstances.

The committee agreed during the course of the year that executive management succession planning (in relation to the Chief Executive and Group Executive Committee) should be part of the responsibilities of the Directors' Affairs Committee and that succession planning for management and senior management be moved to the Group Transformation and Sustainability Committee as part of the group's broader transformation framework.

A self-assessment on the effectiveness of the committee was conducted in October 2006. The assessment covered operational and strategic matters, committee meetings and fulfilment of committee responsibilities, and provided insight into areas where performance could be improved.

Advisers to the committee

The committee is informed of market-related information on guaranteed package (remuneration on a 'total cost to company' basis), as well as short- and long-term incentives, from a number of different remuneration surveys in which the bank participates. These include Remchannel, GRS Top Remuneration Survey, LMO Executive Remuneration Survey, the Hay Investment Banking Survey and a number of smaller niche remuneration surveys. Specialists within the Group Remuneration Services Department collate and analyse the information sourced from external service providers and prepare documentation for consideration and approval by the committee. Where appropriate, the committee has access to independent executive remuneration consultants.

Education of committee members

As part of the ongoing education of directors, two formal presentations were given by external consultants to committee members on 'The fiduciary responsibilities of the employer on retirement funds' and 'The use of remuneration surveys and market information within Nedbank'.

Guaranteed-package increases

Annual increases in guaranteed package are performanceand market-related, based on the projected rate of inflation, increases awarded by other major banks and the financial services industry, and the group's remuneration position against the banking market. To maintain appropriate remuneration competitiveness relative to the labour market remuneration is reviewed at least annually, and annual increases take effect from 1 April. Non-managerial employees form part of a bargaining unit, and annual increases granted depend on negotiations with the recognised trade unions. In April 2006 the non-managerial remuneration bill was increased by 6,25%, the managerial remuneration bill by 6% and the remuneration bill of cluster executives by 5,5%. Increases are granted on the basis of merit and market comparisons on total remuneration.

Chief Executive Tom Boardman's guaranteed package was reviewed in February 2006 and adjusted by 8,5% to R3 500 000 pa with effect from 1 April 2006, commensurate with his performance and comparative remuneration information. This increase covers the period from 1 April 2006 to 31 March 2007. Chief Financial Officer Mike Brown's guaranteed package was adjusted by 7,7% to R2 100 000 pa with effect from 1 April 2006.

Remuneration

All employees in Nedbank Group are remunerated on a 'total cost to company' basis (referred to in this report as 'guaranteed package'), which includes a basic salary, 13th cheque (if selected), allowances and contributions to benefit funds. From the guaranteed package, contributions are made to the Nedgroup Medical Aid Scheme, a retirement fund, a disability fund and a death benefit scheme. A car allowance/company car contribution may be structured into the package where the employee is required to travel on group business. The amounts stipulated under basic salary and other benefits in table 1 on page 113 exclude the contributions to the retirement fund, but include contributions to the disability fund, the car allowance/company car contribution and medical aid contributions.

Retirement scheme

The executive directors are members of Nedbank's retirement schemes. Contributions to the retirement funds form part of the guaranteed package.

Performance bonuses

Short-term incentives are intended to encourage particular behaviours and obtain desired results. In Nedbank Group incentive schemes are structured to support group thinking by breaking down the 'silo' mentality. The committee has agreed a set of principles and all cluster incentive schemes are designed according to those principles.

The achievement of Nedbank Group's ROE target of 17,5% for 2006 was a condition for the creation of the incentive pool for all support clusters and the group pool for the income-generating clusters.

In the income-generating clusters, depending on the reporting level of employees, incentive pools are structured from a weighting linked to the group, cluster and divisional performance. The three income-generating clusters within



Nedbank (Retail, Corporate and Capital) were measured on a combination of group ROE results and the clusters' ROE and headline earnings targets, with these pools being calculated independently of one another. Distribution of these pools was based on individual performance relative to the agreed deliverables in the performance management process.

Executive remuneration is benchmarked to data provided in national executive remuneration surveys. Bonuses are based on actual performance measured against agreed financial and non-financial targets included in the performance scorecards.

Deferred short-term incentive scheme

In response to a buoyant labour market that increased the turnover of staff with key skills, together with financial performance that exceeded the financial targets for the period January to June 2006, a deferred short-term incentive scheme was introduced in the form of a cash incentive in August 2006. Some 380 key employees who met the predetermined criteria were identified. Members of the Group EXCO did not participate in the scheme. In October 2006 40% of the amount granted under the scheme was paid (net of employees tax). The balance will be payable in October 2009 for employees in Nedbank Capital and in October 2008 for the rest of the participating employees, provided they are still in the service of the group and performance conditions have been met. Should employees leave before

the end of the scheme period, they will be required to repay the gross amount paid to them. The balance of the amount granted will be forfeited in the event of services being terminated before the end of the agreed period.

Executive directors

Service contracts

Tom Boardman's employment is governed by a service contract with the group, the terms of which are considered by the committee to provide a proper balance of duties and securities between the respective parties. Tom Boardman's service contract commenced on 10 December 2003 for an initial period of five years. The board, however, has agreed to extend the final termination date of his contract to 28 February 2010 to allow him the opportunity to present the 2009 financial results, whereafter he will retire. His service contract stipulates a maximum notice period of six months under most circumstances. A service contract was agreed with Mike Brown on 17 June 2004, and a notice period of six months is required under most circumstances. An executive director is required to retire from the board at age 60.

Executive directors' remuneration

The remuneration of executive directors for the years ended 31 December 2006 and 31 December 2005 was as follows:

Table 1: Executive directors' remuneration – year to 31 December 2006

Name	Basic salary and other benefits* (R000)	Retirement fund contributions (R000)	Guaranteed remuneration (R000)	Performance bonus**** (R000)	Total (R000)	2006 on 2005 % change (%)
TA Boardman	3 191	240	3 431	6 500	9 931	14,6
MWT Brown	1 809	252	2 061	4 200	6 261	16,0
Total	5 000	492	5 492	10 700	16 192	**1,4

^{*}This salary includes contributions to the medical aid, disability insurance and car allowance/company car benefits structured into the package. No additional benefits are offered to executive directors.

^{**}Refers to total remuneration cost in respect of executive directors in service. Different directors were in service year-on-year.

^{****}Performance bonus relates to performance in 2006, paid in March 2007.

Remuneration Report • continued

Table 2: Executive directors' remuneration – year to 31 December 2005.

Name	Basic salary and other benefits** (R000)	Retirement fund contributions (R000)	Guaranteed remuneration (R000)	Performance bonus**** (R000)	Termination package (R000)	Total remune- ration (R000)	2005 on 2004 % change (%)
TA Boardman	2 947	222	3 169	5 500		8 669	(7)
MWT Brown	1 667	233	1 900	3 500		5 400	3
ML Ndlovu*	513	91	604		1 296	1 900	(47)
Total	5 127	546	5 673	9 000	1 296	15 969	***(40)

^{*}ML Ndlovu's executive employment contract was terminated with effect from 30 April 2005. His termination package was calculated on the basis of service and leave accrual. ML Ndlovu subsequently entered into a consulting contract with Nedbank Group, effective 1 May 2005, for a period of three years, devoting 75% of his time for an annual contract fee of R1 600 000. In addition, he is entitled to a performance bonus adjustment on the basis of his performance during the financial year.

Performance bonus for executive directors

The bonus pool for distribution to the Chief Executive and Chief Financial Officer is dependent on the achievement of the group's ROE target for the financial year.

The ROE target for the 2006 financial year was 17,5%.

The performance of Tom Boardman and Mike Brown is measured respectively across four dimensions – financial, client, internal processes and organisational learning. The specific objectives for each of these dimensions are as follows:

- Financial improving ROE, headline earnings and efficiency ratio.
- Client achieving profitable asset growth and accomplishing quality growth in net transactional banking as well as improving client service and enhancing Nedbank's image in the external environment.
- Internal processes creating an acceptable risk environment, successfully implementing Basel II, drawing up credible rolling business plans for 2007 to 2009 (which are to be signed off by the board before the commencement of the new financial year) and unleashing group synergies across the Old Mutual Group South Africa.
- Organisational learning achieving Financial Sector Charter (FSC) employment equity targets and creating a high-performance culture.

Severance arrangements for executive directors

The following formula will apply to calculating a severance package for executive directors in the event of their

services being terminated: a two weeks' guaranteed package per completed year of defined operational service, with no maximum. In addition, the executive is entitled to a maximum notice period of six months, during which he or she may or may not be required to work.

The Nedbank Group implemented a new retirement gratuity policy during 2003 as part of the alignment of conditions of employment, and the previous policy is being phased out over a period of five years. Only employees aged 55 and over, or with more than 20 years' service at 1 April 2003, continue to be eligible for this gratuity.

Executive talent management process

The Executive Management Succession Process was approved in July 2006 and the plans were considered by the Directors' Affairs and the Group Transformation and Sustainability Committees. The process followed was in line with Old Mutual plc's succession-planning framework. There is a specific focus on black management and accelerated development for middle and senior management.

Non-executive directors' remuneration

The terms of engagement of the non-executive directors (excluding the chairman) cover a period of three years, as determined by the rotation requirements of the Nedbank Group articles of association. A non-executive director is required to retire at age 70.

The Chairman's appointment was effective from 4 May 2006. In terms of the articles of association, the chairman and vice-chairman are reelected annually.

^{**}This salary includes contributions to the medical aid, disability insurance and car allowance/company car benefits structured into the package. No additional benefits are offered to executive directors.

^{***}Refers to total remuneration cost in respect of executive directors in service. Different directors were in service year-on-year.

^{****}Performance bonus relates to performance in 2005, paid in March 2006.



Non-executive directors' remuneration for the years ended 31 December 2006 and 31 December 2005 was as follows:

Name	Board fees (R000)	Committee fees (R000)	2006 (R000)	2005 (R000)
CJW Ball	135	471	606	574
WAM Clewlow#		688	688	2 000
RG Cottrell****	135	245	380	355
BE Davison	135	101	236	220
N Dennis	135	80	215	190
MA Enus-Brey	135	80	215	71
B de L Figaji	135	145	280	255
RM Head*	135	143	278	164
MM Katz	135	392	527	533
RJ Khoza##		1 561	1 561	84
JB Magwaza	135	250	385	360
ME Mkwanazi	135	177	312	320
ML Ndlovu	135	2 315**	2 450**	1 750
PF Nhleko				34
TH Nyasulu				14
JVF Roberts* ***	45	39	84	220
CML Savage	135	109	244	240
GT Serobe	135	80	215	71
TCP Chikane###	11	7	18	
JH Sutcliffe*	135	90	225	200
Total	1 946	6 973	8 919	7 655

#WAM Clewlow retired on 4 May 2006.

##This amount includes chairman fees in respect of his appointment as chairman with effect from 5 May 2006. ###TCP Chikane joined on 1 November 2006.

^{****} JVF Roberts resigned on 5 May 2006.

****RG Cottrell retired as an independent non-executive director on 30 November 2006.



^{*}Fees for Messrs Roberts, Head and Sutcliffe are paid to Old Mutual (South Africa) Limited.
**This amount includes consulting fees of R2 million paid in the period under review.

Remuneration Report • continued

Remuneration received from subsidiaries for the year ended 31 December 2006 was as follows:

Name	Subsidiary	2006 R000	2005 R000
CJW Ball	Imperial Bank	143	143
MA Enus-Brey	Imperial Bank	74	_
RG Cottrell	Imperial Bank	191	191
Total		408	334

Remuneration for non-executive members for committee membership is as follows:

	Annual	Annual
	fee	fee
Committee	2006	2005
Nedbank Group**	75 000	70 000
Nedbank Limited**	60 000	40 000
Group Audit Committee	80 000	80 000
Group Finance Oversight		
Committee	30 000	30 000
Group Remuneration Committee	50 000	50 000
Group Risk Committee	50 000	50 000
Group Credit Committee	65 000	65 000
Directors' Affairs Committee	40 000	40 000
Strategic Innovation Management		
Committee	30 000	30 000
Group Transformation and		
Sustainability Committee	30 000	30 000

^{**}At the annual general meeting held on 4 May 2006 approval was granted to increase non-executive directors' fees for the Nedbank Group Board and Nedbank Limited Board in order to align the board fees with local market practices.

Chairmen of committees (other than the Chairman of the Directors' Affairs Committee, who receives a set annual remuneration package) receive double the member fees.

Fees payable to the non-executive directors and the Nedbank Group Chairman are reviewed annually and adjustments are considered by a subcommittee of the board consisting of Tom Boardman, Jim Sutcliffe and Bob Head. The subcommittee recommended the following increases with effect from 1 January 2007. These were approved by the board, but are still subject to shareholder approval at the annual general meeting to be held on 18 May 2007:

Committee 1	Proposed fee (with effect from 1/1/2007)	Current fee (until 31/12/2006)
Boards:		
Nedbank Group	95 000	75 000
Nedbank Limited	80 000	60 000
Committees:		
Group Audit Committee	96 000	80 000
Group Finance Oversight		
Committee	30 000	30 000
Group Remuneration		
Committee	55 000	50 000
Group Risk Committee	60 000	50 000
Group Credit Committee	65 000	65 000
Directors' Affairs Committee	40 000	40 000
Strategic Innovation		
Management Committee	35 000	30 000
Group Transformation and		
Sustainability Committee	40 000	30 000

Board meeting attendance is indicated in the Enterprise Governance and Compliance Report on page 70 of the Nedbank Group Limited annual report.

SHARE INCENTIVES

Share option grants

Long-term incentive schemes are intended to provide key employees with a reward that corresponds with the rewards that shareholders receive for good group performance. The schemes are also intended to motivate employees to remain with the organisation. The amount of the incentive is based on the most recent performance review, individual careerpath planning, scarcity of skills and the organisation's need for retaining the individuals. The value of options allocated are benchmarked to the external market and overall affordability.

The granting of share options (based on skills, merit and performance) is entirely at the discretion of the committee, within agreed criteria and based on recommendations from executive management. Share options are granted twice a year to new employees and annually to existing employees on a date determined by the committee.

At 31 December 2006 share options in issue under the Nedbank employee schemes, as a percentage of issued share capital, was 4,5%.



EMPLOYEE SHARE OPTION SCHEMES

2005 Nedbank Employee Share Scheme

This scheme consists of two parts:

1 Share Option Scheme

Share options are issued to qualifying employees with or without performance conditions (as determined annually by the committee). The share option scheme offers awards to new employees (on-appointment allocations) and annually to existing employees (annual allocations).

On-appointment allocations (internal and external appointments)

On-appointment share option allocations are offered at the discretion of the committee to new employees and to employees who have been promoted to more senior positions and meet the criteria recommended by the Group EXCO. On-appointment allocations take place twice a year, three trading days after the announcement of the interim and annual financial results (in August and February), subject to the Nedbank Group Insider Trading Policy. The committee will determine annually whether performance-based vesting conditions will apply. The vesting period for on-appointment allocations is three years (100%) from the date of allocation. All options have to be exercised within two years from the date of vesting.

Annual allocations

Annual share option allocations apply to qualifying employees in terms of criteria recommended by the Group EXCO and approved by the committee. Annual allocations take place once a year (typically in February), subject to the Nedbank Group Insider Trading Policy. The committee will determine annually whether performance-based vesting conditions will apply in respect of the allocation to qualifying employees. Where applicable, share options will vest only if the predetermined financial hurdle is reached. In the event of no performance targets applying, timebased vesting criteria will apply. In respect of all options for 2006 time-based vesting criteria will apply. However, the committee agreed that a ROE target for the period 2007 – 2009 will apply to the options granted in February 2007. All options allocated under this scheme will vest after three years (100%) from the date of allocation. All options have to be exercised within two years from the date of vesting.

