



Reviewed financial results for the year ended 31 December 2005

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Reviewed financial results

- Strong performance from all operating divisions
- Headline earnings up 81,7% to R3 167 million
- Headline EPS up 65,0% to 797 cents
- Fully diluted HEPS up 64,1% to 791 cents

Overview

Headline earnings per share increased by 65,0% to 797 cents (2004: 483 cents), which was ahead of management's initial expectations for the year. Fully diluted headline earnings per share increased from 482 cents to 791 cents, the 2005 dilution being impacted by accounting for the black economic empowerment (BEE) scheme under International Financial Reporting Standards (IFRS).

Basic earnings per share grew by 128% from 423 cents in 2004 to 966 cents in 2005.

In line with the circular on the BEE scheme, shareholders will be offered a capitalisation award with a cash dividend alternative. This award is 185 cents per share, up 143% from the 76 cents per share declared in February 2005.

The group's return on average ordinary shareholders' equity (ROE) continued to improve, increasing from 11,0% for the year ended 31 December 2004 to 15,5% for the year ended 31 December 2005. The group's ROE, while still below its banking peers, is now comfortably above the group's cost of capital.

The improved performance for the year was driven mainly by:

- the continued realisation of benefits from the recovery programme, which are reflected in the growth in operating income and the containment of expenses, resulting in the efficiency ratio improving from 71,8% for the 2004 year to 65,1% (excluding the costs of the BEE deal: 62,8%) for the year ended 31 December 2005;
- significantly improved performance from Nedbank Retail, with headline earnings growing 66,4% to R938 million and ROE improving from 12,1% to 18,4%;
- strong operating performances from Nedbank Capital and Nedbank Corporate, with headline earnings growing 17,8% to R1 017 million and 11,8% to R1 984 million respectively;
- favourable private equity revaluations and realisations in Nedbank Corporate's Property Finance division;
- year-on-year advances growth of 12,4%;
- an improvement in the overall quality of the advances book, with a 42,6% decrease in non-performing assets from R7,5 billion in December 2004 to R4,3 billion in December 2005;
- the weakening of the rand from R5,63:US\$ at 31 December 2004 to R6,33:US\$ at 31 December 2005, resulting in an income statement foreign currency translation gain of R126 million compared to a loss of R280 million for the year to December 2004; and

for the year ended 31 December 2005

- ROE increased from 11,0% to 15,5%
- Efficiency ratio improved from 71,8% to 65,1%
- Strong group capital adequacy of 12,9%
- Final dividend per share up 143% to 185 cent

- the sale of the major portion of the group's holding in Net1 UEPS Technologies Inc (Net 1 UEPS) which resulted in a capital profit of approximately R793 million (before taxation).

Together with the improved financial performance, the group's earnings volatility has been significantly reduced and the capital position strengthened. Since the beginning of the recovery programme, the group has reduced its excess offshore capital exposure thereby limiting foreign exchange risk. The majority of its fixed-rate debt has been hedged to reduce interest margin volatility. Non-core assets have been sold which has lowered market risk and further strengthened the capital base.

The total share-based payments cost of Nedbank Group's BEE transaction has increased from the previously estimated R933 million (pre-taxation) to R1 287 million mainly as a result of the group's share price increasing between the announcement of the transaction and date of implementation. After the group's trading update on 14 November 2005, the International Financial Reporting Interpretations Committee (IFRIC) issued further clarification on the interpretation of notes D16 and D17 (Scope of IFRS 2), as issued in May 2005. IFRIC's final interpretation was subsequently released as IFRIC 8 (Scope of IFRS 2) as announced on 12 January 2006. IFRIC 8 is effective for periods beginning 1 May 2006 and Nedbank Group has early adopted this statement, resulting in the group expensing more of the share-based payments costs of the BEE transaction in 2005. This has resulted in share-based payments costs relating to the BEE transaction of R371 million in 2005, compared to R156 million previously forecast. Other transaction costs amounted to R22 million and the tax relief on the grant portion of the transaction and transaction costs of R59 million is in line with the forecast given at the time of announcing the BEE transaction.

Progress against three-year plan

In the 2004 year-end results announcement in February 2005, Nedbank Group outlined five major action plans which form the foundation of the group's three-year plan. An update on the group's progress and delivery against each of these actions is detailed below:

- **Ensure that income growth is at least 9% higher than expense growth (9% "jaws" ratio) (on a three-year compound annual growth rate basis with 2004 as the base)**

Good progress has been made towards achieving this target. Gross operating income (excluding foreign currency translation gains) grew by 9,6% while total expenses (excluding the cost of the BEE transaction) reduced by 1,6% for the period, resulting in a "jaws" ratio of 11,2%. If the cost of the BEE transaction is included, expenses increased by 2,0%, resulting in a "jaws" ratio of 7,6%.

Commentary

- ***Maintain market share from the second half of 2005***

Although the group continued to lose market share in total advances, there has been a slowdown in the rate of decline during the second half of 2005, particularly in the key area of home loans in Nedbank Retail. The group continued to lose market share in credit card balances during 2005, partially as a result of the group's high proportion of clients who do not make use of revolving credit balances. However, the impact of growing at a slower rate than the market did not have a significant effect on the group's progress against its three-year plan as the market as a whole, and particularly the retail banking sector, grew more than initially expected. The group grew market share in Mzansi accounts and cash handling. Nedbank Capital maintained its strong market share and Property Finance held its dominant market position among the banks in commercial and industrial real estate. Nedbank Retail maintained its significant market share in card acquiring.

- ***Grow non-interest revenue through a focus on transactional revenue***

In order to grow transactional revenue, the group has created focused teams and is implementing a range of initiatives to improve cross-selling, upselling, client service, pricing and bancassurance. Nedbank Corporate started piloting a new integrated electronic banking platform towards the end of 2005 and has begun rolling this out to clients during 2006. Nedbank Retail's expanded branch footprint has improved accessibility and reach, which together with a more outward focus, positions the group to grow transactional revenue. The group's bancassurance revenue continued to grow strongly, with new business premiums increasing by 40% in 2005. As reported with the interim results in July 2005, the group recognises that transactional revenue growth is a longer term goal and the full benefits are only expected to be realised over the next few years.

- ***Build Nedbank Retail***

Nedbank Retail has historically generated ROEs significantly lower than its retail banking peers. A key focus of the group is to deliver the financial turnaround of Nedbank Retail while improving client service. Following the restructuring of Nedbank Retail in 2004, good progress has been made in growing revenue and containing expenses, resulting in headline earnings increasing by 66,3% and ROE increasing from 12,1% to 18,4%. The integration of Nedbank and Peoples Bank was completed during the year under review and over 1,5 million clients were seamlessly migrated onto Nedbank systems. These Peoples Bank clients are now offered the full range of Nedbank's products and services, providing considerable upsell and cross-sell opportunities. This also resulted in the group increasing its Nedbank branded branches from 271 to 426 by the year-end, including the opening of 24 new branches, the majority being in previously under-served areas.

- ***Transform the business beyond the Financial Sector Charter (FSC) targets***

The group is committed to going beyond mere compliance with the FSC targets. Nedbank Group's unique BEE transaction, with a value of more than R3 billion, resulted in a broad range of black stakeholders acquiring direct ownership worth 11,5% of the value of the group's South African businesses.

The Eyethu scheme for retail clients attracted 47 523 participants who invested R740,5 million, making it the largest retail share scheme by value ever in South Africa. The corporate scheme involved 76 black corporate and business banking clients.

The working relationship with the strategic black business partners, namely the Brimstone consortium, the Wiphold consortium and Aka Capital, is progressing well, with numerous deals having been introduced by these partners to the bank. The black business partners are also working closely with management on all other areas of transformation in the group, including employment equity, skills development, procurement and social responsibility.

After a slow start, the group has increased its market share of new Mzansi accounts and Nedbank Capital and Nedbank Corporate continue to be at the forefront of structuring, financing and advising on BEE transactions.

Financial performance

Nedbank Group continued to show a turnaround in financial performance, with headline earnings growing by 81,7% from R1 743 million in 2004 to R3 167 million in 2005. Basic earnings grew by 151,0% from R1 528 million in 2004 to R3 836 million in 2005.

Net interest income (NII)

The group's NII increased by 19,4% from R7 145 million to R8 529 million. Despite margin compression experienced by the industry, the group's net interest margin for the period was 3,55%, up from 3,18% for the year to December 2004.

The margin increase can be attributed to:

- the uplift created from a full year of the rights offer proceeds received in May 2004;
- reduced funding drag following the hedging strategies implemented in 2004;
- income on the proceeds of the sale of non-core investments;
- the repatriation of certain foreign capital during 2004;
- the settlement of the expensive empowerment funding for Peoples Bank in April 2005; and
- mix changes as higher margin retail and business banking advances grew faster than corporate advances.

Margins have been negatively impacted by the lower interest rate environment resulting in lower yields on endowment.

Non-interest revenue (NIR)

NIR increased by 1,2% from R8 379 million for the year ended 31 December 2004 to R8 483 million for the year to December 2005.

Initial estimates for the year were that NIR would decline, primarily due to the sale of certain subsidiaries which generated R313 million of NIR during 2004.

NIR was above management's initial expectations mainly due to:

- higher than expected private equity revaluations and realisations in Property Finance amounting to R242 million (2004: R81 million);
- continued strong growth from Bond Choice with its NIR increasing by 125% to R416 million (2004: R185 million) following large mortgage origination volume increases; and
- higher than expected commission and fee income in Nedbank Retail, despite not increasing the average fees charged to their clients during 2005.

On a comparable basis, commission and fee income increased by 8,4%. Trading revenue increased from R1 369 million for 2004 to R1 431 million for 2005. Exchange and non-interest dealing decreased from R511 million in 2004 to R334 million as a result of positive revaluations of the 'fair value through profit and loss financial asset and financial liabilities' in the 2004 base, as reported in June 2005.

Commentary

Foreign currency translation gains

In line with the strategy of reducing earnings volatility, the group reduced its exposure to foreign currency movements during 2004, retaining sufficient capital offshore to support its international businesses. The 12,4% decline in the value of the rand resulted in income statement translation gains of R126 million on this foreign capital.

Restructuring of offshore subsidiaries and repatriation of capital during the second half of 2005 will further reduce the volatility of earnings resulting from exchange rate movements.

Impairment losses on loans and advances

The introduction of IFRS during 2005 has required accounting for credit impairments on an "incurred loss" basis as opposed to an "expected loss" basis. In addition, the discount rate used to calculate the recoverable amount of an advance now excludes any future credit losses not yet incurred. These changes will have increased the volatility in the income statement charge for impairments.

The favourable credit environment was sustained throughout 2004 and 2005, and improved credit quality resulted in a relatively flat year-on-year impairment charge for 2005 at R1 189 million and a drop in the impairments charge to average loans and advances ratio from 0,55% to 0,48%.

Total non-performing advances decreased by 42,6% from R7,5 billion to R4,3 billion.

Expenses

Expenses were impacted by the IFRS 2 charge in respect of the group's BEE transaction during the second half of 2005, as mentioned above. Operating expenses were well controlled and together with a reduction in recovery programme and merger expenses resulted in total expenses increasing by only 2,0% from R10 939 million to R11 157 million, with the efficiency ratio improving from 71,8% to 65,1%. If the R393 million of expenses relating to the BEE transaction are excluded, the efficiency ratio improved to 62,8%.

Combined recovery programme and merger expenses for the year ending December 2005 were R155 million, consistent with the guidance given to the market at the group's 2005 interim results. The recovery and merger programmes were completed during 2005 and these expenses will not recur in 2006.

Indirect taxation

Indirect taxation decreased by 53% from R470 million for the year ended 31 December 2004 to R223 million for 2005. During the 2004 financial year, provisions were raised for potential transaction tax liabilities relating primarily to the bank's value added taxation (VAT) recovery methodology. These issues have now been resolved and portion of the associated provisions were released in 2005.

Direct taxation

The effective taxation rate decreased from 24% to 23%. In line with the circular to shareholders on the BEE scheme, the group now offers a capitalisation share award with a cash dividend alternative. The acceptance level of the 2005 interim capitalisation award was higher than expected, which resulted in a decrease in the group's Secondary Taxation on Companies (STC) charge. The taxation rate on business operations normalised from 37% to 27%, mainly as a result of the movement in foreign currency translation gains/losses, which are not taxable.

Non-trading and capital items

During the year the group continued its non-core asset disposal programme. The major disposals were the sale of 58,5 million shares in Net 1 UEPS and the investment in Internet Solutions (Pty) Limited. These sales generated profits of R877 million, which together with other non-trading capital items resulted in an overall profit of R701 million.

The non-core asset disposal programme has now largely been concluded, with total realisations being ahead of management's initial expectations.

Balance sheet

Capital

The group's capital position continued to strengthen, with the Tier 1 group capital adequacy ratio increasing from 8,1% in December 2004 to 9,4% in December 2005. The total group capital adequacy ratio has improved from 12,1% in December 2004 to 12,9% in December 2005 which facilitates future asset growth. This improvement was above management's original expectations due largely to higher than anticipated non-core asset disposals and a higher than expected acceptance of the group's 2005 interim capitalisation award.

Taking these factors into account a share repurchase programme has been initiated to proactively manage capital levels. The group acquired 1,02 million ordinary shares during 2005, which are now held as treasury shares, resulting in a decrease in ordinary share capital of R100 million. The group has changed its dividend cover policy, reducing the cover ratio from between 3,0 to 3,5 times headline earnings to between 2,5 to 3,0 times headline earnings.

During 2005 the group issued 48,6 million shares (41,3 million for the BEE transaction and 7,3 million for obligations under the share option scheme). 39,8 million of the BEE shares are currently accounted for as treasury shares.

Advances

Although asset growth rates are lower than the rest of the market, advances compared to December 2004 increased by 12,4% to R248,4 billion. Residential home loan advances grew by 24,5%, narrowing the gap between Nedbank's growth and that of its competitors.