Share option allocation price

For purposes of the share option scheme the allocation price is the weighted average (by volume) closing market price of an ordinary share in the company (as shown by the official trading price list published by the JSE) over the three most recent trading days on the JSE immediately preceding the allocation date.

2 Matched Share Scheme

The matched share scheme allows employees an opportunity to allocate up to 50% of their after-taxation bonus towards the acquisition of Nedbank Group shares or to deposit Nedbank Group shares to the equivalent value. The incentive to do so is a matching of this investment to the equivalent value by the 2005 Nedbank Employee Share Trust on a one-for-one basis. The trust's obligation to deliver or procure the delivery of the matched shares rests on two conditions, namely that:

- employees are still in the service of the group on the vesting date for 50% of the matched shares;
- the group has met the agreed performance targets over a three-year period for the remaining 50% of the matched shares.

Restricted Share Plan

A Restricted Share Plan with performance targets was approved as part of the 2005 Nedbank Employee Share Scheme. To date no allocations have been made under this scheme.

All long- and short-term incentive schemes will be reviewed during 2007 to ensure that they remain competitive within the banking industry.

Status of the share schemes

1994 Nedcor Group Employee Incentive Scheme

At 31 December 2006 there were 916 participants and 9 123 748 Nedbank Group share options outstanding of which 1 215 051 were as a result of the rights issue grant linked to the underlying options during 2004. Of these share options outstanding 4 079 420 were issued with performance-based vesting criteria and 5 044 328 were time-based allocations.

During 2006 3 155 958 share options previously issued lapsed owing to the non-achievement of the financial performance targets determined at the time of the allocation.

Remuneration Report • continued

2005 Nedbank Employee Share Trust

At 31 December 2006 there were 1 497 participants and 10 811 210 Nedbank Group share options outstanding. All share options under this scheme were issued with time-based vesting criteria. Of these share options 5 735 101 were issued in 2006.

Matched Share Scheme

At 31 December 2006 the number of participants in the Matched Share Scheme was as follows:

2006	2005
437	461

The total number of shares held in the trust totals 449 650 shares.

Nedbank Eyethu Employee Schemes

Nedbank Group implemented its black economic empowerment (BEE) staff schemes in August 2005 after due approval processes were followed.

The objective of the schemes is the achievement of BEE and the distribution of ownership, in line with the FSC requirements and Nedbank Group's transformation strategy.

Employees who qualify for benefits are those who are permanently employed by Nedbank Group in South Africa and were not under resignation on the grant date.

The Eyethu employee schemes are as follows:

- · Eyethu Black Executive Trust
- Eyethu Black Management Scheme
- Eyethu Broad-based Scheme
- · Eyethu Evergreen Trust

Eyethu Black Executive Trust and Black Management Scheme

The rules of these two schemes are similar, but beneficiaries are identified through different processes. Allocations are made partly on a share grant basis and partly on a share option basis to employees who met the eligibility criteria at 15 July 2005.

A total of 25 black individuals in senior positions with groupwide impact, as identified by the Group EXCO and approved by the committee, were the beneficiaries of shares and options under the Black Executive Trust.

Black permanent employees earning in excess of the remuneration band for middle management (R289 454 per annum) received options and shares under the Black Management Scheme. Allocations were based on a multiple of actual earnings.

The vesting criteria for these schemes are time-based as follows: 33% after four years from date of grant; 33% after five years from date of grant; and 34% after six years from date of grant. Share options have a lifespan of seven years from allocation date.

Eyethu Broad-based Scheme

This was allocated as a once-off share grant to permanent Nedbank Group employees who met the eligibility criteria at 15 July 2005. All permanently employed black and white employees who earn less than the remuneration threshold for middle management, as defined by the FSC, who were not under resignation on the date of issue and who did not participate in any other long-term incentive scheme at the time, qualified for participation. Shares vest immediately in the hands of the beneficiaries, but there is a trading restriction of five years on these shares, which will be held in trust for this period.

Eyethu Evergreen trust

This trust has been created in addition to the Eyethu Broad-based Scheme. The scheme is targeted at uplifting the living standards and personal circumstances of black permanent employees with an annual guaranteed package below R86 836 (or 50% of the income band for junior management, as determined by the FSC). Of the dividends payable on shares held in the trust 50% will be made available for distribution as determined by the trustees.

To date no allocations have been made to staff under the Eyethu Evergreen Trust, as it has taken time to identify 'qualifying needs' as defined by the trust deed. Research has indicated that a number of eligible staff under the Eyethu Evergreen Trust do not have a Grade 12 qualification. After considering several proposals for the disbursement of funds, the trustees selected education as their key focus area during the next 12 to 18 months. The upskilling of Eyethu Evergreen Trust participants to achieve a Grade 12 education level is the preferred option for allocation of the existing funds, which amount to approximately R2 million.

A letter was sent to all eligible staff under the Eyethu Evergreen Trust, inviting staff members not having a Grade 12 qualification to apply for benefits. Approximately 65 applications were received by 20 November 2006. After a screening process the correct study level will be determined for applicants individually and they will be enrolled for the appropriate level of education at the expense of the trust. Successful applicants will commence their studies early in 2007, and the trustees will maintain close contact with the learners and their managers during the year to ensure a high success rate.



Eyethu Non-executive Directors Trust

During 2005 and as part of the group's broad-based BEE transaction, an issue of R59 million worth of Nedbank Group shares was allocated to the Nedbank Eyethu Non-executive Directors Trust. The trust comprises 78 913 000 shares, of which 344 351 shares were allocated at 31 December 2006 to four participants.

Corporate governance

Trustees were appointed for the five trusts in accordance with the trust deeds of the respective schemes.

Trustee meetings were held, dividends were received and accounted for, and voting took place at the annual general meeting. In accordance with instructions given to the trustees the annual financial statements for 2005 were completed. The Administrator, Molebedi Trust Limited, is satisfied that all requirements have been complied with. Participants also received statements of accounts.

At 31 December 2006 the numbers of allocated shares to the trusts were as follows:

Black Executive Trust - 2 056 712

Black Management Scheme - 5 233 064

Broad-based Scheme – 1 471 700* (2005: 1 471 600)

Evergreen Trust – no individual allocation; all shares held in the name of the trust

*One additional participant included owing to an administrative error.



Nedbank Namibia BEE transaction (Omufima)

The Old Mutual Group subsidiaries in Namibia, namely Old Mutual Namibia, Nedbank Namibia and Mutual & Federal Namibia, each completed BEE transactions in September 2006. The Nedbank Group transaction was approved by shareholders on 7 December 2006, and the new Nedbank Group shares were listed on the JSE on 14 December 2006 and issued to the respective BEE trusts on the same day.

The Nedbank Namibia transaction includes the following three employee schemes collectively called the Omufima Employee Schemes:

- NedNamibia Holdings Long-term Incentive Plan will operate for the benefit of permanent employees, both black and white, earning in excess of N\$289 454 per annum (81 749 shares allocated to the trust).
- Broad-based Employee Scheme applies to all employees not participating in any other share incentive scheme operated by the Nedbank Group. This scheme benefits both black and white employees earning less than N\$289 454 per annum (34 358 shares allocated to the trust).
- Black Management Scheme benefits black senior and middle management currently earning more than N\$289 454 per annum (95 176 shares allocated to the trust).

The Omufima Employee Schemes include a mixture of straight issues of Nedbank shares into the respective trusts, as well as Nedbank shares supported by loan funding from the Nedbank Group. All trusts are finite in nature and will dissolve once all the shares held by the trusts have vested to employees and, in the case of options, have been exercised by employees.

Remuneration Report • continued

Executive directors' share option holdings

	Opening balance at Dec 2006		Opti	Options issued during 2006			
Name	Number of options	Date of issue	Issue price (R)	Number of options	Date of issue	lssue price	
ML Ndlovu	12 500* 20 000*	15/04/2002 01/04/2003	125,00 88,00				
	13 542*	10/05/2004	45,00				
	100 000*	25/04/2005	73,00				
	146 042						
TA Boardman	126 200 20 000* 250 000* 60 918	02/07/2002 01/04/2003 11/05/2004 10/05/2004 30/06/2005	123,60 88,00 60,01 60,00 76,79	120 000	28/02/2006	110,98	
	557 118			120 000			
MWT Brown	72 800 18 000* 20 000* 80 000* 37 834 20 000	02/07/2002 01/04/2003 11/05/2004 10/08/2004 10/05/2004 30/06/2005	123,60 88,00 60,01 55,75 45,00	70 000	28/02/2006	110,98	
						.,	

70 000

In accordance with the rules of the 1994 Nedcor Group Employee Incentive Scheme all holders of options (whether still employed by the group or not) were entitled to receive an additional award of options following Nedbank Group's rights issue in May 2004 to compensate for the dilutive effect of that issue on preexisting options.

Share options issued before May 2005 were issued in terms of the 1994 Nedcor Group Employee Incentive Scheme, with 50% vesting after three years from the date of grant and the remaining 50% after four years from the date of grant.

248 634

Share options issued after May 2005 were issued in terms of the 2005 Nedbank Group Share Option, Matched Share Scheme and Restricted Share Scheme, with 100% vesting after three years from the date of grant.

*Share options issued with performance-based vesting criteria. The rights issue options linked to these share options also have performance-based vesting criteria.

Further details of share options granted to employees are included on pages 278 to 280 of the Nedbank Group Limited annual report.





Exerc	Exercised during 2006		Gain on share	Closing balance at Dec 2006				
Number of options	Date of exercise	Issue price (R)	options exercised	Number of options	Date of issue	lssue price	Vested	Expiry date
12 500*	05/05/2006	125,00	107 658,28					
10 000*	29/03/2006	88,00	381 964,57					
10 000*	23/11/2006	88,00	367 160,10					
9 375*	29/03/2006	45,00	761 216,78					
4 167*	23/11/2006	45,00	332 176,62					
100 000*	23/11/2006	73,00	5 171 601,08					
146 042			7 121 777,43				-	
				126 200	02/07/2002	123,60	126 200	02/07/2008
10 000*	01/04/2006	88,00	lapsed	10 000*	01/04/2003	88,00		01/04/2009
			•	250 000*	11/05/2004	60,01		11/05/2010
4 167	01/04/2006	60,00	lapsed	30 459	02/07/2002	60,00	26 292	As above
16 292	27/03/2006	60,00	1 236 206,68					
10 000	27/03/2006	60,00	762 700,00					
				100 000	30/06/2005	76,79		30/06/2010
				120 000	28/02/2006	110,98		28/02/2011
40 459			1 998 906,68	636 659			152 492	
				72 800	02/07/2002	123,60	72 800	02/07/2008
9 000*	01/04/2006	88,00	lapsed	9 000*	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
3 750*	01/04/2006	45,00	lapsed	26 684	02/07/2002	45,00	22 934	As above
7 400	27/03/2006	45,00	647 500,00					
				20 000	30/06/2005	76,79		30/06/2010
				70 000	28/02/2006	110,98		28/02/2011
20 150			647 500,00	298 484			95 734	

Shares purchased by executive directors under the Matched Share Scheme for 2005 and 2006 $\,$

Name	Number of shares	Date of inception	Purchase price
TA Boardman	15 098	25/05/2005	76,50
	10 000	28/03/2006	130,18
MWT Brown	9 803	25/05/2005	76,50
	7 400	28/03/2006	130,18

Nedbank Group Limited Risk and Capital Management Report (incorporating Basel II update)

Risk culture and vision

Risk management has been a major component of Nedbank Group's transformation over the past few years, using our comprehensive Basel II Programme as the main catalyst.

We set the following key objectives and a vision for risk management to be achieved by the end of 2007, which aligns with the completion of the group's recovery:

- Enabler for our businesses and proactive in delivering risk solutions within a well-coordinated Enterprise-wide Risk Management Framework (ERMF).
- · Area of competitive advantage and a key source of innovation.
- · Critical component in setting the group's strategic direction.
- · Partner to growth and value creation rather than only a controller of downside risks.
- Delegator of risk-based decisions to the business units (facilitating a decentralised business model with clear accountability), but having a strong independent group risk function and enterprise-wide risk culture.
- · Employer and retainer of high-calibre risk professionals.
- · Fully integrated part of capital management and strategy, and linked to risk-based performance measurement.



WORLDCLASS AT MANAGING RISK

To be worldclass at managing risk in Nedbank Group means:

- UNDERSTANDING, MEASURING AND MANAGING RISK ARE CENTRAL TO EVERYTHING WE DO.
- WE HAVE ENGRAINED RISK MANAGEMENT IN OUR BUSINESS.
- WE UNDERSTAND THAT BANKING IS ABOUT MANAGING RISK, NOT AVOIDING IT.
- OUR RISK MANAGEMENT METHODOLOGIES ARE WORLDCLASS.

Over the past three years this vision has been embedded in the organisational risk culture of the group, together with a clear understanding that Nedbank's core business activities involve managing financial risks, namely lending money and taking in deposits, which create credit risk and market risk respectively. Financial risks and other key risks, for example operational risk, must be measured, managed and optimised as a core competency in terms of worldclass standards.

This vision has involved implementing comprehensive enterprise-wide risk management across Nedbank Group.

Enterprise-wide risk management (ERM) is a structured and disciplined approach aligning strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the opportunities, uncertainties and threats the enterprise faces as it creates shareholder value. It involves integrating risk management effectively across an organisation's risk universe, business units and operating divisions, geographical locations and legal entities.





Nedbank Group's enterprise-wide risk management objectives Protect against Optimise business opportunities Ensure earnings stability unforeseen losses Risk = Opportunity Risk = Threat Risk = Uncertainty Worldclass risk management, stakeholder protection and value-based management Risk management Risk arises as much from is not risk avoidance. the likelihood that something good It is about maximising the will not happen risk/return ratio. as it does from the threat It is about taking risks Enhanced shareholder value that something bad will happen. knowingly, not unwittingly.

Included as one of Nedbank Group's 12 key strategic objectives (see Group Strategy Report on pages 16 to 19 of the Nedbank Group Limited annual report) is to 'optimise risk and capital'. This in turn is assisting in successfully meeting some of the other strategic objectives, namely 'achieving financial targets', 'building a high-performance culture' and 'improving innovation'.

Risk and capital management are now embedded as core value drivers in Nedbank Group's strategic framework. In addition, key medium- to long-term financial, risk and capital targets, which

have been used internally for the past few years, are now being publicly disclosed (actual target numbers are set out on page 6 of the Nedbank Group Limited annual report).

Group strategy

Business unit strategies

TARGETS

- ROE in excess of 20% and ROE (excluding goodwill) 10% above the cost of capital
- Efficiency ratio
- Fully diluted HEPS growth
- Impairments charge as a % of average advances
- Regulatory capital adequacy
 Economic capital adequacy
 Dividend cover

We have worked hard in recent years and invested significantly to position Nedbank Group at the leading edge of risk management, wherever appropriate. We shall use this and the sophisticated management science and capabilities it provides to optimise the risk/return and growth of our business, consistent with the

risk appetite of the group.

Management of value drivers

REVENUE GROWTH

- Interest margin
- Fee income New business/
- Market share

OPERATIONAL COSTS **EFFICIENCY**

· Operating costs

Macroeconomic variables

ASSUMPTIONS

 Client demand • Pricing

 Credit cycle Yield curve

- Once-off items
- Projects/Programmes

RISK AND CAPITAL

- · Risk-based capital allocation economic capital
- Risk-adjusted performance
- measurement (RAPM) and cost of capital
- Earnings and capital-at-risk metrics risk appetite

Key 2006 achievements and 2007 objectives

A summary of our key risk management achievements for 2006 and objectives for 2007 are provided below.

Key 2006 achievements

- · Basel II implementation
 - Substantially completed and operationalised.
 - Lodged application with SARB for the Advanced
 Internal Ratings-based (AIRB) approach for credit risk.
 - Significant progress and key milestones achieved on IT and data management systems.
 - Completed implementation of the standardised approach for operational risk.
 - Significant leverage off Nedbank by Imperial Bank and progress made.
- Implemented sophisticated new risk-based pricing in Nedbank Retail cluster.
- Introduced sophisticated client value management (risk-based capital methodology) in Nedbank Corporate and Nedbank Capital clusters.
- Extended ERMF fully to cover Imperial Bank and the African subsidiaries and UK operations.
- Restructured and strengthened market risk management, both in terms of human resources and systems, to facilitate an increase in our market trading risk appetite.
- Embedded our economic capital, risk appetite and RAPM methodologies across the group, and fully integrated into strategy and reporting in parallel with the historical ROE (Basel I and IFRS) basis.
- Maintained a strong risk management environment, while continuing to build a strong risk management culture, including firmly establishing risk as an enabler for growth, a competitive advantage and a key source for innovation.
- Finalised a best-practice stress- and scenario-testing framework (incorporating sophisticated macroeconomic factor modelling, integrated with our capital adequacy projection model and credit portfolio model as well as other models).

Key 2007 objectives

- · Basel II implementation
 - Complete in full ahead of the 1 January 2008 effective date for South Africa.
 - Complete outstanding work and lodge application with South African Reserve Bank (SARB) for internalmodel approval for market trading risk.
 - Substantially complete implementation of Advanced Measurements Approach (AMA) requirements for operational risk (target is for transition to AMA from 2010).
- Implementing more change management ahead of riskadjusted return on capital (RAROC) replacing ROE (Basel I basis) as a key financial performance and reward metric from 2008.
- Further embedding the culture of risk as an enabler, our new risk management science and advanced capabilities, and the principles of value-based management to optimise shareholder returns.
- Further diversifying our funding base and alternatives to manage liquidity risk, including securitisation.
- Implementing, in all material respects, the requirements of the National Credit Act in a manner that provides strategic value-add to our business, similar to our strategic-based approach to Basel II.
- Further enhancing our ERM application, integrating credit and market risk related to operational risk into the existing operational risk committees, amending their terms of reference (charters) and changing the name of the committees to enterprise-wide risk committees.
- Fully implementing the upgrade to best-practice market trading risk measurement and systems.



Risk governance

Nedbank Group sees strong risk governance applied pragmatically and consistently as the foundation for successful risk management.

The strong emphasis on risk governance is based on a 'three lines of defence' concept, which is the backbone of

our group's Enterprise-wide Risk Management Framework (ERMF). Our ERMF incorporates a strong emphasis on accountability, responsibility, independence, reporting, communications and transparency, both internally and with all our key external stakeholders.

The three lines of defence, and principal responsibilities that extend across the group, function as follows:

FIRST LINE OF DEFENCE SECOND LINE OF DEFENCE Focused and informed involvement by the board and Group EXCO, Independent risk monitoring Independent assurance and accountability and responsibility of business management at group level by provided by internal and Group Finance, all supported by appropriate internal control, the Group Risk Division. and external audit. risk management and governance structures and processes. POLICY, VALIDATION INDEPENDENT ASSURANCE STRATEGY, PERFORMANCE AND RISK MANAGEMENT AND OVERSIGHT Nedbank Group Board Chief Risk Officer (CRO) **Board subcommittees** Group Group Risk and Basel II Chief Executive Internal Audit The Group Chief Risk Officer, **Group EXCO** who reports directly to the Group EXCO subcommittees Chief Executive, provides strategic risk Nedbank Nedbank Nedbank Chief management leadership, Financial Corporate Capital Retail independent risk monitoring Officer (CFO) and key support to the various risk committees, **Business units Business units Business units** interacts closely with the Group Capital Management business units and is External auditors Capital Corporate Banking · Home Loans responsible for championing Markets Card Group Asset and Liability effective enterprise-wide risk Business Investment Bancassurance Banking Management (ALM) Banking management and control. and Wealth Property Finance Specialised VAF and TIP Chief Governance Finance Retail banking Group Tax and Compliance Officer Africa Treasury services Nedcor Personal Loans Securities **Group Enterprise Group Finance** Governance and Compliance

The ERMF, fully embedded across Nedbank Group, is supplemented by individual subframeworks such as those for credit risk, market risk, liquidity risk, operational risk and capital risk (ie capital management framework).

The ERMF facilitates effective challenge and debate at executive management and board levels, and strong interaction across the group between the businesses and central group services. An overview of Nedbank Group's ERMF, including the 17 key risks that comprise the group's risk universe and risk governance structures, is provided below.

Further detail on the group's enterprise-wide governance is given on pages 70 to 88 of the Nedbank Group Limited annual report. This includes the role of the board, which

includes setting and monitoring the group's risk appetite and oversight of the ERMF, duly assisted by its eight subcommittees.

At executive management level the Group EXCO is also assisted with its risk, strategic and operational responsibilities by eight subcommittees. The AIRB Credit Executive Committee (AIRB Credit EXCO) was added as a new subcommittee in the second half of 2006 and was the only material amendment to the ERMF for the year. The AIRB Credit EXCO arises from the Basel II implementation and is an executive management body with delegated authority from the board to approve and oversee all material aspects of the new AIRB credit system across Nedbank.

		'IAINAGLI	MENT FRA	MINE WOR	K (EKMIF)			
RISK UNIVERSE	ACCOUNTING AND TAXATION RISKS	ENTERPRISE- WIDE RISK	OPERATIONAL RISK	INSURANCE AND ASSURANCE RISKS	NEW BUSINESS RISK	LIQUIDITY RISK	CAPITAL RISK	
KEY FEATURES OF THE ERMF	 The board is a The Group EX	nent system and the ssisted by eight book comments. CO is also assisted	he setting of risk on ard subcommitted by eight subcon	appetite. ees. nmittees, the lat	group, approval and est addition being th has ultimate individ	ne AIRB Credit I	EXCO.	
ST LINE OF DEFENCE								
BOARD SUBCOMMITTEES	GROUP AUDIT COMMITTEE	GROUP FINANCE OVERSIGHT COMMITTEE		G	ROUP RISK COMMIT	TEE		
		ROUP EXECU	TIVE COMMI	TTEE (GROU	P EXCO)			
GROUP EXCO SUBCOMMITTEES	TAXATION COMMITTEE	BASEL II STEERING COMMITTEE	GRC OPERAT COMM	DUP TIONAL	BUSINESS RISK MANAGEMENT COMMITTEE		BASEL II STEERING COMMITTEE	
BUSINESS CLUSTERS' RISK GOVERNANCE NEDBANK CORPORATE, NEDBANK CAPITAL, NEDBANK RETAIL AND GROUP TECHNOLOGY AND SUPPORT SERVICE Cluster and business unit EXCOs, divisional credit committees (DCCs), operational risk committees (ORCOs) and other appropriate specialist credit committees, with representation from the relevant independent group functions, are in place across all the businesses and GTSS.								
GROUP FINANCE DIVISION								
	CHIEF FINANCIAL OFFICER – Mike Brown							
CENTRAL FINANCIAL RISK AND CAPITAL MANAGEMENT	GROUP MANAC		GROUP AI	LM	GROUP TAX	Т	FINANCIAL AND MANAGEMENT ACCOUNTING	
	Trevor	Adams	Mike Dav	ris	Dave Hammond		Darryl McMullen	
COND LINE OF DEFENC	E							
DEPENDENT FUNCTIONS OR GROUP POLICY, RISK			GRO	OUP RISK DIV	ISION			
MONITORING, MODEL IDATION AND ASSURANCE			CHIEF RI	SK OFFICER – Ph	ilip Wessels			
CHAMPIONING OF BASEL II, ENTERPRISE-WIDE RISK MANAGEMENT AND	GROUP RIS	K SERVICES	GROUP LEG	GAL	ENTERPRISE-WIDE RI MANAGEMENT		OUP OPERATIONAL ISK MONITORING	
DRLDCLASS AT MANAGING RISK' ACROSS NEDBANK GROUP	Nick J	acobs	Willem Kri	iger	Sheralee Morland		Conrad Theron	
IRD LINE OF DEFENCE								
INIDEDENIDENIT			GR	OUP INTERNA	AL AUDIT			
INDEPENDENT ASSURANCE	GROUP INTERNAL AUDIT							



INVESTMENT COMPLIANCE REPUTATIONAL SOCIAL AND MARKET INFORMATION CREDIT **STRATEGIC PEOPLE** RISK TECHNOLOGY RISK RISK ENVIRONMENTAL RISK RISK RISK RISK RISK RISK · Group Risk Division is independent of the operational business units. • Strong emphasis in the ERMF is placed on individual accountability and not on undue reliance on committees. · Primary responsibility and accountability for the risks originating in the businesses are clearly assigned to the respective business cluster leaders and · Risk management frameworks and risk officers are in place across all the businesses and GTSS and for all major risk types. **BOARD OF DIRECTORS** GROUP STRATEGIC GROUP GROUP **GROUP CREDIT** DIRECTORS' AFFAIRS INNOVATION MANAGEMENT TRANSFORMATION & SUSTAINABILITY COMMITTEE COMMITTEE REMUNERATION COMMITTEE COMMITTEE COMMITTEE EXECUTIVE STRATEGIC INNOVATION MANAGEMENT COMMITTEE AIRB CREDIT EXCO **BUSINESS RISK** GROUP TRANSFORMATION AND HUMAN ALCO AND **EXECUTIVE RISK** MANAGEMENT **OPERATIONAL** RESOURCES EXECUTIVE GROUP OPERATIONAL COMMITTEE COMMITTEE COMMITTEE COMMITTEE COMMITTEE • Heads of risk and risk functions, independent of business origination, report direct to the business unit leaders. REGULATORY STRATEGIC PROJECTS SARB RELATIONS AND **GROUP PLANNING** INVESTOR RELATIONS REPORTING, BUDGETING AND ANALYSIS SUPPORT AND ALIGNMENT AND RAPM David Crewe-Brown Luigi Bianco Ian Fuller Wayne McAdam Don Bowden INDEPENDENT GROUP RISK AND ASSURANCE FUNCTIONS **GROUP ENTERPRISE** COVERNANCE AND COMPLIANCE GROUP CREDIT RISK GROUP MARKET RISK BASFI II MONITORING MONITORING CHIEF GOVERNANCE AND COMPLIANCE OFFICER Irene Willman Anny Pachyannis-Alman Trevor Adams Selby Baqwa INTERNAL AUDIT AND EXTERNAL AUDIT **EXTERNAL AUDIT DELOITTE & TOUCHE** KPMG

Risk measurement

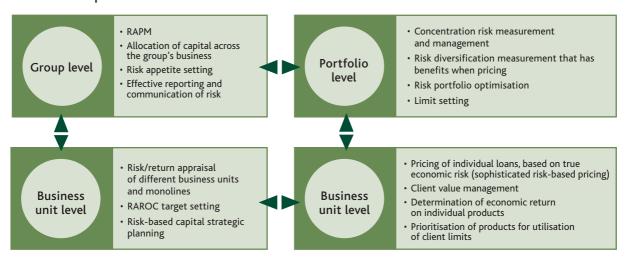
Economic capital

Economic capital is a scientific 'apples for apples', consistent measurement and comparison of risk across business units, risk types and individual products or transactions. This enables a focus on both downside risk (risk protection) and upside potential (earnings). It highlights where the group should grow and diversify or where it needs restructuring in its credit and market risk businesses.

Economic capital is now embedded in the management and performance culture of Nedbank Group, and is fundamental in the assessment of risk/return at various levels



Economic capital levels



Our economic capital framework also satisfies a major component of Pillar 2 in Basel II, namely the requirement for an internal capital adequacy assessment process (ICAAP). This involves the group's assessment of its internal capital adequacy on a true economic basis. Economic capital is a 'common currency of risk' that we use in all the various levels described above.

Nedbank Group assesses the internal requirements for capital, using our proprietary economic capital methodology, which was developed in 2004 in conjunction with leading international consultants and refined over the past two years while in use. We have gone well beyond the variety of models we built for Basel II (Pillar 1) in

credit and market risk by supplementing these with, for example, a sophisticated group credit portfolio model, business risk model and ALM modelling. These were also built in 2004/5 and refined over the past two years.

Nedbank Group, in line with leading international banks, calculates economic capital against four major risk categories and makes adjustments for diversification benefits to arrive at the final economic capital requirement of the group. This is compared with available financial resources, similar to those defined by the international rating agencies, and used as the basis for capital allocation through the adoption of RAPM. This is set out in the table on the next page.



Managing risk is, however, not only about capital. Capital is critical, but only one component in the management and supervision of a bank. Not all risks in Nedbank Group's risk universe can or should be quantified, and management controls, governance and risk management are as important as the right amount of capital a bank holds.

The key risks for which Nedbank Group does not believe it is appropriate to hold economic capital are:

- reputational risk, which is managed via controls and processes and not via capital allocation – by its nature this risk is difficult to quantify and almost impossible to capitalise; and
- liquidity risk, which is also difficult to quantify and at a 99,9% or similar confidence level is impractical to hold capital for – liquidity risk is best managed by a rigorous control framework and ALCO process.
- strategic risk, which is captured within our economic capital allocation for business risk – business risk covers unexpected losses that may arise as a result of changes in business volumes, margins and costs.

Nedbank's economic capital model

CREDIT RISK (including concentration risk)

Basel II AIRB credit methodology and sophisticated credit portfolio modelling, taking concentration risk and interrisk diversification into account.

+

MARKET RISK							
Trading risk ALM risk Property risk Investment ri							
VaR scaled to one year, taking into account management interventions.	A stochastic interest rate model applied to earnings at risk.	Multiple of exposure, based on volatility measures.	Multiple of exposure, based on volatility measures.				

OPERATING RISK

Operational risk
Basel II standardised approach

+

Business risk
Earnings-at-risk modelling

GROSS ECONOMIC CAPITAL

(incorporates intrarisk diversification benefits)

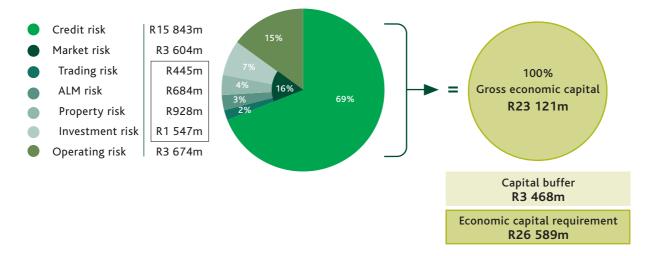
CAPITAL BUFFER

(15% buffer for procyclicality, stressed scenarios, etc)

ECONOMIC CAPITAL REQUIREMENT

Measurement period/Time horizon: one year (same as Basel II)
Confidence interval (solvency standard): 99,9% (A-) (same as Basel II)
Nedbank Group is currently capitalised on including a 15% buffer on an economic capital basis to its A- (or 99,9% confidence level) targeted solvency standard/debt rating

Nedbank's economic capital allocation at 31 December 2006



Regulatory capital

In addition to economic capital, Nedbank Group calculates and reports regulatory capital requirements developed by the Basel Committee on Banking Supervision (Basel) – both under the current Basel I Accord and the new revised Basel II Accord, which will come into effect in South Africa on 1 January 2008.

Typically, we find that the Basel II regulatory capital requirements are greater than the internal economic capital assessment. Key reasons for this are as follows:

 In arriving at the bank's credit economic capital, long-run-average, through-the-cycle loss given defaults (LGDs) are utilised as opposed to downturn LGDs required for Basel II. An economic capital buffer exists to account for procyclicality (and downturn economic conditions). This buffer is calculated on a sophisticated, scientific basis, using Nedbank's new macroeconomic factor model and methodologies set out in Nedbank's new stress- and scenario-testing framework.