Deposits

Deposits have remained stable and the group maintained a strong liquidity position.

Divisional performance

Management information systems and reporting was further enhanced, with the operational implementation of funds transfer pricing and the refinement of activity-justified expense transfer pricing to allocate additional costs from the centre to the respective operating divisions. As reported in the 2005 interim results, the 2004 segmental reports have been adjusted to reflect these changes as well as other changes resulting from the group reorganisation completed in late 2004. Economic capital measurement was successfully run in parallel to the existing reporting systems during 2005 and will be implemented internally in 2006.

Nedbank Capital

Nedbank Capital increased headline earnings by 17,8% from R863 million to R1 017 million and ROE remained strong at 29,2% (2004: 29,3%). Favourable market conditions and the solid platform established in 2004 resulted in 2005 being a good year for Nedbank Capital, with significant growth in almost all of its businesses, as well as concluding some landmark transactions. All divisions showed growth in excess of 25%, with the exception of Nedbank Capital's Private Equity division and its Foreign Exchange

Commentary

Trading division. Private Equity came off a high base in 2004 and the Foreign Exchange Trading division was negatively impacted by a drop in global trade exchange commissions and margin contraction.

Expenses have reduced despite higher joint venture fees paid to Macquarie. This expense reduction was aided by the sale of Edward Nathan & Friedland and lower rental costs following the relocation of the London offices to premises shared with Old Mutual plc.

The deal pipeline remains strong and, subject to market conditions remaining constant, the group expects continued growth in earnings in all of Nedbank Capital's businesses during 2006.

Nedbank Corporate

Nedbank Corporate increased headline earnings by 11,8% from R1 775 million to R1 984 million supported by the favourable economic and credit environment, cost management and strong private equity revaluations and realisations in Property Finance. ROE increased from 18,7% to 19,7%.

NII in this capital intensive business was negatively impacted by lower endowment levels and a lower margin as a result of market margin compression on funding costs.

A continued focus on asset quality, both in terms of credit quality and ROE saw average lending advances grow by R3 355 million to R96 728 million, even though the group reduced exposure to non-core offshore assets and continued to feel the effects of disintermediation and clients having surplus cash in the Corporate Banking market. Business Banking benefited from continued growth of small and medium enterprises, driven by a good economic environment and growth of BEE.

NIR increased by 14,5% to R2 426 million, boosted by a strong performance from Bond Choice and positive private equity revaluations and realisations in Property Finance which resulted from the group's strategy of co-investing with its clients in certain property deals. Lower than expected global trade revenues negatively impacted NIR.

The impairment charge of 0,24% of average lending assets reflects the continued positive economic cycle as well as good asset quality and increased recoveries.

Adjusting for the effect on expenses of the abnormal growth in Bond Choice (R212 million) during 2005 and prior year recovery programme and merger costs (R145 million), operating expenses remain well controlled.

Nedbank Corporate's executive committee was restructured in early 2005 with the appointment of new managing directors in Corporate Banking, Business Banking and Nedbank Africa. This opportunity was used to make high-level employment equity appointments in these business units. Nedbank Corporate's commitment to going 'beyond transformation' is reflected through five of the eight divisional executive appointments in Business Banking being black or female.

Significant electronic banking system developments known as the "channel convergence project" took place and will start to be implemented during 2006. This is expected to enhance service delivery to clients and grow transactional business in the medium term.

A key challenge for 2006 is to continue building sustainable non-interest revenue streams through our goal of increasing our primary banker status in the various market segments.

Nedbank Retail

Nedbank Retail increased headline earnings by 66,3% from R564 million to R938 million and ROE increased from 12,1% to 18,4%. Despite the negative endowment impact from the interest rate cut in April 2005, NII was driven by strong advances growth primarily due to the 21,6% year-on-year growth in home loans. NIR benefited from increased volumes, bancassurance commissions and a strong performance from Nedbank Card.

The growth in impairments is largely attributable to one-off adjustments in 2005 to align default definitions and interest reserve accounting methods, partially offset by an improvement in the probability of default and loss given default metrics. In addition, significant growth in the personal lending book resulted in additional impairment requirements. Adjusting for the above, year-on-year growth was flat.

As a result of continued focus on efficiency and expense control, expense growth on a comparable basis was contained to 3,9% despite significantly increased volumes and increased headcount primarily in the branch network and sales functions.

A key objective for 2005 was to arrest market share losses. Good progress was made, particularly in the home loans category where market share losses have largely stabilised. This has been driven by improved channel management and process and structural changes made in Nedbank Retail. In Asset-based Finance the ongoing roll-out of the dealer strategy should yield results in 2006. The group continues to lose market share in card advances due to the low percentage of clients using revolving credit for their cards, but maintained its significant market share in card acquiring.

The Nedbank/Peoples Bank merger was completed during 2005, which resulted in 144 branches being rebranded to Nedbank, 69 closures and 24 new branches being opened. Following this integration Nedbank Retail has 426 Nedbank branches, 46 Old Mutual Bank branches, 1 119 Nedbank ATMs, 55 Old Mutual Bank ATMs and 330 Pick 'n Pay Go Banking outlets.

Nedbank Retail is currently replacing and upgrading all ATMs and self-service terminals at a capital cost of approximately R160 million, of which R84 million occurred in 2005. This is planned for completion by the second half of 2006.

The Bancassurance and Wealth Management division showed strong results, with new business premiums growing by 40% and continued strong investment performance underpinned by its unique "best of breed" philosophy. Nedgroup Collective Investments was placed third in the Company of the Year category at the annual Raging Bull Awards, with several of its unit trust funds being highly placed in the individual rankings.

Good progress has been made in 2005 towards setting the foundation for the future of Nedbank Retail. Key future focus areas include client service, staff morale, bancassurance, reducing impairments, growing assets, liabilities and transactional banking as well as efficiency and expense control.

Imperial Bank

Imperial Bank increased headline earnings by 102,8% from R71 million to R144 million, reflecting the benefits of the growing economy as well as the favourable credit environment. NII grew by 25,0%, with loans and advances growth of 30,1% being partially offset by the negative endowment impact of capital following the interest rate cuts in 2004 and 2005. Advances growth was driven by strong growth from Motor Vehicle Finance division. Expenses grew by 12,0%, resulting in the efficiency ratio improving from 43,6% to 41,5%. Impairments declined by 52,7% due to a more favourable credit environment and a reduction in provisioning requirements in both Property Finance and Aviation.

Nedbank Group and Imperial Holdings Limited each contributed R107,7 million of additional capital to Imperial Bank during 2005 to support the continued strong asset growth.

During 2005, the bank addressed its cost base, strengthened its management (a new chief executive, chief financial officer and chief risk officer were appointed) and focused on prudently growing its business in its chosen market segments, while maintaining tight control over costs.

Commentary

Central services

Costs in central services divisions for 2004 were restated to reflect the reorganisation which saw a number of previously centralised functions being relocated to the operating divisions, including the move of all branch operations to Nedbank Retail. Overall the headline loss from central services has reduced from R1 530 million to R916 million.