- A 6% scaling factor is included by Basel II in the risk weight calculation for credit-risk-weighted assets.
- · Basel makes no allowance for intrarisk diversification.

Nedbank Group will always hold the greater of regulatory capital and economic capital for capital adequacy purposes, but primarily uses its internal economic capital assessment for managing the business, as this represents a better overall assessment of the true economic risk for risk/return purposes.

Stress and scenario testing

Stress- and scenario-testing capabilities were significantly enhanced during 2006 with our building of a proprietary macroeconomic factor model and completion of a comprehensive, best-practice stress- and scenario-testing framework (with associated methodology). This framework goes beyond the minimum requirements of Basel II and has been integrated with Nedbank's existing risk appetite and capital adequacy projection models.

Architecture of Nedbank's stress- and scenario-testing framework Three-year strategic plan **Group Finance** Macroscenarios Output Integrated stress/scenario model Cooperation with Three-year forecast and **Economic Unit** stress/scenario analysis of: Risk and capital analytics Income statement PDs, LGDs, EaDs, regulatory Balance sheet Macroeconomic Nedbank's capital and economic capital, etc factor model · Capital adequacy list of macroeconomic Regression models drivers Varied by: Regression parameters · Three-year business plan Capital adequacy base cases projection model ALM risk parameters · User-chosen macroscenarios Supplied by Group ALM **Business input** Projected risk characteristics of credit portfolios (eg PD profiles)



Risk appetite

Risk appetite is an articulation of the risk capacity or quantum of risk Nedbank Group is willing to accept in pursuit of its strategy, duly set and monitored by the board, and integrated into our strategy and business plans.

We measure and express risk appetite in terms of quantitative risk measures. These include earnings at risk (EaR) (or earnings volatility) and, related to this, the 'chance of regulatory insolvency' and 'chance of experiencing a loss', economic capital adequacy and risk limits. Qualitatively, we express risk appetite in terms of policies, procedures and controls meant to limit risks that may or may not be quantifiable.

Nedbank Group's risk appetite is defined across five categories within our board-approved risk appetite framework:

- · Group-level risk appetite metrics.
- · Specific risk-type limit setting.
- Stakeholder targets (eg target debt rating for economic capital adequacy and dividend policy).
- Policies, procedures and controls.
- · Zero-tolerance statements.

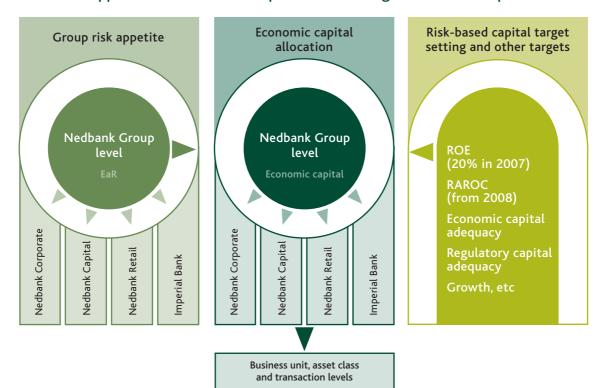
The group-level risk appetite metrics quantify the current risk profile of the group and the targets ultimately set by the board. These targets have been built into the group's three-year strategic planning process (since 2005) and are all currently forecast to be achieved, at the latest, by the end of 2007.

Nedbank's group-level risk appetite metrics

Group metrics	Definition	Measurement methodology	Targets	Current risk profile within targets
EaR	Pretax economic earnings potentially lost over a one-year period	Measured as a 1-in-10-year event (ie 90% confidence level)	Less than 100%	V
Chance of regulatory insolvency	Event in which losses would result in Nedbank being undercapitalised relative to minimum regulatory capital ratios (both Tier 1 and total capital ratios)	compares with the capital buffer above the regulatory	Basel II basis: 1 in 20 – 30 years by 2007, thereafte 1 in 30 – 50 years	er
Chance of experiencing a loss	Event in which Nedbank Group experiences an annual loss (on an economic basis)	Utilises EAR by comparing with expected profit over the coming year	Better than 1 in 20 years	•
Economic capital adequacy	Nedbank should be adequately capitalised on an economic basis to its current target debt rating	Measured by comparing the available capital with the economic capital requirement	Equivalent rating of A- or better (including a 15%	buffer)

The allocation of limits, below cluster level, to individual business units is driven primarily using economic capital as illustrated below:

Risk appetite and economic capital limit setting and allocation process



- EaR is a tangible measure for setting the group risk appetite and communicating the risk profile from the top down.
- EaR is measured at group and business cluster level.
- Economic capital is measured down to a more granular level, in conjunction with RAPM, and used for granular capital allocation and target setting.
- Economic capital is translated into alternate risk measures and/or limits, where appropriate, eg trading VaR.
- Statutory earnings and growth targets as well as other constraints also feed into the overall risk/return target-setting process.

Nedbank Group has a cascading system of risk limits at all levels of the group and for all financial risks, which is a core component of the implementation of the risk appetite framework. The size of the various limits is a direct reflection of the board's risk appetite given the business cycle, market environment, our business plans and strategy, and capital planning.

Another key component of the ERMF is a comprehensive set of board-approved policies and procedures, which are updated annually. The co-ordination and maintenance for this rests with the head of the ERMF, who reports directly to the Chief Risk Officer.

Major key risk types

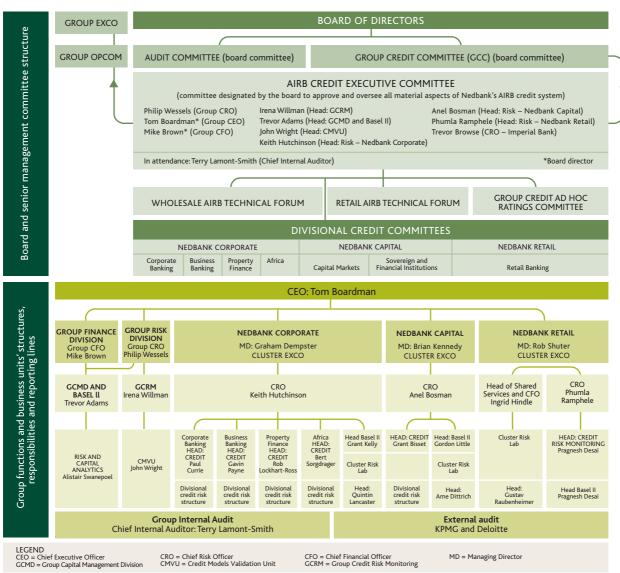
Credit risk management

Credit risk arises from the lending and other financing activities that form the group's core business. It is by far the most significant risk type and accounts for approximately 70% of the group's economic capital requirement.

One of the major investments by Nedbank Group in risk in recent years has been to elevate its credit risk management to best practice. This has positioned Nedbank not only confidently to apply to SARB for AIRB approval for credit risk, but also for higher growth and returns with the credit risk management science now available, together with our strong client service focus.



Governance structure of Nedbank's AIRB credit system



Credit risk responsibilities and governance

Credit risk is managed in terms of the board-approved Group Credit Risk Management Framework (GCRF), which encompasses comprehensive credit policy, mandate (limits) and governance structures. It is a key subframework of the group's ERMF, and the major component of the economic capital and risk appetite frameworks discussed earlier.

The GCRF, which covers the macrostructures for credit risk management, monitoring and approval mandates, has been updated to include the new AIRB Credit Executive Committee (AIRB Credit EXCO), its two

technical forums and a Group Credit Ad Hoc Ratings Committee (further details are given below).

Divisional credit committees (DCCs), with chairpersons independent of the business units, operate for all major business units across the group. The DCCs are responsible for approving and recommending credit and credit policy, as well as reviewing credit portfolios and impairments.

An independent Group Credit Risk Monitoring (GCRM) Unit is part of Group Risk. It champions the ongoing enhancement of credit risk management across the group and the GCRF, monitors credit portfolios and reports to executive management, DCCs, the new AIRB

Credit EXCO and ultimately the board's Group Credit Committee on a regular basis.

The Group Credit Ratings function, established and developed within the Basel II Office over two years in 2004/5, was moved at the beginning of the year to its operational position within the GCRM Unit in Group Risk and renamed the Credit Models Validation Unit (CMVU). CMVU has the overall responsibility for championing the new Basel II advanced internal ratings-based (AIRB) methodology implemented across the group, ensuring consistency in the rating process as well as ultimate responsibility for independent model validation.

In each of the three business clusters, credit risk management functions operate independently of credit origination, reporting into the cluster head of risk, who in

turn reports to the cluster managing director. In line with the Basel II AIRB methodology, economic capital, and RAROC implementation 'centres of excellence' in the form of cluster credit risk labs were established in 2004/5. These labs are responsible for the ongoing expert design, implementation, validation and performance of their business cluster's internal rating systems, with input and oversight by the CMVU.

The Group Credit Portfolio Management Unit housed in the Group Capital Management Division (GCMD) aims to manage and optimise the group's credit portfolios and credit concentration risk. For this purpose we use a sophisticated and tailored credit portfolio model, based on KMV software. This unit provides credit economic capital (or credit value-at-risk) and other key inputs for best-practice credit risk and capital measurement.

Nedbank's AIRB Credit System

Exposure at Default (EAD) Key factors affecting Probability of Default (PD) Loss Given Default (LGD) credit risk and economic capital requirements · Quantifies the likelihood · Quantifies the exposure · Severity of loss. of the borrower being at risk in case of default. · Estimates the amount of unable to repay. · Borrowers with some the exposure at default Credit rating · Rating models have been utilised limit are likely to that will be lost developed to estimate the draw down part of that (ie not recovered). PD for many segments Current exposure limit before they default. **EAD** · Includes other economic costs, across Nedbank Unutilised limits · Calculation depends on eg legal costs. · Depends on borrower product type. credit quality. Collateral value [loan-to-value ratio (LTV)] · Generally depends on the collateral and product type. LGD Collateral quality From Nedbank's credit portfolio model Collections (recovery rates) Portfolio correlations Expected loss (EL) Client concentration (credit concentration risk) Sector concentration Depends on desired level of confidence or target debt rating **Portfolio** Confidence level (eg Basel II is calibrated to an A-rating or 99,9% confidence level). Currently Nedbank is using the same confidence level for its ECap model unexpected loss (multiplier effect) as is used by the Basel II Accord. Credit value at risk (CVaR) Credit economic capital or credit economic capital requirement (at a given confidence level) Credit risk assessment, deal by deal, is also based on assessing impact Risk-adjusted on credit concentration risk, economic capital and RAROC performance measurement (using risk-based pricing and RAROC models/ECap-in-a-box)



Credit risk measurement

Nedbank Group's Basel II AIRB credit methodology is fully implemented and operational for all material credit portfolios. This is the culmination of nearly four years of intense work.

Under this methodology credit risk is essentially measured by two key components, namely:

- expected loss (EL), which is the estimated long-run annual average level of credit losses through a full credit cycle; and
- unexpected loss (UL), which is the annualised volatility of expected losses for credit risk.

Analytically, EL and UL are defined respectively as the

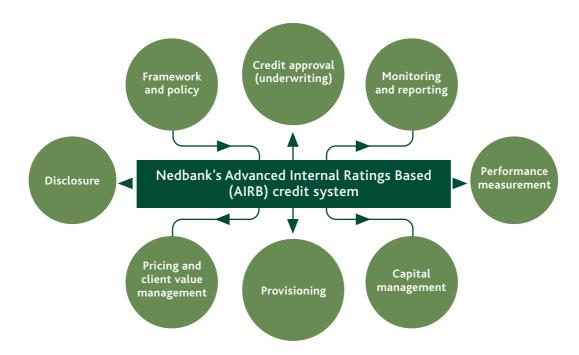
average and standard deviation from that average of the distribution of potential losses inherent in the bank's credit portfolio.

These statistically estimated losses are determined by the key Basel II AIRB credit risk parameters, namely probability of default (PD), exposure at default (EAD), loss given default (LGD) and maturity (M), as set out on page 134. These, together with the Basel II capital formulae, culminate in the Pillar 1 minimum regulatory capital requirements for credit risk.

Nedbank's credit risk economic capital is separately derived by integrating the same key Basel II AIRB credit risk parameters with Nedbank's sophisticated credit portfolio model (CPM). The CPM takes portfolio concentrations and diversifications into account.

Nedbank's AIRB credit system forms the basis for its measurement and management of credit risk across the bank. The bank requires that ratings be performed for all transactions, not merely to achieve Basel II regulatory compliance, but also to allow the bank consistently and accurately to measure credit risk across its portfolio.

The AIRB credit system is used for the following major aspects of Nedbank's business and risk management:



Nedbank uses two master rating scales for measuring credit risk. The first measures borrower risk without the effect of collateral and any credit risk mitigation (ie PD only), while the second measures transaction risk (ie EL), which incorporates the effect of collateral and any credit risk mitigation.

All credit applications are required to carry the borrower PD rating [from the Nedbank Group ratings (NGR) master rating scale], estimate of LGD and overall transaction rating [from the Nedbank transaction ratings (NTR) master rating scale].

NEDBANK'S PD MASTER RATING SCALE (NGR RATINGS)

Rating category		Geometric	PD b	Corresponding	
	Rating class	mean	Lower bound	Upper bound	Standard and Poor's
		(%)	(PD>)	(PD≤)	grading
Performing	NGR 00	0,000	0,000	0,000	
	NGR 01	0,010	0,000	0,012	AAA
	NGR 02	0,014	0,012	0,017	AA+
	NGR 03	0,020	0,017	0,024	AA
	NGR 04	0,028	0,024	0,034	AA-
	NGR 05	0,040	0,034	0,048	A+
	NGR 06	0,057	0,048	0,067	A+ to A
	NGR 07	0,080	0,067	0,095	A to A-
	NGR 08	0,113	0,095	0,135	A- to BBB+
	NGR 09	0,160	0,135	0,190	BBB+
	NGR 10	0,226	0,190	0,269	BBB+ to BBB
	NGR 11	0,320	0,269	0,381	BBB to BBB-
	NGR 12	0,453	0,381	0,538	BBB-
	NGR 13	0,640	0,538	0,761	BBB- to BB+
	NGR 14	0,905	0,761	1,076	BB+ to BB
	NGR 15	1,280	1,076	1,522	ВВ
	NGR 16	1,810	1,522	2,153	BB to BB-
	NGR 17	2,560	2,153	3,044	BB- to B+
	NGR 18	3,620	3,044	4,305	B+
	NGR 19	5,120	4,305	6,089	B+ to B
	NGR 20	7,241	6,089	8,611	B to B-
Watch list	NGR 21	10,240	8,611	12,177	B to B-
	NGR 22	14,482	12,177	17,222	B- to CCC
	NGR 23	20,480	17,222	24,355	CCC
	NGR 24	28,963	24,355	34,443	CCC to C
	NGR 25	40,960	34,443	100	CCC to C
Non-performing	NP 1	100	100	100	D
	NP 2	100	100	100	D
	NP 3	100	100	100	D

The comprehensive PD rating scale, which is mapped to default probabilities and external rating agency rating scales, enables the bank to rate all borrowers on a single scale, whether they be the very best corporate or most risky borrower. The principal benefit thereof is that comparisons can be made between the riskiness of borrowers making up various portfolios. A brief explanation of the scale follows.

NGR01 to NGR20 reflect a profile of credit risk starting with very low risk borrowers with a probability of default

as low as 0,01%, to risky borrowers with a default probability as high as approximately 8%.

NGR21 to NGR25 represent very-high-risk borrowers with default probabilities of 10% or more. While most first-world banks would generally not expose themselves to this degree of risk, these rating grades exist for three reasons:

 Being an emerging market, there are times when local banks would be willing to take on this level of risk, while pricing appropriately.



- It caters for borrowers that were healthy but have migrated down the rating scale to the point of being near default; and
- From time to time the bank may grant facilities to very risky borrowers on the basis of significant collateral offered. This particular rating scale measures only the likelihood of the borrower defaulting and does not recognise that a very high level of default risk may well have been successfully mitigated.

The final ratings on the scale represent those borrowers that have defaulted. NP1 applies to recent defaults, NP2 represents those accounts in respect of which the bank is proceeding to legal recovery of moneys owing and NP3 is for long-term legal recoveries, such as liquidations.

Basel II specifically requires that AIRB banks maintain two ratings, one measuring the probability of the borrower defaulting and the second considering facility characteristics. The table below reflects EL as a percentage of EAD and contains 10 rating bands — the first three bands representing facilities of very low risk, the next three bands being for facilities of average or acceptable risk and the final four bands indicating facilities of high or very high risk.

NEDBANK'S TRANSACTION RATING SCALE (NTR RATINGS)

EL	as	а	%	of	EAD
----	----	---	---	----	------------

Rating class	Lower bound (EL>)	Upper bound (EL≤)
NTR01	0,00	0,05
NTR02	0,05	0,10
NTR03	0,10	0,20
NTR04	0,20	0,40
NTR05	0,40	0,80
NTR06	0,80	1,60
NTR07	1,60	3,20
NTR08	3,20	6,40
NTR09	6,40	12,80
NTR10	12,80	100,00

Nedbank Group's NTR scale measures the total or overall credit risk (ie expected loss) in individual exposures, thereby allowing credit officers to consider the mitigating effect of collateral, other credit risk mitigation and recovery rates on borrower risk. This reflects the true or complete measurement of credit risk, incorporating not only PD but, importantly, also LGD.

Both rating scales are based on the requirements of Basel II, namely that defaults are consistently recognised across the group as exposures that are 90 days or more past due date, unless there are other qualitative considerations that render default classification prior to that point. All estimates are also based on a 'through the cycle' (TTC) view of risk. Since 2005 Basel II requires banks to base their LGD estimates for regulatory capital requirements on a downturn scenario (ie downturn LGD), rather than on a TTC basis, for portfolios where this is different, which is also being done.

Our approach is also consistent with the Basel II requirement that risk estimates be based on a bank's long-run default history. Nedbank also calculates 'point in time' (PIT) measures, based on current economic conditions. These are incorporated in business decisionmaking as well as for determining appropriate levels of impairments in accordance with the requirements of International Financial Reporting Standards (IFRS).

The central tendencies used by Nedbank Group in the calibration of its rating models are based on credit loss data that includes the high-interest-rate environments of 1998/9 and 2001/2. This meets the requirements of Basel II and has resulted in the determination of credit risk measures that are suitably conservative and therefore appropriate for ensuring long-term sustainability. However, the South African economy has entered what appears to be a sustainable lower inflationary phase and a permanent structural shift in interest rates seems to have taken place.

This, together with the significant changes and improvements made to Nedbank Group's credit policies, methodologies, management and structures over the past three years, has led to appropriate revision of our current central tendency estimates used in our PD models, mainly in retail.

Credit risk intelligence and infrastructure

The new management science afforded Nedbank Group as a result of its AIRB credit system and other significant investments in CPM and economic capital provide for considerable new risk intelligence for use in pricing, loan approval, client value management, etc.

Credit risk reporting across the bank is to a large extent based on the twin rating scales discussed above. Business units are expected to provide distributions of their exposures across the various rating scales and to comment on any changes in such distribution, including the migration of exposures between rating grades.

The level of reporting, based on the new AIRB rating system, has been steadily increasing since 2004. The bank has designed a comprehensive set of new reports that will be introduced in 2007 for credit risk reporting at all levels across the bank. These reports have been structured in a way that ensures consistency in reporting at all levels.

Nedbank's major IT software components, automating its AIRB credit system, comprises the following:

Algorithmics

Algorithmics (Algo) is at an advanced stage of implementing, together with Nedbank, the major part of the systems required to automate our AIRB credit system. Algorithmics is widely regarded as the leading international vendor of Basel II software and has a proven ability to deliver risk management systems of the highest quality.

The Algorithmics solutions are designed specifically for wholesale exposures and are therefore not used in the Nedbank Retail cluster, other than for the calculation of bankwide regulatory capital that will be performed in the Algo Credit Risk Regulatory Capital Calculation Engine.

Algo product solutions used by Nedbank include:

- Algo Credit Limit Manager (ACLM) for exposure and limit management
- Algo Credit Administration (ACA) for credit administration and collateral management
- Algo Regulatory Capital for credit risk regulatory capital calculations
- Algo Collections (being developed in partnership with Nedbank Corporate)

This complements the following Algo purchase made in 1999:

- Algo Riskwatch (market trading and counterparty credit risks, linked last year to the ACLM system above).
- SAP

The Property Finance Division within the Nedbank Corporate cluster has been operating on SAP since the Nedbank/BoE merger in 2002. The AIRB credit automation required for that division has been incorporated in SAP, and no further work is required on that system other than the link into the Algo Credit Risk Regulatory Capital Calculation Engine.

- CAN (Client Application Network workflow system)
 While behavioural scorecards have been in use for a
 number of years and run on the Experian Probe system,
 Nedbank's CAN application system required upgrading
 to implement the new application scorecards.
 This upgrade was fully completed during the last
 quarter of 2006.
- IBM/SAS

A combination of IBM and SAS software technology is being used for the group's new, sophisticated enterprise data warehousing (EDW).

Nedbank places great emphasis on the need for consistent and sustainable data to facilitate not only sound financial and risk management, but also its operational banking activities and client service.

Nedbank is making a significant effort to elevate its data management to worldclass standards. An example of this is a comprehensive data governance framework that has been drafted and will be approved by the board in 2007. This establishes the framework for the bank's data architecture management and governance, and sets minimum standards in respect of data capture, storage, collation and use.

Nedbank's data governance framework

Data accessibility	Data availability	Data quality	Data consistency	Data security	Data auditability
Standards		Policies and	processes	Organisation	
Data definitions and taxonomies	Master/ Reference data	Data definition	Monitoring and measurement	Roles and responsibilities	Training and education
Enterprise data model	Technology and tools standards	Data access and delivery	Data change management	Planning and prioritisation	Org change management
Data integration infrastructure					



Credit portfolio review

The following table summarises the group's credit portfolio quality and level of impairments at year-end (further detail can be found in note 22 to the annual financial statements, and the operational reviews of the four business clusters):

Analysis of asset growth, quality and impairments		2006		2005	
	Rm	% of TA	Rm	% of TA	
Gross advances	313 747		253 622		
Less: Total impairment	5 184	1,7	5 214	2,1	
 Specific impairment 	3 787	1,2	4 418	1,8	
– Portfolio impairment	1 397	0,5	796	0,3	
Total advances (i)	308 563		248 408		
Nedbank Corporate cluster	133 254	43,2	102 352	41,2	
– Corporate Banking	46 707	15,1	29 701	12,0	
 Business Banking 	43 641	14,1	35 428	14,3	
– Property Finance	38 292	12,4	33 091	13,3	
– Africa	4 614	1,5	4 132	1,7	
Nedbank Capital	40 560	13,1	43 602	17,6	
Nedbank Retail	106 974	34,7	82 594	33,2	
Imperial Bank Limited	27 735	9,0	19 697	7,9	
Central Management	40	0,0	163	0,1	
% growth in total advances (year-on-year)	24,22		12,40		
Non-performing loans	4 227	1,4	4 303	1,7	
Non-performing advances (ii)	4 096	1,3	3 994	1,6	
Properties in possession	131	0,0	309	0,1	
Impaired advances (iii)	7 411	2,4	6 636	2,7	
Impairment of advances charge to income statement	1 483	0,5	1 189	0,5	

Notes:

- (i) Total advances (TA) are given net of impairments on an International Financial Reporting Standards basis.
- (ii) Non-performing advances (NPAs) include advances in the 'doubtful' and 'loss' categories, in accordance with the bank's historical credit risk classification system. This basis is being run, together with the bank's new Basel II AIRB credit methodology, and will terminate from 2008 when Basel II comes into effect in South Africa. Analysis based on Nedbank Group's AIRB credit system is provided further on in this report.
- (iii) Impaired advances include advances in the 'substandard', 'doubtful' and 'loss' categories, also in accordance with the bank's current credit risk classification system, which will be superseded, as indicated in note (ii) above.

The group continued to benefit from the sound credit environment in the country, but remains aware that the higher levels of personal debt could lead to increased levels of impairment. The continuous rollout of the Basel II AIRB credit methodology has assisted greatly to improve credit risk management in the group.

Nedbank Capital and Nedbank Corporate have benefited from further-enhanced procedures that are increasingly becoming more systemised and more tightly integrated with these divisions' strategic and business aspirations. Our credit management and approval processes are decentralised to be as close to the client interface as possible, thereby providing value-added advice and efficient credit decision turnaround. Effective credit risk management is driven by both relationship and credit

officers in a partnership role. Their thrust is to generate optimal solutions for our clients, using risk as an enabler, tempered by credit risk appetite and mitigants where necessary. Improved pricing methodologies now consider the risk and reward dynamics in a measured way and in the context of target returns. The AIRB credit rating measurements facilitate differentiated risk approaches, assisting early risk identification, which leads to more customised and intensive tactical responses.

Nedbank Retail continues to successfully reposition itself to regain market share in client relationships, including significant growth in certain credit products. This has entailed a major restructuring and a streamlining of organisational structures, processes and systems over the past two years.



An increase is evident in consumer debt levels, which is reflected in the risk trends of some of our retail portfolios. Notwithstanding rapid portfolio growth and the prevailing strong market appetite for certain credit products, our credit risk criteria have not been relaxed and, in fact, in respect of some credit products have been tightened. Improved collections systems are enabling earlier interventions, and policy responses to increasing risk are actioned expeditiously.

Impairment levels in Imperial Bank have increased in line with the significant growth in advances. However, the 200 basis point increase in interest rates over 2006 also required additional impairment, again indicating pressure on individuals as a result of increasing debt levels.

Nedbank's AIRB credit rating system by business line (excluding Imperial Bank and other portfolios that are under the standardised approach) and major Basel II asset class is outlined below.

The graphs on pages 141 to 146 provide an overview of the group's credit risk profile, as reported from our new AIRB credit system. It is pleasing to note that overall risk levels are down. This is largely due to the continued benign economic environment, although indications towards the end of the year were that this was starting to level out as the impact of interest rate increases started to filter through. Nedbank's improved risk management is also partially responsible for this improvement, particularly in the Nedbank Retail cluster, where a significant improvement is evident in the LGDs for retail mortgages (home loans).

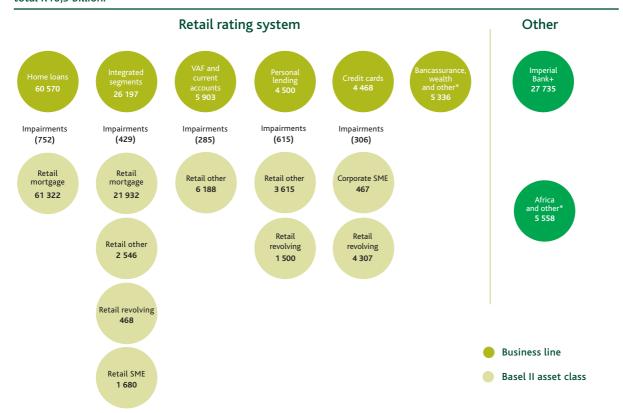
Our credit models continue to mature and we are seeing a more even distribution across the various risk grades. This is in line with the ever-increasing degree of granularity in our credit risk measurement, enabled by our new AIRB credit system.



Roadmap of Nedbank's AIRB credit rating system

(Rmillion)

Of the group's R308,6 billion of loans and advances the value of Nedbank Limited's credit exposure falling under the AIRB credit rating system totals R270,0 billion, the Imperial Bank value anticipated to be included under the AIRB approach with effect from 1 January 2008 is R27,7 billion and other portfolios within the group falling within the standarised approach total R10,9 billion.

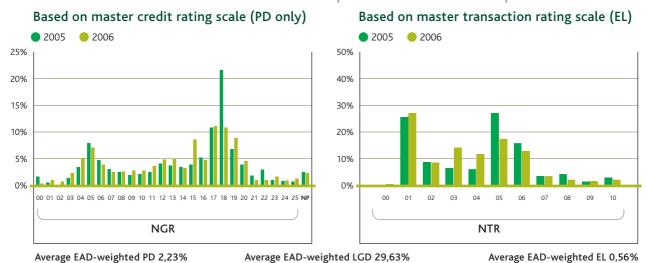


^{*}Portfolios managed under the standardised approach for credit risk.
+In the process of finalising Imperial Bank's implementation of the new AIRB credit rating system for completion during 2007; it is anticipated that this system will also be used under Basel II reporting effective 1 January 2008.



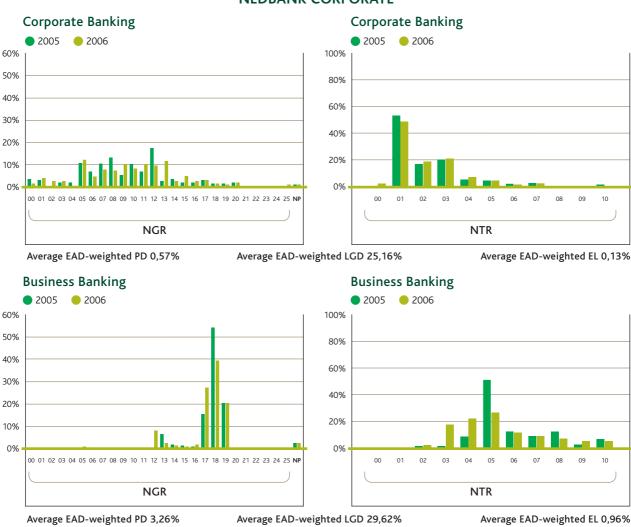
^{**}Net of impairments.