The group continues to invest in technology and infrastructure related projects. Strategic initiatives are in progress to upgrade several legacy systems while at the same time preparing for the Basel II systems requirements. Projects to upgrade transactional banking systems and consolidate multiple Corporate Banking channels are well advanced. New financial processing systems and client information projects have been approved to support the client-centric strategy of the bank.

Strategic focus

The completion of the major restructuring of the group has improved accountability and empowered staff. This, together with restructured incentive programmes, staff training, the payment of reasonable bonuses and the improving results, have all helped to boost morale. Internal staff surveys show an improvement in all areas of morale measured by the group compared to 2004. The group continues to focus on addressing this critical issue.

The group has moved its focus outward, with projects to improve products, systems and processes and training being intensified in order to improve client service.

The marketing focus has shifted to keeping the Nedbank brand aspirational, but accessible to all South Africans. The integration and rebranding of Peoples Bank and the BEE transaction also helped position the bank as being more accessible.

Bancassurance within Nedbank continues to grow strongly, with the group increasing its sales of new business premiums from R3 447 million to R4 840 million, of which 86% were within the greater Old Mutual group.

Capital management

Nedbank Group's strategic capital plan is focused on optimising the level, mix and structure of the capital base required to support future growth. The group commenced a share repurchase programme during the last quarter of 2005 and will continue to proactively manage capital in order to balance Tier 1 capital and the overall capital mix more efficiently, subject to the appropriate shareholder and regulatory approvals.

The group is currently restructuring the subordinated (Tier 2) debt profile. During 2006 the group currently plans to call the R2 billion of subordinated debt (NED 1 bond) and issue two new bonds of approximately R1,5 billion each, the first of which will be issued around March/April 2006, with a second issue planned around September 2006.

Sustainability

Nedbank Group continues to focus on long-term sustainable development. The group was again included in the 2005 JSE Socially Responsible Investment (SRI) Index and was rated among the top three companies in its category. The group's 2004 Sustainability Report was awarded second place in the Ernst & Young Excellence in Sustainability Reporting Awards, as well as gaining the annual award for Emerging Markets Corporate Social Responsibility Bank of the Year at the The Banker Awards in London.

Prospects

Nedbank Group reaffirms its targets of achieving a ROE of 20% and an efficiency ratio of 55% for 2007, notwithstanding the impact of IFRS and the BEE transaction.

Assuming a stable interest rate environment, performance in 2006 is likely to be impacted by the following:

- an improvement in margin due to:
 - o the settlement of the expensive empowerment funding for Peoples Bank in the first half of 2005;
 - o the repayment of R2 billion of expensive Tier 2 funding;
 - o the endowment impact of retained income growth;
 - o income on the additional cash generated from the sale of non-core assets during 2005; and
 - o mix changes as higher margin retail and business banking advances grow faster than corporate advances.

However, continued industry pressure on margins could partially offset these benefits;

- a more external focus which is expected to result in enhanced revenues as client service improves and market share is sustained. However, the group expects continued pressure on retail bank charges which may lead to more muted growth in transactional revenue; and
- containment of expense growth from:
 - o a continued focus on extracting operational efficiencies, including possible further synergies that can be gained by working with other Old Mutual group companies;
 - o a reduction of approximately R200 million in share-based payments costs for the BEE transaction;
 - o additional savings from the outsourcing of data and voice networks implemented in 2005 (approximately R70 million); and
 - o no further recovery programme, merger or branch rationalisation costs; but
 - o expenses will increase as a result of increased marketing expenditure (approximately R75 million) and a normalisation of indirect taxation.

Change to the Group Executive Committee (Group Exco)

Nedbank Group will be bidding farewell to Barry Hore who has been a key member of the Group Exco. Barry has been with Nedbank for 23 years and held positions including Head of Information Technology, Head of Technology and Operations and Head of Group Business Innovation, before being appointed Head of the Strategic Recovery and Turnaround Office (SRTO) in August 2004.

Given the progress in the turnaround of the Nedbank Group and having met the initial objectives of the recovery programme and operationalised disciplined execution capabilities throughout the organisation, the SRTO unit will be re-sized and report to the Chief Financial Officer. Barry has elected to make a career change and is currently exploring opportunities in the greater Old Mutual Group.

The board and management thank Barry for his contribution, particularly the strategic role that he has played as a member of the Group Exco and the board, as well as in the development of the group's technology capability and more recently driving the recovery programme.

Changes to the board of directors

During the year under review, the following changes were made to the board of Nedbank Group:

- Bob Head was appointed as a non-executive director (1 January 2005);
- Hixonia Nyasulu resigned as an independent non-executive director and Vice-chairman (26 January 2005);

Commentary

- Phuthuma Nhleko resigned as a non-executive director (21 April 2005);
- Lot Ndlovu changed status from an executive director to a non-executive director (1 May 2005); and
- Mustaq Enus-Brey, Reuel Khoza and Gloria Serobe were appointed as non-executive directors (16 August 2005).

At the annual general meeting (AGM) in May 2005 Warren Clewlow announced his intention to retire as a non-executive director and Chairman of the board at the AGM in 2006. On 25 November 2005 Reuel Khoza was appointed Chairman elect and will succeed Warren Clewlow at the AGM on 4 May 2006.

Old Mutual plc has nominated its group finance director, Julian Roberts, as chief executive officer and a director of Skandia. If his nomination is accepted by the new board of Skandia, Julian will stand down as a non-executive director of Nedbank Group at the AGM in May.

Accounting policies

The group's principal accounting policies have been applied consistently and the Nedbank Group financial results have been prepared in accordance with IFRS as adopted by the International Accounting Standards Board (IASB) and interpretations issued by IFRIC. These standards are subject to ongoing review and possible amendment and the results may therefore be subject to change at future reporting dates.

Restatements of 2004 results

The group's results for the 2004 reporting year were restated to reflect the requirements of reporting under IFRS. These restated results for 2004 were disclosed in an announcement on 3 May 2005 and on 4 August 2005 when the interim results were released.

Further restatements reflected in the accompanying table are as follows:

1. The group changed its treatment of operating leases with fixed escalations from previously being expensed on a cash basis, to being expensed on a straight-line basis in terms of circular 7/2005 issued by the South African Institute of Chartered Accountants on 2 August 2005 and in accordance with IAS 17 Leases.
2. The IASB issued the fair value option (FVO) amendment to IAS 39 Financial Instruments: Recognition and Measurement (IAS 39) during June 2005. The FVO amendment defines the criteria under which an entity is permitted to designate a financial instrument at initial recognition as being at fair value through profit or loss (FVTPL).

Previously the group fair valued certain assets and liabilities, with the intention of eliminating any mismatch. These instruments were designated as held for trading on transition or inception. The FVO amendment has changed this and the FVTPL designation is now applied. One or both of the following conditions need to be met to designate a financial instrument as at FVTPL:

accounting mismatch – this eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising gains or losses on such assets using a different basis; and/or

documented risk management or investment strategy – where a group of financial assets and liabilities is managed and performance is evaluated on a fair value basis and this is documented and reported internally on this basis.