Distribution of total credit exposures of Nedbank Group

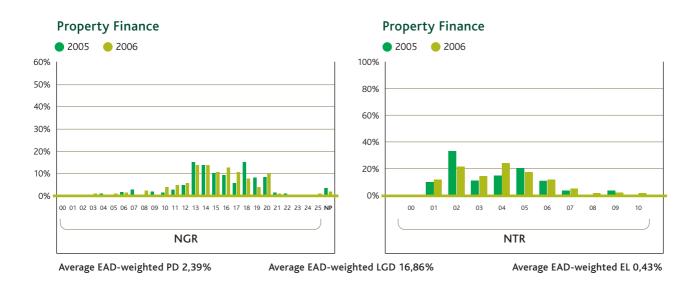


Distribution of Nedbank Limited's credit exposures by major business line

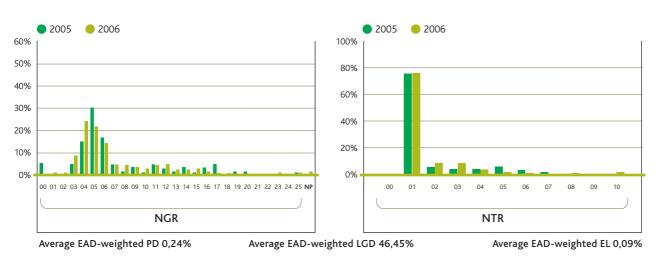
NEDBANK CORPORATE



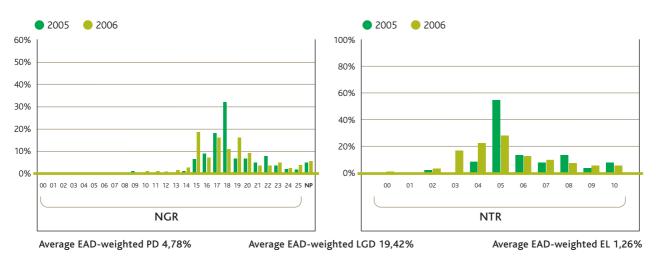




NEDBANK CAPITAL

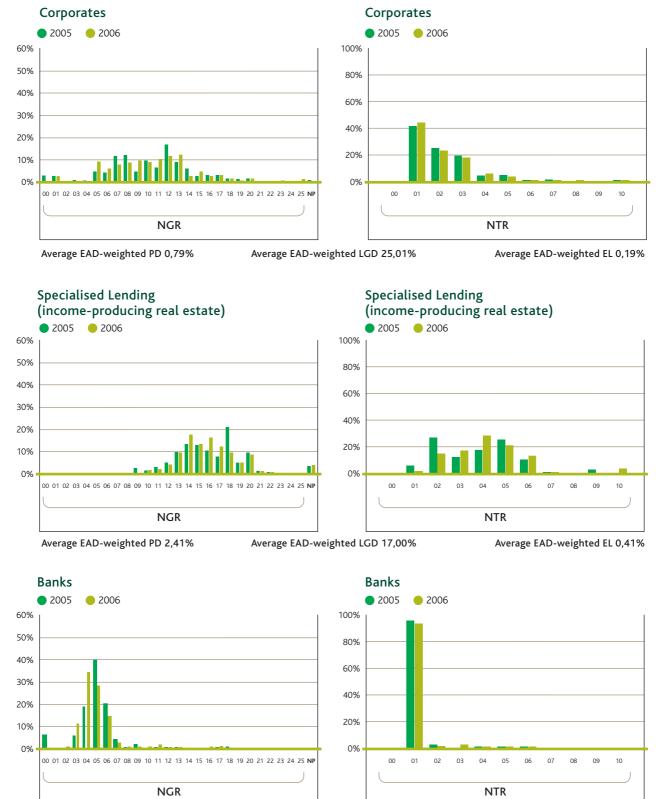


NEDBANK RETAIL



F-299

Distribution of credit exposures by selected major Basel II asset classes

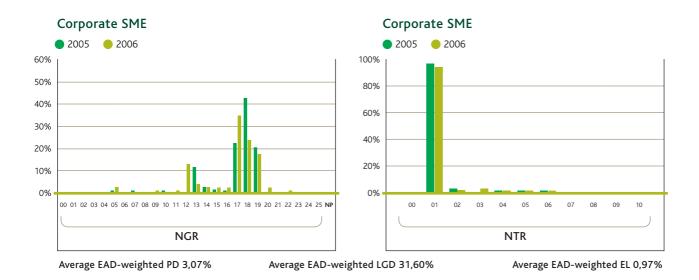


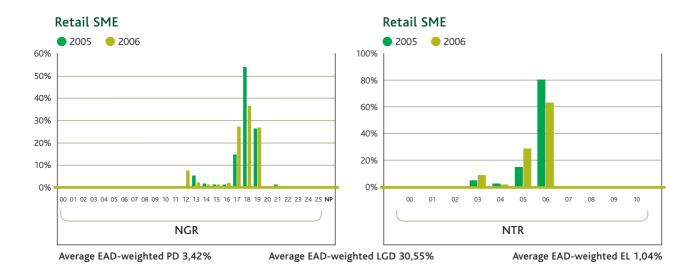
Average EAD-weighted LGD 47,94%

Average EAD-weighted EL 0,04%

Average EAD-weighted PD 0,08%









Average EAD-weighted PD 4,65%

Average EAD-weighted LGD 13,22%

Average EAD-weighted EL 0,55%

Impaired advances and expected loss

Nedbank Group assesses the adequacy of impairments on a regular basis. Specific impairments are created in respect of non-performing advances where there is objective evidence that all amounts due will not be collected. Portfolio impairments are created in respect of performing advances based on historical evidence and trends of losses in each component of the performing portfolio. Careful consideration is given to the AIRB credit rating system, NGR and NTR ratings, and rating migrations.

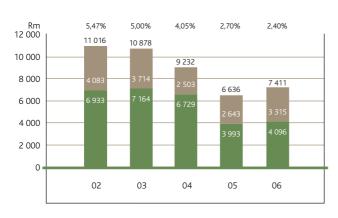
The ratings and associated PDs are applied for different conventions. Point-in-time PDs are used to estimate the default expectations under the current economic cycle, as required for determining IFRS impairments, whereas through-the-cycle PDs reflect a long-term average through an economic cycle and are used for the group's economic capital calculations. PDs are also applied in different circumstances as appropriate to business and regulatory requirements under Basel II.

Expected loss (EL) is a forward-looking measure, on a through-the-cycle basis (ie the long-run average) of the statistically estimated credit losses for the forthcoming 12 months. Nedbank Group's EL for its credit portfolio is estimated at 0,8%.

The graph below indicates the history of the group's impaired-advances percentage and non-performing loans (NPLs).

Impaired advances as % of advances

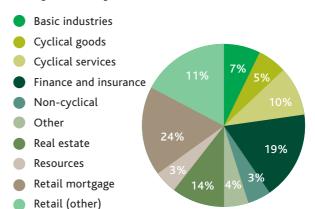




Credit concentration risk

Geographically, almost all Nedbank Group's credit exposures originate in South Africa (non-South African exposure is approximately 5%). An analysis of exposures by industry classification is provided below.

Analysis of credit exposures by industry classification



The credit risk profile and quality of Nedbank Group's advances book are considered to be sound, well-managed and commensurate with the risk appetite of the board.

Market risk management

Market risk in the Nedbank Group arises in three main areas:

- Trading risk and associated counterparty credit risk arise exclusively in Nedbank Capital.
- Investment risk arises in private equity and property portfolios within Nedbank Capital and Nedbank Corporate respectively.
- Banking-book interest rate risk that arises from repricing and/or maturity mismatches between onand off-balance-sheet components originated across the business clusters. ALM is the responsibility of the specialised Group ALM function, which reports direct to the CFO. This function also has responsibility for liquidity and foreign currency translation risks.



Market risk responsibilities, governance and risk appetite

A comprehensive group market risk framework is used to ensure that market risks are understood and managed.

Governance structures are in place to achieve effective independent monitoring and management of market risk through:

- the board's Group Risk Committee;
- the Group ALCO and Executive Risk Committee (Group ALCO), which is responsible for ensuring that the impact of market risks is being effectively managed and reported on throughout Nedbank Group and that all policy, risk limit and relevant market risk issues are reported to the Group Risk Committee;
- an independent function within Group Risk Division, namely Group Market Risk Monitoring (GMRM), which monitors market risks across the Nedbank Group

 this is a specialist risk area that provides independent oversight of market risk, validation of risk measurement, policy coordination and reporting;
- the federal model followed by Nedbank Group, in terms of which business clusters are responsible and accountable for the management of the market risks that emanate from their activities; and

 specialist investment risk committees within the business areas that are responsible for the approval and periodic reviews of investments.

The board approves the market risk appetite and related limits for both banking book (asset and liability management and investments) and trading book. GMRM reports on the market risk portfolio and is instrumental in ensuring that market risk limits are compatible with a level of risk acceptable to the board. Risk-taking in the trading activities remained within the group's market risk appetite and limits at all times during the year.

Trading-market-risk measurement

Trading-market-risk management processes and methodologies are benchmarked against best practice, and a project is currently underway to support our application to the SARB for the internal model approach, thus facilitating advanced Basel II compliance in terms of market trading risk.

Market risk exposures for trading activities are measured using value at risk (VaR), supplemented by sensitivity and stress-scenario analyses, and limit structures are set accordingly.









The VaR risk measure estimates the potential loss in pretax profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by Nedbank Group reflects the 99% probability that the daily loss will not exceed the reported VaR.

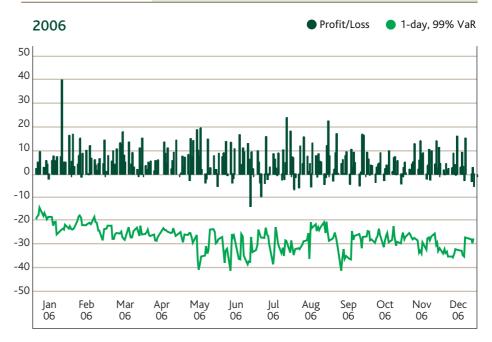
VaR methodologies, employed to calculate daily risk numbers, include the historical and variance-covariance approaches. While VaR captures Nedbank's exposure under normal market conditions, sensitivity and stress-scenario analyses (and in particular stress-testing) are used to add insight to the possible outcomes under abnormal market conditions. Nedbank Group uses a number of stress scenarios to measure the impact on portfolio values of extreme moves in markets, based on historical experience as well as hypothetical scenarios. The stress-testing methodology assumes that all market factors move adversely at the same time and that no actions are taken during the stress events to mitigate risk, reflecting the decreased liquidity that frequently accompanies market shocks.

Historical VaR (99%, one-day) by risk type for the year ended 31 December 2006

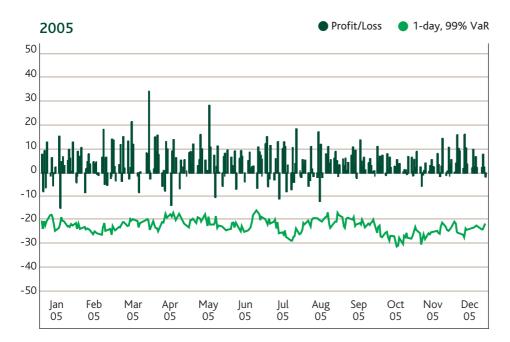
R	Average	Minimum	Maximum	Year-end
Foreign exchange	2,8	0,7	5,7	1,4
Interest rate	16,6	7,1	22,9	10,7
Equity products	14,6	4,9	28,0	20,2
Diversification	(6,6)			(4,8)
Total VaR exposure	27,4	14,2	41,2	27,5

Historical VaR (99%, one-day) by risk type for the year ended 31 December 2005

R	Average	Minimum	Maximum	Year-end
Foreign exchange	2,1	0,3	5,6	2,1
Interest rate	15,7	10,3	25,0	14,3
Equity products	10,7	4,2	17,0	9,6
Diversification	(6,1)			(4,7)
Total VaR exposure	22,4	15,8	31,2	21,3



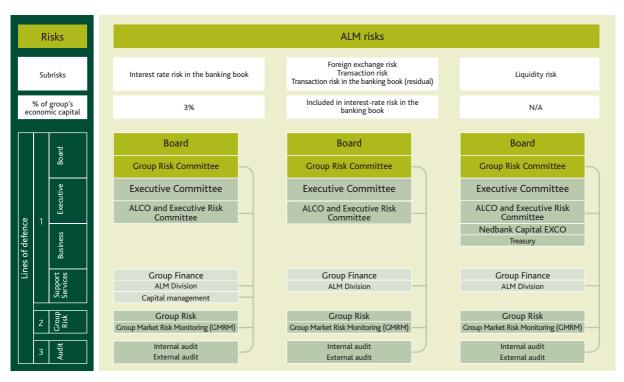




The monitoring of trading-credit-risk exposures within Nedbank Group includes a total risk exposure measure, which is made up of current market value plus potential future exposure. Monte Carlo simulations are used to calculate potential future exposure. In terms of active management of credit risk there is continued emphasis on the use of credit mitigation strategies, such as netting and collateralisation of exposures. These strategies have been particularly effective in situations where there has been a high risk of default.

Asset and liability management

Group Asset and Liability Management (Group ALM) is one of three support functions to the Group ALCO, facilitating this committee's responsibility regarding banking book interest rate risk, liquidity risk and currency translation risk. Group ALM is supported by an established ALM desk located in the dealing room to facilitate the implementation of on- and off-balance-sheet strategies by providing access to products and tools available within Group Treasury.



The further-improved interest margin of the group continues to be partly attributable to the successful functioning of the Group ALM function and ALCO process. We continue to make advances in balance sheet management, including best-practice techniques and methodologies.

Banking book interest rate risk measurement

Banking book interest rate risk (IRR) is managed through a combination of on- and off-balance-sheet strategies, including hedging activities. The principal interest-rate-related contracts used include interest rate swaps, forward rate agreements, basis products, caps, floors and swaptions. IRR strategies are evaluated regularly to align with interest rate views and defined risk appetite, ensuring that optimal on- and off-balance-sheet strategies are applied, either positioning the balance sheet or protecting interest income through different interest rate cycles.

Nedbank Group is exposed primarily to interest rate risk because:

- the bank writes a large quantum of prime-linked assets and raises fewer prime-linked deposits;
- funding is prudently raised across the curve at fixedterm deposit rates that reprice only on maturity;
- short-term demand-funding products reprice to different short-end base rates;
- certain ambiguous-maturity accounts are non-rate sensitive; and
- the bank has a mismatch in net non-rate-sensitive balances, including shareholders' funds, that do not reprice for interest rate changes.

On-balance-sheet strategies are executed through any one of the respective business units, depending on the strategy. Changes to the structural interest rate risk profile of the banking book are achieved primarily through the use of the derivative instruments mentioned above and/or new onbalance-sheet asset and liability products. Hedges are transacted through Group Treasury via the ALM desk, whereby unwanted banking book interest rate risk is passed through a market-making desk into market risk limits or into the external market.

Nedbank Group employs various analytical techniques to measure interest rate sensitivity within the banking book. This includes a static reprice gap analysis, simulated modelling of the bank's earnings at risk and economic value of equity for a standard interest rate shock and stress-testing earnings at risk and economic value of equity for stressed interest rate scenarios. These analyses include the application of parallel and non-parallel interest rate shocks and rate ramps.

At the end of 2006 the group's earnings at risk sensitivity of the banking book for a 1% parallel reduction in interest rates was R647 million (2005: bank only R393 million), being 2,32% (2005: bank only 1,49%) of total group equity, within the approved risk limit of 2,5%. Nedbank's economic value of equity at the end of 2006 was R279 million. Interest rate risk is also converted on an economic capital basis and amounts to R684 million for the group after adjusting for inter-risk diversification.

The tables below show the repricing profile of the banking book balance sheet and highlights the fact that assets reprice quicker than liabilities following derivative-hedging activities.

INTEREST RATE REPRICING GAP								
	Rm							
		< 3 months	> 3 months > < 6 months	6 months < 1 year	> 1 year < 5 years	> 5 years	Trading and non-rate	Total
	Total assets	297 917	3 975	4 951	24 676	10 751	82 642	424 912
	Total liabilities and shareholders' funds	241 207	15 179	30 344	7 961	2 097	128 124	424 912
	Interest rate hedging activities	3 582	6 859	6 730	(10 564)	(6 607)		-
	Repricing profile	60 292	(4 345)	(18 663)	6 151	2 047	(45 482)	-
	Cumulative repricing profile	60 292	55 947	37 284	43 435	45 482		
	Expressed as a % of total assets	14,2	13,2	8,8	10,2	10,7		



Currency translation risk

Currency translation risk continues to be relatively low, having largely achieved an optimal offshore capital structure during the previous financial period. This followed an active rationalisation programme significantly reducing the group's exposure to currency translation risk. During 2006 exchange rate fluctuations had an immaterial income statement effect, with currency translation risk comfortably aligned with risk limits and defined appetite. Limits are based on the levels of currency-sensitive foreign capital of approximately US\$278 million (2005: US\$239 million).

Liquidity risk management

The group is exposed to potential liquidity risk throughout its operations. Accordingly, liquidity management is a vital risk function in all entities across all jurisdictions and currencies and is a key focus of Nedbank Group.