In line with Old Mutual plc, Nedbank Group early adopted the FVO amendment to IAS 39 and has restated its results as of 1 January 2004. The group has reviewed all previously designated assets and liabilities, which were classified as held for trading and all assets and liabilities that do not meet the required criteria have been de-designated.

Notwithstanding the above, all derivatives are still fair valued as required by IAS 39.

3. Previously the group did not consolidate its disability fund in the results. In the current period, and in terms of IAS 27, the disability fund has been incorporated and comparative figures have been restated from 1 January 2004.
4. In terms of IAS 1 Presentation of Financial Statements, the group has chosen to present assets and liabilities on the face of the balance sheet in order of their liquidity. Therefore deposits, which are mandatory in terms of the South African Reserve Bank regulations, have been reclassified from cash and cash equivalents to a separate line on the face of the balance sheet.
5. Foreign exchange spot trades have been reclassified as either other assets or other liabilities on the balance sheet, from derivative financial instruments. During 2004 certain short trading securities that were recorded as amounts owed to depositors have been restated on the balance sheet as other liabilities.
6. In previous periods loans to associates and joint ventures were included in the carrying value of associate investments and these loans have now been reclassified on the balance sheet to be included in loans and advances.
7. Deferred revenue was previously disclosed separately on the balance sheet and has been reclassified against the individual loans and advances to which it relates.
8. The first time consolidation of a subsidiary on 1 January 2004 resulted in realised reserves of R132 million being incorrectly classified as available for sale reserves. These reserves have now been reclassified as distributable reserves from 1 January 2004 with no effect to overall equity attributable to ordinary shareholders.

Comparative results in the segmental report have been restated to take into account the improvements in internal profitability measurement and group restructures. The restatements include the new internal funds transfer pricing system, the improved activity-justified transfer pricing process and a risk-weighted capital allocation and charging methodology. The restatements also take into account that liquid assets and cash reserving costs are no longer held at the centre, but are charged to the operating segments.

Subsequent events

As of the date of this announcement there are no post-balance-sheet events to report.

Reviewed results – auditors' opinion

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

Capitalisation award with a cash dividend alternative

Notice is hereby given that the directors of the company have resolved to issue fully paid ordinary shares in the company as a capitalisation award to ordinary shareholders. Ordinary shareholders will be entitled, in respect of all or part of their shareholding, to elect to receive new fully paid ordinary shares which shares will be issued only to those ordinary shareholders who elect in respect of all or part of their shareholding, on or before 12:00, Friday, 31 March 2006 to receive the capitalisation award shares. Shareholders not electing to receive new fully paid ordinary shares in respect of all or part of their shareholding will be entitled to receive a cash dividend alternative of 185 cents per ordinary share (the cash dividend alternative).

Commentary

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

	2006
Last day to trade to participate in the capitalisation award or the cash dividend alternative on	Friday, 24 March
Shares trade ex the capitalisation award election and the cash dividend alternative on	Monday, 27 March
Listing of the maximum number of new ordinary shares that could be taken up in terms of the capitalisation award on	Monday, 27 March
Last day to elect to receive capitalisation award shares, failing which you will receive the cash dividend alternative, by 12:00 on	Friday, 31 March
Record date to participate in the capitalisation award or receive the cash dividend alternative on	Friday, 31 March
Payment of the cash dividend alternative to shareholders who have elected to not participate in the capitalisation award or have participated in capitalisation award in respect of only part of their shareholding	Monday, 3 April
New shares issued and posted or CSDP or broker accounts credited regarding the shares to be issued to shareholders participating in the capitalisation award in respect of all or part of their shareholding on	Monday, 3 April
The maximum number of new shares listed in terms of the capitalisation award adjusted to reflect the actual number of shares issued in terms of the capitalisation award on or about	Wednesday, 5 April

Shares may not be dematerialised or rematerialised between Monday, 27 March 2006, and Friday, 31 March 2006, both days inclusive. The above dates and times are subject to change. Any changes will be published on the Securities Exchange News Service (SENS) and in the press.

The number of capitalisation shares to which shareholders are entitled will be determined in the ratio that 185 cents per ordinary share bears to the 30 day volume weighted average price for the company's share, to be determined by no later than Wednesday, 15 March 2006. Details of the ratio will be published on SENS not later than Thursday, 16 March 2006 at 12:00 and in the financial press the following business day. Trading in the STRATE environment does not permit fractions and fractional entitlements. Accordingly, where a shareholder's entitlement to new ordinary shares calculated in accordance with the above formula gives rise to a fraction of a new ordinary share, such fraction will be rounded up to the nearest whole number where the fraction is greater than or equal to 0,5 and rounded down to the nearest whole number where the fraction is less than 0,5.

A circular relating to the capitalisation award and the cash dividend alternative will be posted to shareholders on or about Monday, 13 March 2006.

Note:

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

For and on behalf of the board

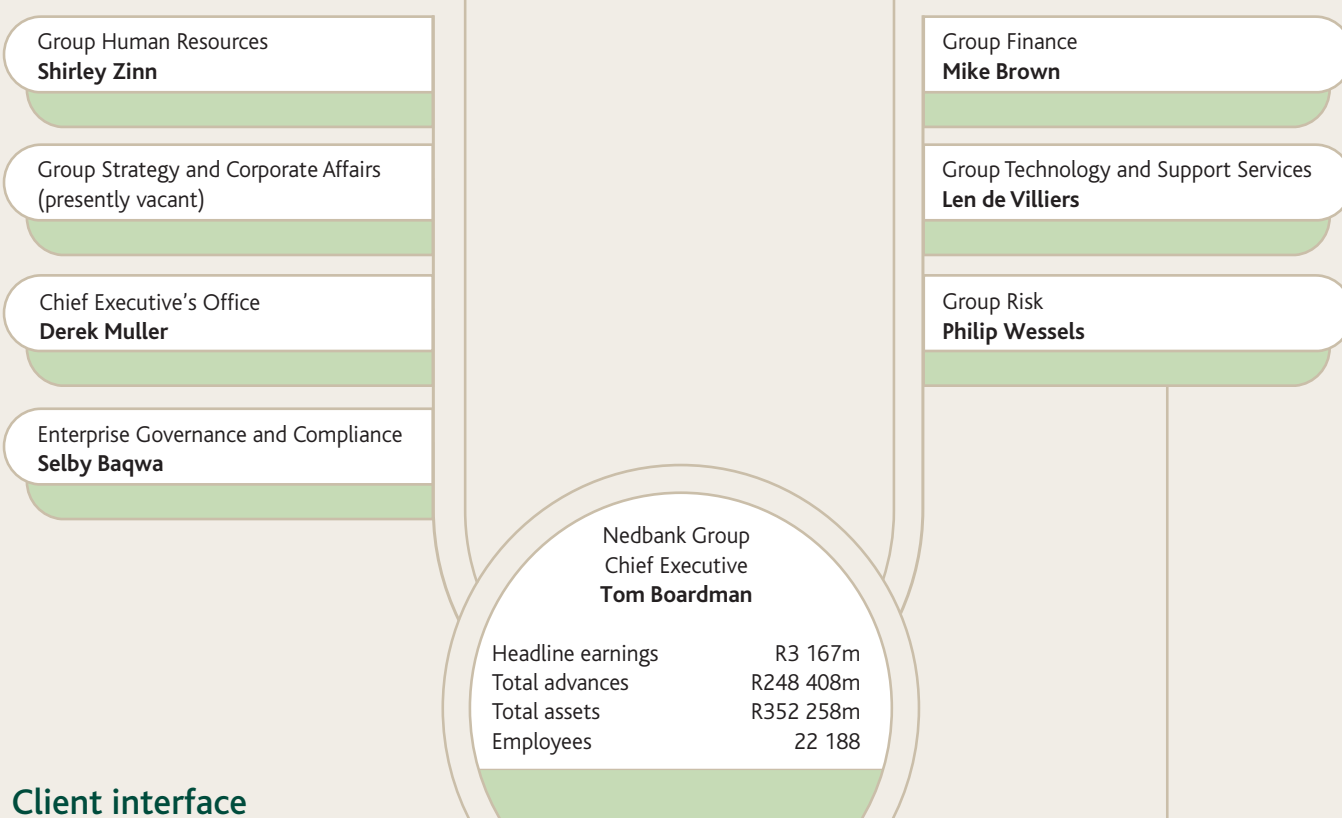
WAM Clewlow
Chairman

TA Boardman
Chief Executive

20 February 2006

Group structure 2006

Support areas



Client interface

Nedbank Corporate	Nedbank Capital	Nedbank Retail	Imperial Bank (50,1%)
Graham Dempster	Brian Kennedy	Rob Shuter	René van Wyk
Full service corporate and business banking including commercial and industrial property finance and African operations	Comprehensive merchant and investment banking activities	Full service retail banking and wealth management services	Joint venture with Imperial Holdings Limited. Predominantly vehicle and other asset-based finance with most advances comprising vehicle finance
Cluster comprises:	Cluster comprises:	Cluster comprises:	Cluster comprises:
<ul style="list-style-type: none"> Corporate Banking Business Banking Property Finance Nedbank Africa 	<ul style="list-style-type: none"> Investment Banking Specialised Finance Treasury Equity Capital Markets Debt Capital Markets Global Markets Nedcor Securities 	<ul style="list-style-type: none"> Retail Banking Services Nedbank Card Retail Bancassurance and Wealth Nedbank Home Loans Nedbank Personal Loans Retail Product Solutions Retail International 	<ul style="list-style-type: none"> Motor Finance Property Finance Supplier Asset Finance Medical
Headline earnings R1 984m	Headline earnings R1 017m	Headline earnings R938m	Headline earnings R144m
Total advances R102 352m	Total advances R43 602m	Total advances R82 594m	Total advances R19 694m
Total assets R138 271m	Total assets R117 502m	Total assets R96 272m	Total assets R21 832m
ROE 19,7%	ROE 29,2%	ROE 18,4%	ROE 12,4%
Employees 5 236	Employees 616	Employees 12 127	Employees 793

Financial highlights

for the year ended 31 December

		2005	Restated 2004
Share statistics			
Number of shares listed	m	442,8	394,2
Weighted average number of shares (note 18)	m	397,2	360,9
Fully diluted weighted average number of shares (note 18)	m	400,4	361,8
Headline earnings per share	cents	797	483
Fully diluted headline earnings per share	cents	791	482
Basic earnings per share	cents	966	423
Fully diluted basic earnings per share	cents	958	422
Dividend declared per share	cents	290	120
Dividend paid per share	cents	181	79
Dividend cover	times	2,75	4,03
Net asset value per share	cents	5 597	4 654
Tangible net asset value per share	cents	4 351	3 361
Closing share price	cents	10 000	7 780
Price earnings ratio	historical	13	16
Market capitalisation	Rbn	44,3	30,7
Key ratios			
Return on ordinary shareholders' equity (ROE)	%	15,5	11,0
Return on total assets (ROA)	%	0,93	0,54
Net interest income to average interest-earning banking assets	%	3,55	3,18
Non-interest revenue to total income	%	50,2	53,1
Impairments charge to average advances	%	0,49	0,55
Efficiency ratio	%	65,1	71,8
Efficiency ratio (excluding BEE transaction expenses)	%	62,8	71,8
Effective taxation rate	%	23,4	24,2
Group capital adequacy ratio:			
– Tier 1	%	9,4	8,1
– Total	%	12,9	12,1
Number of employees		22 188	21 103
Balance sheet			
Total equity attributable to equity holders	Rm	22 490	18 337
Total shareholders' equity	Rm	26 309	21 787
Amounts owed to depositors	Rm	261 311	250 747
Loans and advances	Rm	248 408	221 008
Gross	Rm	253 622	227 692
Impairment	Rm	(5 214)	(6 684)
Total assets	Rm	352 258	327 840
Assets under management	Rm	72 063	60 369
Total assets administered by the group	Rm	424 321	388 209
Earnings reconciliation			
Profit attributable to equity holders of the parent	Rm	3 836	1 528
Non-headline earnings items	Rm	669	(215)
Non-trading and capital items	Rm	701	(254)
Taxation on non-trading and capital items	Rm	(32)	39
Headline earnings	Rm	3 167	1 743

Income statement

 2005 Annual results
 presentation

17b

for the year ended 31 December

Rm	Note	% change	2005	Restated 2004
Interest and similar income		7	23 234	22 789
Interest expense and similar charges		1	14 705	15 644
Net interest income	1	19	8 529	7 145
Impairment charge on loans and advances	2	(2)	1 189	1 217
Income from lending activities		24	7 340	5 928
Non-interest revenue	3	1	8 483	8 379
Foreign currency translation gains/(losses)	4		126	(280)
Operating income		14	15 949	14 027
Total expenses			11 157	10 939
Operating expenses	5	3	10 609	10 314
Merger and recovery programme expenses	5	(75)	155	625
BEE transaction expenses	5		393	
Indirect taxation		(53)	223	470
Profit from operations before non-trading and capital items		75	4 569	2 618
Non-trading and capital items			701	(254)
Impairment of goodwill			(1)	(87)
Profit/(loss) on sale of subsidiaries, investments and property and equipment			904	(74)
Net impairment of investments, property and equipment and capitalised development costs			(202)	(93)
Profit from operations		>100	5 270	2 364
Share of profits of associates and joint ventures	10	14	167	147
Profit before direct taxation			5 437	2 511
Total direct taxation		81	1 140	629
Taxation	6	66	1 108	668
Taxation on non-trading and capital items	6		32	(39)
Profit for the year			4 297	1 882
Attributable to:				
Profit attributable to equity holders of the parent			3 836	1 528
Profit attributable to minority interest ordinary shareholders	7	86	233	125
Profit attributable to minority interest preference shareholders	8		228	229
Profit for the year			4 297	1 882

Earnings per share	Rm	Basic		Headline	
		Basic	Fully diluted	Headline	Fully diluted
December 2005					
Net earnings for the year	Rm	3 836	3 836	3 167	3 167
Weighted average number of ordinary shares		397 196 966	400 386 474	397 196 966	400 386 474
Earnings per share	cents	966	958	797	791
December 2004					
Net earnings for the year	Rm	1 528	1 528	1 743	1 743
Weighted average number of ordinary shares		360 878 724	361 753 888	360 878 724	361 753 888
Earnings per share	cents	423	422	483	482

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, including BEE schemes dilutive shares as set out in note 18.