Ultimate responsibility for liquidity risk management rests with the board, which has approved an appropriate liquidity risk management framework for the management of the group's funding requirements. This framework includes, inter alia, appropriately constituted non-executive and executive risk committees, a funding strategy forum, a centralised funding desk and divisional pricing/interest rate committees. It also includes appropriately defined charters for these forums as well as supporting policies and limits defining the risk appetite.

The group's daily liquidity requirements are managed by an experienced money market team in Group Treasury. Net daily funding requirements are forecast by estimating daily rollovers and withdrawals, managing pipeline deal flow and actively managing daily settlements. This includes regular interaction with all of the group's large depositors to understand and manage their cash flow requirements. Close liaison with the retail banking, business banking and corporate banking deposit-raising activities ensures that these stable sources of funds are maximised and correctly priced. The net cash flow requirements are managed via the professional money market.

Portfolios of marketable and highly liquid assets that can be liquidated to meet unforeseen or unexpected funding requirements are held in the group in terms of the liquidity risk management framework. The bank also ensures that, on an ongoing basis, it has sufficient liquid assets to meet its estimated 'hot money' withdrawals by investors most likely to withdraw their funds in a stress scenario.

Behavioural modelling and stress analyses to identify business-as-usual as well as potential-stress cash flow requirements are carried out regularly. Medium- and long-term liquidity strategies are approved by the Group ALCO and implemented by the business units and Group Treasury. Group ALCO monitors all liquidity strategies to ensure compliance with the liquidity risk management framework.

Group ALCO's funding and liquidity management is undertaken with the support of the Group ALM function that reports and models appropriate risk-based management information. Liquidity risk dashboards provide Group ALCO and the board's Group Risk Committee with the appropriate liquidity risk reporting. This includes measures of compliance with approved policies and limits.

The group maintains diversified funding sources and is always considering various liquidity initiatives to enhance the liquidity management of the group. Securitisation and foreign-deposit sources are seen as markets that can provide further funding diversity. Funding initiatives from both sources have been planned for 2007.



LIOUIDIT'	Y GAP A	A 31 D)ECEMBER	. 2006*

Rm			20	006			
	< 3 months	> 3 months	> 6 months	> 1 year	> 5 years	Non-	
		< 6 months	< 1 year	< 5 years		determinant	Total
Cash and short-term funds	12 940				6 366	19 306	
Other short-term securities	25 756						25 756
Government and other securities	22 196					22 196	
Derivative assets	433	9 009	798	3 100	1 933		15 273
Advances	74 537	13 332	18 960	116 827	84 907		308 563
Other assets	2 083	57	89	831	1 478	29 280	33 818
	137 945	22 398	19 847	120 758	88 318	35 646	424 912
Total shareholders' funds						29 387	29 387
Long-term debt	21		4 254	2 700	1 543		8 518
Deposit, current and other accounts	179 178	51 760	47 599	10 856	35 292		324 685
Derivative liabilities	218	4 432	393	4 962	2 899		12 904
Other liabilities	3 383	4	166	1 222	3 642	41 001	49 418
	182 800	56 196	52 412	19 740	43 376	70 388	424 912
Net liquidity gap	(44 855)	(33 798)	(32 565)	101 018	44 942	(34 742)	

^{*}Adjusted for business-as-usual liquidity assumptions.

Management of operating risks (business and operational risks)

Business risk

Business risk is the risk of adverse outcomes resulting from a weak competitive position or from a poor choice of strategy, markets, products, activities or structures. Major potential sources of business risk include revenue volatility, owing to factors such as macroeconomic conditions, inflexible cost structures, uncompetitive products or pricing, and structural inefficiencies.

Business risk is actively managed by Nedbank Group through the various management structures, as set out in the ERMF, and within GCMD, using an earnings-at-risk methodology similar to the group's risk appetite metrics. It is one of the major risk types within the group's economic capital model.

Operational risk

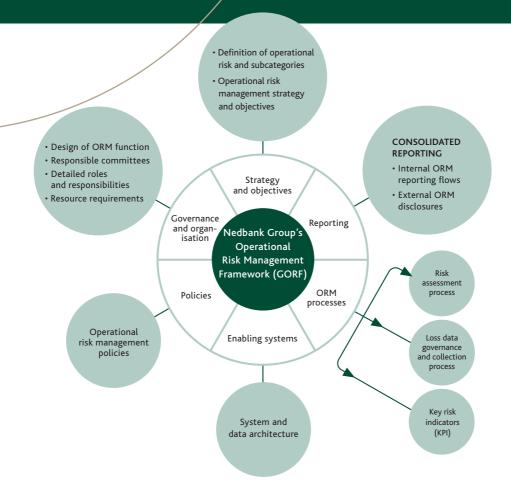
Operational risk is the risk of loss resulting from one or more of the following: inadequate or failed internal processes or systems; incompetent people; and adverse external events. This definition includes legal risk, but excludes reputational and strategic risk.

Operational risk management, responsibilities and governance

To minimise the exposure to operational risk that arises as a consequence of the group's financial risk-taking (credit and market) and operating activities, we have implemented a Group Operational Risk Management Framework (GORF) that facilitates a consistent and worldclass approach to operational risk management (ORM).

Operational risk is inherent in most of the group's activities and other key risk types, and there are many disparate sources of operational risk. This necessitates an integrated approach to the identification, measurement, management and monitoring of operational risk.





Nedbank Group is aiming to use the standardised approach for operational risk when the Basel II capital regulations come into effect on 1 January 2008 and the Advanced Measurement Approach (AMA) within two years thereafter. We have made considerable progress in our operational risk measurement journey to AMA, having implemented worldclass operational risk management in all other respects.

Business management is responsible for the identification, management and monitoring of risk. Operational risk is addressed at the divisional Operational Risk Committees (ORCOS). Significant operational risks are escalated to the cluster operational risk committees and then, if warranted, to the board's Group Risk Committee. Management is supported in the execution of its duties by operational risk officers, who are tasked with coordinating the implementation and maintenance of the operational risk management processes and GORF in the business.

Group Operational Risk Monitoring (GORM) functions in the second line of defence, its primary responsibilities being to maintain and champion the operational risk management framework (which incorporates Basel II requirements), policies and enablers to support operational risk management in the business. GORM also champions the implementation of the Basel II requirements for operational risk.

Specialist functions in Group Risk, for example forensic services, business continuity planning, group legal and corporate insurance, also assist frontline businesses with specialist advice, policies and standard-setting. Pervasive operational risk trends are monitored and reported on to the Group Risk Committee.

Group Internal Audit (the third line of defence) and Enterprise Governance and Compliance provide assurance to the board that the operational risk management framework is sound and that the policies and processes related to operational risk management are adhered to.

Operational risk assessment and measurement

The three primary operational risk management processes in the group are risk assessment, loss data collection and the tracking of key risk indicators (KRIs), which are designed to function in a mutually reinforcing manner.

Risk and control self-assessments are designed to be forward-looking. In other words, management is identifying risks that could threaten the achievability of business

objectives, together with the required set of controls and actions, to mitigate the risks. Loss data collection and tracking are backward-looking and enable the monitoring of trends and the analysing of the root causes of loss events. KRIs are designed to be both forward- and backward-looking in the sense that they function not only as early-warning indicators but also as escalation triggers where set risk tolerance levels have been exceeded.

The results of the three processes are utilised to enhance the internal control environment, with the ultimate aim of reducing losses incurred, improving process efficiency and reducing earnings volatility.

Risk profiles, loss trends and risk mitigation actions are reported to and monitored by the risk governance structures of the group.

Nedbank Group is in the process of developing operational risk tolerance levels and incorporating these into the overall risk-adjusted performance calculations of the group that will drive performance measurement and recognition of the group. At this point the Basel II standardised-approach capital requirements are used in Nedbank Group's economic capital model.

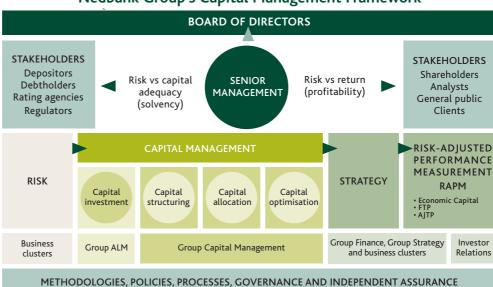
There are several other important operational risk specialist functions that assist the business in managing operational risk. These functions include but are not limited to:

- · information security;
- safety and security services;
- regulatory risk services (including money-laundering control, financial advice and the new credit legislation awareness);
- · forensic services;
- · business continuity planning and disaster recovery;
- legal-risk management; and
- the group insurance programme.

Nedbank Group considers financial crime to be a major operational risk that leads not only to financial losses but also damages the very fabric of society. For this reason the group pursues a vigorous policy of mitigating this risk through the following measures:

- pursuance of a zero-tolerance policy in respect of staff dishonesty;
- proactive identification and prevention of criminal onslaught against the group;
- · reactive investigation and recovery of losses; and
- close cooperation with government and industry roleplayers to ensure the successful apprehension and conviction of the perpetrators of financial crime.

Nedbank Group's Capital Management Framework





Our comprehensive capital management framework, illustrated on page 154, is embedded across Nedbank Group.

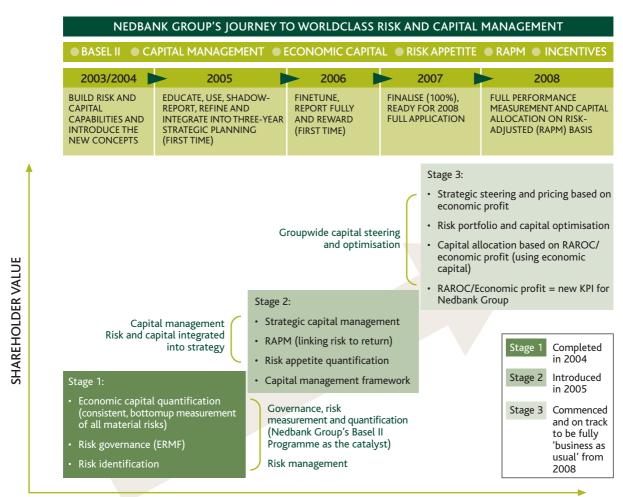
It is designed to meet our key external stakeholders' needs, both those focused more on the return or profitability of the group relative to the risk assumed (or risk vs return) and those focused more on the adequacy of the group's capital in relation to its risk profile (or solvency). The challenge for management and the board is to achieve an optimal balance between these two important dimensions. The framework is based on worldclass risk and capital management, integrated with strategy, performance measurement and incentives, and is intended to fulfil one of the group's 12 key strategic objectives, namely to 'optimise risk and capital'.

Basel II has been a key driver of the development of leading risk and capital management methodologies at Nedbank Group for a number of years. We are now very well placed to make use of these methodologies to create sustainable shareholder value. Under Basel II the specific risk profile of each bank will drive its capital requirements (rather than the current risk-insensitive, one-size-fits-all approach of Basel I) and thus fundamentally impact its core financial performance metrics.

Factors critical to achieving high performance in the future will include:

- · optimising the balance sheet risk profile;
- · optimising capital levels;
- · integrating risk and capital into strategy;
- linking this to performance measurement and, ultimately, shareholder value-based management.

Nedbank Group's journey to worldclass risk and capital management is illustrated in the diagram below. We are currently focused on refining and bedding down the final stage 3.



Risk and capital management sophistication

TIMING ALIGNS WITH END OF NEDBANK'S THREE-YEAR STRATEGIC RECOVERY AND TURNAROUND, AND IMPLEMENTATION OF BASEL II IN SOUTH AFRICA.

Internal capital adequacy assessment process (ICAAP)

Pillar 2 of Basel II contains four fundamental principles. These are set out below and essentially require implementation of a comprehensive ICAAP by the bank and a supervisory review and evaluation process (SREP) thereof by the regulator.

REQUIREMENTS OF THE BANKS

PRINCIPLE 1

· Banks to have an internal capital adequacy assessment process (ICAAP) and strategy linked to their capital levels and planning.

PRINCIPLE 3

- Banks expected to hold capital in excess of the regulatory minimum.
- Regulators with power to enforce.

REQUIREMENT OF THE REGULATOR

PRINCIPLE 2

- · Regulators to review and evaluate bank's ICAAP.
- · Regulators able to take action if not satisfied.

PRINCIPLE 4

Regulators to intervene early to prevent capital falling below required minimum levels.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

Board and management oversight

- Set risk appetite and
- adequacy
- Decide overall business strategy with regard to capital
- · Set policies

Sound capital assessment

- Understand nature and level of all material risks level of all material risks measurement and measurement and reporting of all material risks • Market risk • Operational risk
- Assess and ensure capital Relating capital to risk Interest Rate risk Integration of capital
 - with risk and business Reputational risk
 - Management of capital

Comprehensive risk assessment and management process

- Credit risk

- Liquidity risk
- Strategic risk Concentration risk
- Procyclicality risk

Monitoring and reporting

- Evaluation of level and Internal and external trend of material risks

- and board

Internal-control review

- audit reviews

- management of concentrations
- Documentation

Economic capital*

(* although the term 'economic capital' is not expressly used in the Basel II Accord, most leading banks have implemented it and this will comprise a fundamental component of their ICAAP, as is the case with Nedbank Group).



Nedbank's blueprint for its ICAAP is illustrated below.

QUANTITATIVE	RISK AND CAPITAL A	SSESSMENT (comprehensive)	INTEGRATION OF RISK AND CAPITAL ADEQUACY	QUALITATIVE ASPECTS	
Pillar I risks	Pillar I risks Pillar II risks External factors		INTO STRATEGY AND BUSINESS PLANS	QUALITATIVE ASILECTS	
	Settlement risk	Stress tests and scenario analysis		Roles and responsibilities - Group Capital Mgt Div - Business clusters (incl cluster risk labs) - Group Finance - Group Risk	
Credit risk	Residual risk	Macroeconomic risks			
	Securitisation risk		Strategic capital plan	Group StrategyInvestor RelationsInternal AuditGroup EXCO	
Market risk	Concentration risk	Internal Capital Adequacy Assessment Process (ICAAP)	Group strategic planning process (three-year business plans) Performance measurement (RAPM) Incentives	Governance and Reporting - Credit AIRB Exco - ALCO and Executive Risk Cte - OPCOM - GCC & GRC (Board subcomm) - Board (CEO Report) Monitoring and Control - Group Risk - Independent validation (eg CMVU and Cluster risk labs) - Internal audit - EGC	
Market fisk	Interest rate risk				
	Business risk				
Operational risk	Strategic and reputation risks	Earnings and Business risk, and Risk Appetite (tolerance)			
	Liquidity risk	Capital planning (long run) and Capital Buffer Management			
AIRB Credit Framework Group credit portfolio model		Stress- and Scenario-testing Framework	Risk-adjusted Performance Measurement Framework	Capital Management	
		Risk Appetite Framework	(RAPM)	Framework	
Market risk and	isk and ALM modelling Capital Projection Model and Capital Buffer Management Framework		Strategic Capital Plan and Group's three-year	Enterprise-wide Risk Management Framework	
Economic Capital Framework		Capital Management Framework	business plans		

How Nedbank Group addresses the above Basel II Pillar II and ICAAP requirements.



157

The Group Capital Management Division reports directly to the Chief Financial Officer and is mandated to champion the successful implementation of the capital management framework and ICAAP across the group.