Balance sheet

as at 31 December

Rm	Note	2005	Restated 2004
Assets			
Cash and cash equivalents		11 142	4 630
Other short-term securities		17 014	16 310
Derivative financial instruments		16 176	27 276
Government and other securities		22 658	26 224
Loans and advances	9	248 408	221 008
Other assets		11 601	7 101
Customers' indebtedness for acceptances		1 291	1 509
Current taxation receivable		134	196
Investment securities	11	6 875	6 561
Non-current assets held for sale		385	48
Investments in associate companies and joint ventures	10	657	1 019
Deferred taxation asset		680	1 258
Investment property		163	174
Property and equipment		3 095	2 828
Post-employment assets		1 225	1 183
Computer software and capitalised development costs	13	1 320	1 419
Mandatory deposits with central bank		5 747	5 420
Goodwill	14	3 687	3 676
Total assets		352 258	327 840
Shareholders' equity and liabilities			
Ordinary share capital		402	394
Ordinary share premium		10 465	9 892
Reserves		11 623	8 051
Total equity attributable to equity holders		22 490	18 337
Minority shareholders equity attributable to ordinary shareholders	7	1 049	680
Minority shareholders equity attributable to preference shareholders		2 770	2 770
Total shareholders equity		26 309	21 787
Derivative financial instruments		17 055	27 781
Amounts owed to depositors	15	261 311	250 747
Other liabilities		32 357	13 153
Liabilities under acceptances		1 291	1 509
Current taxation liabilities		466	193
Deferred taxation liabilities		959	1 143
Post-employment liability		1 071	1 109
Investment contract liabilities		4 166	3 109
Long-term debt instruments	16	7 273	7 309
Total liabilities		325 949	306 053
Total shareholders' equity and liabilities		352 258	327 840
Guarantees on behalf of customers excluded from assets		11 064	10 770

Cash flow statement

for the year ended 31 December

Rm	2005	Restated 2004
Generated by operating activities	7 005	5 884
Change in funds for operating activities	2 023	(11 891)
Cash generated/(utilised) by operating activities before taxation	9 028	(6 007)
Taxation paid	(852)	(835)
Net cash generated/(utilised) by operating activities	8 176	(6 842)
Cash flows (utilised in)/from investment activities	(927)	2 762
Cash flows (utilised in)/from financing activities	(410)	1 903
Net increase/(decrease) in cash and cash equivalents	6 839	(2 177)
Cash and cash equivalents at the beginning of the year	10 050	12 227
Cash and cash equivalents including mandatory deposits with central bank	16 889	10 050

2004 – Restatements

Income statement restatements

for the year ended 31 December 2004

		IAS 17	IAS 39	IAS 19
	Notes	1	2	3
	Reported IFRS*	Operating leases	Fair value through profit and loss	Disability fund
Affected line items – Rm				
Non-interest revenue	8 373		6	
Total expenses	10 934	14		(9)
Profit before direct taxation	2 510	(14)	6	9
Direct taxation	688	(5)	2	3
Profit for the year	1 881	(9)	4	6

*Refer SENS announcement 4 August 2005

Balance sheet restatements

as at 31 December 2004

		IAS 17	IAS 39	IAS 19
	Notes	1	2	3
	Reported IFRS*	Operating leases	Fair value through profit and loss	Disability fund
Affected line items – Rm				
Cash and cash equivalents	10 050			
Derivative financial instruments	27 560			
Loans and advances	221 275		(115)	
Other assets	6 806	1		
Deferred acquisition costs	10			
Investment securities	6 565			
Investments in associate companies and joint ventures	1 089			
Deferred taxation asset	1 169	53	36	
Post-employment assets	992			191
Mandatory deposits with central bank				
Reserves as previously reported	8 211	(121)	(82)	43
– Additional adjustments on 1 January 2004		(112)	(86)	37
– Adjustment for the year ended 31 December 2004		(9)	4	6
Profit attributable to minority ordinary shareholders	681	(1)		
Derivative financial instruments	28 055			
Amounts owed to depositors	254 299		3	
Other liabilities	9 117	176		
Deferred taxation liabilities	1 125			18
Post-employment liabilities	979			130
Deferred revenue	257			

*Refer SENS announcement 4 August 2005

2004

Restated

 8 379
 10 939
 2 511
 668
 1 882

2004

4

5

6

7

 Mandatory
 deposits with
 regulators

 Derivative
 and short
 trading
 securities

 Loans and
 investments

 Deferred
 revenue

Restated

(5 420)

(284)

74

(226)

4 630

27 276

221 008

7 101

–

6 561

(4)

(70)

1 019

1 258

1 183

5 420

5 420

8 051

(274)

(3 555)

3 829

31

680

27 781

250 747

13 153

1 143

1 109

(257)

–

Statement of changes in shareholders' equity

Rm	Number of ordinary shares	Ordinary share capital	Ordinary share premium	Reserves not available for distribution	Foreign currency translation reserve	Property revaluation reserve
Balance at 31 December 2003 in accordance with SA GAAP	274 754 425	275	4 801	6	(209)	
Net effect of adopting IFRS					209	296
Restated balance at 31 December 2003	274 754 425	275	4 801	6	–	296
Net income recognised directly in equity		–	–	50	(148)	(34)
Transfer from/(to) reserves				98		(53)
Release of reserve previously not available*				(48)		
Foreign currency translation reserve movements					(148)	
Revaluation of property						19
Share-based payments reserve movements						
Acquisition of subsidiaries						
Available-for-sale reserve						
Other						
Shares issued for options exercised under the Nedcor Group (1994) Employee Incentive Scheme	2 766 258	3	168			
Shares issued in terms of rights offer	114 481 010	114	5 037			
Other share issues	2 209 697	2	102			
Share issue expenses			(215)			
Shares held by subsidiaries	(240 000)		(1)			
Preference share cumulative dividend						
Preference share dividend paid						
Dividends to shareholders						
Profit for the year						
Balance at 31 December 2004	393 971 390	394	9 892	56	(148)	262
Net income recognised directly in equity		–	–	3	95	153
Transfer from/(to) reserves				73		
Release of reserve previously not available*				(70)		
Foreign currency translation reserve movements					95	
Revaluation of property						153
Share-based payments reserve movements						
Available-for-sale reserve						
Acquisition of subsidiaries						
Capitalisation of minorities						
Disposals of subsidiaries						
Other						
Shares issued for options exercised under the Nedcor Group (1994) Employee Incentive Scheme	3 089 336	4	258			
Shares issued in terms of capitalisation award	4 242 512	4	360			
Shares issued in terms of BEE transactions	41 268 130	41	723			
Share issue expenses			(54)			
Shares bought by group entities	(1 021 381)	(1)	(99)			
Shares bought by BEE trust	(39 796 430)	(40)	(615)			
Preference share dividend paid						
Dividends to shareholders						
Profit for the year						
Balance at 31 December 2005	401 753 557	402	10 465	59	(53)	415