Group CFO: Mike Brown						
GROUP CAPITAL MAN Head: Trev	GROUP ALM DIVISION Head: Mike Davis					
RISK AND CAPITAL ANALYTICS Head: Alistair Swanepoel	STRATEGIC CAPITAL MANAGEMENT Head: Markus Borner	 ALM strategy and capital investment 				
 Economic capital Earnings volatility models (risk appetite) Basel II capital adequacy Capital adequacy projection model and long- run capital measurement Group credit portfolio model Group financial risk aggregation, portfolio and concentration risk measurement and analysis Macroeconomic factor model, stress- and scenario-testing (risk and capital) Risk-adjusted performance measurement (RAPM) analytics SARB Basel II requirements 	 Economic capital and risk appetite profile Strategic risk-based capital integration Strategic capital plan and long-run capital planning Risk-based strategic planning Capital optimisation Target setting Capital buffers Capital structuring Capital raising and/or redemption and dividend policy External reporting and communications Rating agencies 	Interest rate and liquidity risks managed centrally by Group ALM These, with capital risk, are reported on monthly into the ALCO and Executive Risk Committee.				

The risk and capital management responsibilities of the board and Group EXCO are incorporated in their respective terms of reference (charters) contained in the Enterprise-wide Risk Management Framework (ERMF). They are assisted in this regard, and in overseeing the group's capital risk (defined in the ERMF), by the board's Group Risk Committee and the ALCO and Executive Risk Committee (Group ALCO) respectively.

Group ALCO, in turn, is assisted by the Group Capital Management and Group ALM Divisions.

Strategic capital plan

The board approved a comprehensive strategic capital plan (SCP), which is driven by and integrated into the group's three-year business plans.

Included in this plan is Nedbank Group's strategic and tactical response to Basel II, economic capital, risk appetite and financial targets (including RAROC), long-run (three-year) capital planning and various proposed capital optimisation actions.

Nedbank Group's current capital management strategy is summarised in the five core objectives set out below:

OBJECTIVES	STATUS	
Fully implemented economic capital and RAPM to align with shareholder interests and value-add.	Achieved – from 2008 it will be the basis of KPI and management reward (incentives).	
Capital mix and structure to be changed to optimise and lower the cost of capital within the board-approved risk appetite targets.	Significant progress achieved in 2006 – SCP provides for fully satisfying this objective in 2007, including the implementation of Basel II in 2008 (refer 'capital structuring' below).	
Basel II, including the group's tactical response, to be successfully implemented.	On track for full, completed implementation and successful response in 2007 (refer 'Basel II update' below).	
Capital levels to be optimised to enhance ROE, while never compromising the group's targeted capital adequacy ratios.	Active capital management in place since 2005.	
Risk and capital to be integrated into strategy and linked to performance measurement and incentives.	Achieved.	



Capital investment

Group ALM is responsible for managing the investment profile raised through the issue of capital and the internal generation of capital (ie retention of profits). This is integrated into the overall ALCO process of Nedbank Group. Group ALM and Group Capital Management Division work closely together, both being part of Group Finance Division reporting to the CFO.

Our macroeconomic factor model built in 2006 is providing further science behind ALCO's decisions on to what extent to hedge, if at all, the group's capital against interest rate changes and hence the impact on endowment income. This is done by modelling the relationship between changes in credit extension volumes, impairment levels and the group's endowment income when the economic cycle changes and the extent to which a natural hedge exists between them.

Capital structuring

Group Capital Management Division is responsible for managing the levels, mix and structure of economic, regulatory and statutory capital in line with Nedbank Group's current and planned (over three years) levels of business activity, risk appetite and desired level(s) of capital adequacy (including its target debt rating). In this way we aim to minimise the group's cost of capital. Long-run capital planning is of particular emphasis here.

Economic capital adequacy

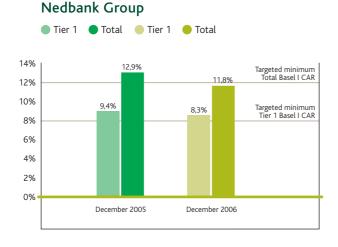
Nedbank Group's ICAAP confirms that the group is capitalised to its A- or 99,9% target debt rating (or solvency standard), in terms of its proprietary economic capital methodology set out earlier. This includes a conservative capital buffer based on the group's risk appetite metrics and results of stress- and scenario-testing of the projected capital requirements.

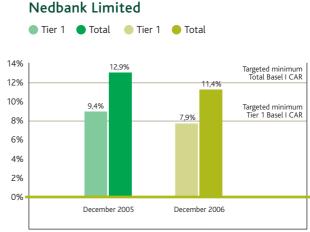
The group's capital position remained strong throughout the year, with the total capital ratio ending at 11,8% and the Tier 1 ratio at 8,3%. We commenced 2006 with a group total capital adequacy ratio of 12,9%, which is somewhat higher than our target of 12%. This was due largely to higher-than-expected non-core asset sales in 2005 and a higher-than-expected acceptance of the group's 2005 interim capitalisation award.

This was actively managed down towards the target during the year and, with levels of advances growth in the fourth quarter considerably ahead of forecasts, we dropped just below our target level of 12% at year-end. No further buybacks were conducted in the last quarter as capital was required to fund asset growth.

Regulatory capital adequacy

The current Basel I regulatory capital ratios are reflected below.





Capital mix and structure

Nedbank Group's strategic capital plan is focused on optimising the level, mix and structure of the capital base.

The group will continue with the dynamic management of its capital with a view to managing Tier 1 capital and the overall capital mix most efficiently, subject to the appropriate shareholder and regulatory approvals, and in careful consideration of the forthcoming new Basel II regulations, which will be finalised shortly by SARB.

The following is a summary of our capital management actions for 2006:

- Concluded R3 billion in subordinated-debt issues in 2006 (NED5 AND NED6)
 - NED5 R1,5 billion 10NC5 (April 2006)
 - NED6 R1,5 billion 12NC7 (September 2006).
- Redeemed NED1 R2 billion subordinated debt (20 September 2006).
- · Executed share buybacks of
 - 5,5 million shares (R616 million in H1 2006) and
 - 8,2 million shares (R892 million in Q3 2006)

totalling 14,7 million shares to the value of R1 613 million at 31 December 2006.

The group maintained its dividend cover policy at 2,5 to 3,0 times headline earnings for the first half of 2006, and amended this to 2,25 to 2,75 times from the second half of the year.

Our capital plans for 2007 currently include the following:

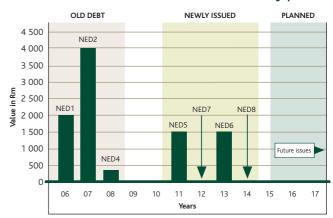
- Dividend cover policy of 2,25 to 2,75 times.
- Redemption of NED2 R4 billion subordinated debt (July 2007), subject to regulatory approval.
- NED7 AND NED8 Tier 2 subordinated-debt issues (February 2007).
- Further subordinated-debt issues to finance redemption of NED2 and growth.
- · Non-core Tier 1 capital issue.
- · Proactive management of core Tier 1 capital.

Our capital actions, as finally executed, may be impacted by variances in projected growth and proposed changes to section 38 of the Companies Act, which will allow the resumption of cash-only dividends.

Our capital planning incorporates requirements for Basel II, effective 1 January 2008, as contained in draft 4 of the new regulations released by SARB to the banks in January 2007.

A key objective of our capital management strategy is to build a smoother maturing profile for Nedbank Group's debt capital, and we have made sound progress to date, as the graphical representation shows.

Nedbank's subordinated-debt maturity profile



Potential effects of the proposed changes in secondary tax on companies and the taxation of dividends on Nedbank preference shares

Investors are further referred to the Nedbank Limited announcement dated 1 March 2007 wherein the Company set out the potential effects of the proposed changes in secondary tax on companies and the taxation of dividends on Nedbank preference shares as announced in the 2007 budget speech. In essence, the Company will propose grossing up the preference share dividend. The gross up will be the lower of the benefit the Company will gain as a result of the abolition of secondary tax on companies or a sufficient increase in the preference share dividend such that the preference shareholders receive the same dividend after tax as they currently receive, immediately after the introduction of the withholding tax.

The proposed amendments to the terms of the Nedbank Limited preference shares will require board approval, the passing of the required special resolution/s by the members of the Company (including a separate Nedbank preference shareholders meeting at their rights will be directly affected) as well as possible regulatory approval once the amendments have been promulgated.

Capital allocation

Group Capital Management Division is also responsible for managing the efficient employment of capital across Nedbank Group's businesses, based on economic capital allocation and risk-adjusted performance measurement (RAPM).

Capital optimisation

Capital optimisation in Nedbank Group is about seeking an optimal level of capital by optimising the risk profile of the balance sheet through portfolio and value-based management principles, risk-based strategic planning, economic capital allocation and sound management of the capital buffers.



This is achieved by integrating risk-based capital into Nedbank Group's strategy and aligning this with management's performance measurement, achieved through established governance and management structures, the formal strategic-planning process, performance scorecards and as set out in the group's RAPM framework.

Risk-adjusted performance measurement

RAPM is ultimately the essential component in Nedbank Group's capital management framework with a view to achieving successful capital allocation, optimisation and integration into strategy.

Two main measures are implemented through the RAPM framework: RAROC, which expresses the risk-adjusted profit with respect to the capital necessary to generate the revenue, giving a relative measure of performance; and economic profit (EP), which is an absolute measure of shareholder value creation.

RAROC and EP are being introduced as Nedbank Group's interpretation and measure for shareholder value creation, in conjunction with the existing traditional ROE measure, and from 2008 will become a key financial performance indicator for the Nedbank Group. This will ensure closer alignment with shareholders' interests.

The use of EP and RAROC increases focus on risk versus return in the decision-making process and, consequently, stimulates the use of scarce capital in the most efficient way. Risk-adjusted pricing and CVM tools are also used as a basis for the pricing of many transactions and as an important determinant in the credit approval process.

RAROC is calculated as the risk-adjusted return divided by economic capital. The risk-adjusted return is based on similar valuation principles as applied in the financial accounts, with two important exceptions: the actual credit risk provisioning is replaced by expected losses, reflecting statistically calculated average credit losses over the entire economic cycle; and the income statement is adjusted for effects that relate to replacing actual book capital with economic capital.

Medium- to long-term financial targets

As the group approaches the end of its three-year strategic turnaround and recovery in 2007, a strong focus is being given to embedding a suite of key medium- to long-term targets with the primary aim of optimising the group's return on capital. These are discussed in the strategy section on page 16.

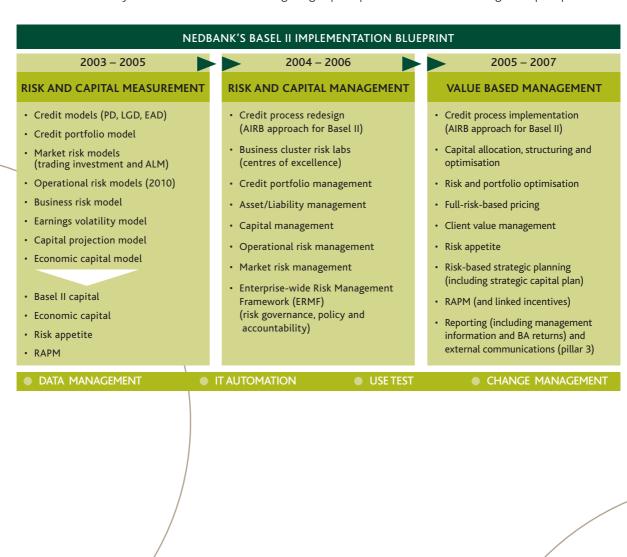
Nedbank Group's RAROC targets, in percentage terms, equate to similar levels that are set for the historical-accounting and Basel I-based ROE.



Basel II update

SARB has reconfirmed a common implementation date of 1 January 2008 for Basel II in South Africa and released draft 4 of the new regulations in January 2007, as planned.

Since 2003 Nedbank Group has been following a strategic-based approach to its Basel II implementation, not only to comply with Basel II, but also to elevate the group's risk management, capital management and performance measurement to worldclass standards by the end of 2007. This is enabling the group to operate on value-based management principles.





Nedbank's targeted approaches for day-one implementation of Basel II on 1 January 2008 remain as follows:

- Advanced Internal Ratings-based approach for credit risk – pillar 1
- Market-based simple risk weight approach for investment risk (equity exposures) – pillar 1
- Standardised approach for operational risk, but with worldclass operational risk management – pillar 1 (workstreams are well underway for transition to the advanced-measurement-approach target implementation in 2010)
- Internal model approach for market trading and counterparty credit risks – pillar 1
- Worldclass standards for ALM/ALCO pillar 2
- Worldclass internal capital adequacy assessment process and capital management – pillar 2 (including economic capital, risk-adjusted performance measurement, risk appetite, credit portfolio management and a best-practice group capital management function)

Nedbank submitted its AIRB credit risk application to SARB in November 2005 and plans to lodge its application for internal model approval for market trading risk in the second quarter of 2006.

Nedbank Group believes it is in a sound state of readiness for Basel II and the targeted approaches set out above.



Basel II capital impact

Since 2004 capital reporting and projections to senior management and the board have included estimation of requirements under economic capital, Basel II regulatory capital and the current Basel I regulatory capital. In the first half of 2005 Nedbank Group reported to SARB through Quantitative Impact Study (QIS) 4 on the preliminary estimated capital impacts of Basel II and through QIS 5 in the first half of 2006.

While regulators in the developed world have been concerned about a possible material drop in overall levels of regulatory capital for banks upon implementation of Basel II, hence the introduction by the Bank for International Settlements (BIS) of additional conservatism such as downturn LGD and the 6% credit capital scaling factor, it is evident that this will not be the case in South Africa. As South Africa is an emerging market, PDs are typically higher than in developed markets, which is not wholly compensated for by the lower LGDs that result from the typically higher levels of collateralisation in our market.

Nedbank's retail portfolio currently bears a somewhat higher level of impairments than that of its peer group. This is as a result of historical factors prior to the major restructuring in 2004 and the inclusion of the old Peoples Bank book. While the quality of retail business written since 2004 compares favourably with the rest of the industry, the overall quality of the retail portfolio should continue to improve even with the recent change in the retail credit environment.

Nedbank Group is well-positioned for the introduction of Basel II in South Africa from 2008, and the group's expected Basel II capital requirements have been integrated into the group's three-year business plans and incorporated into our long-run capital planning within the strategic capital plan approved by the board.

Overall, as a result of Nedbank Group's strategic and tactical response to Basel II, which began three years ago, no material impact is expected on the capital levels of Nedbank Group ahead of Basel II implementation on 1 January 2008.

Cost of Basel II implementation

The once-off costs associated with implementing the outlined target Basel II approaches and elevating risk and capital management in the Nedbank Group to worldclass standards is approximately R250 million.

This total estimated cost is spread over the life of the programme, but with the major portion having been incurred by the end of 2005.

REGISTERED OFFICE OF NEDBANK LIMITED

PO Box 1144 Johannesburg 2000 South Africa

ARRANGER

HSBC Bank plc

8 Canada Square London E14 5HQ United Kingdom

CO-ARRANGER

Nedbank Capital, a division of Nedbank Limited

PO Box 1144 Johannesburg 2000 South Africa

FISCAL AGENT

The Bank of New York Mellon

One Canada Square London E14 5AL United Kingdom

REGISTRAR AND LUXEMBOURG PAYING AGENT

The Bank of New York (Luxembourg) S.A.

Aerogolf Center, 1A, Hoehenhof, L-1736 Senningberg Luxembourg

LEGAL ADVISERS

To the Issuer as to English law:

To the Issuer as to South African law:

Clifford Chance LLP 10 Upper Bank Street Canary Wharf London E14 5JJ United Kingdom Deneys Reitz Inc 82 Maude Street Sandton 2196 South Africa

To the Arranger as to English law:

Linklaters LLP One Silk Street London EC2Y 8HQ United Kingdom

AUDITORS TO THE ISSUER

KPMG Inc KPMG Crescent 85 Empire Road Parktown 2193 Johannesburg South Africa Deloitte & Touche
Deloitte Place
The Woodlands
20 Woodlands Drive
Woodmead
2199
South Africa