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

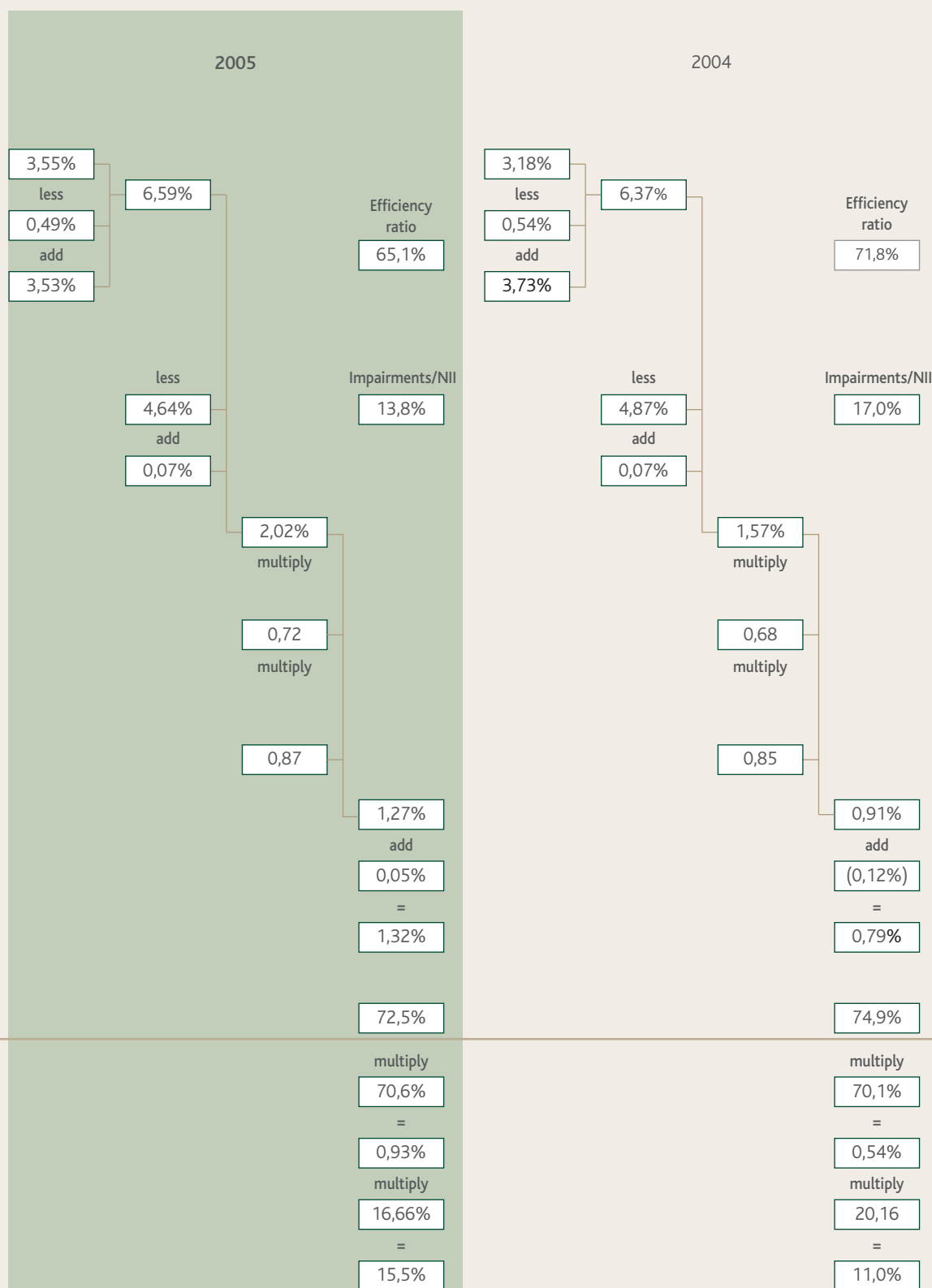
Share-based payment reserve	Other non- distributable reserves	Available-for- sale reserve	Other distributable reserves	Total ordinary shareholders' equity	Minority shareholders' interest	Preference share capital and premium	Total shareholders' equity
	107		6 667	11 647	652	2 802	15 101
9			(648)	(134)	(30)		(164)
9	107	–	6 019	11 513	622	2 802	14 937
26	61	489	(89)	355	(52)	–	303
	39		(84)	–			–
				(48)			(48)
				(148)			(148)
				19			19
26				26			26
				–	(38)		(38)
		489		489			489
	22		(5)	17	(14)		3
				171			171
				5 151			5 151
				104			104
				(215)			(215)
				(1)			(1)
				–		(32)	(32)
				–		(229)	(229)
			(269)	(269)	(15)		(284)
			1 528	1 528	125	229	1 882
35	168	489	7 189	18 337	680	2 770	21 787
466	65	(204)	(115)	463	136	–	599
	60		(133)	–			–
				(70)			(70)
				95	10		105
				153			153
466				466			466
		(204)		(204)			(204)
				–	27		27
				–	107		107
				–	(10)		(10)
	5		18	23	2		25
				262			262
				364			364
				764			764
				(54)			(54)
				(100)			(100)
				(655)			(655)
				–		(228)	(228)
			(727)	(727)			(727)
			3 836	3 836	233	228	4 297
501	233	285	10 183	22 490	1 049	2 770	26 309

ROE drivers

for the year ended 31 December

Rm	2005	Restated 2004	
Net interest income	8 529	7 145	Net interest income/average interest-earning assets
Impairment of advances	(1 189)	(1 217)	Impairments/average interest-earning banking assets
Non-interest revenue	8 483	8 379	Non-interest revenue/average interest-earning banking assets
Income from normal operations	15 823	14 307	
Total expenses	(11 157)	(10 939)	Total expenses/average interest-earning banking assets
Attributable earnings of associates	167	147	Associate income/average interest-earning banking assets
Net profit before taxation	4 833	3 515	
Indirect taxation	(223)	(470)	
Direct taxation	(1 108)	(668)	1 – effective taxation rate
Net profit after taxation	3 502	2 377	
Minority interest	(461)	(354)	Income attributable to minorities
Headline earnings (excluding translation gains/(losses))	3 041	2 023	Headline earnings (excluding translation gains/(losses))
Translation gains/(losses)	126	(280)	Translation gains/(losses)/average interest-earning banking assets
Headline earnings	3 167	1 743	Headline earnings
Daily average interest-earning banking assets*	240 218	224 598	Average interest-earning banking assets/daily average total assets
Daily average total assets*	331 834	299 817	Average interest-earning banking assets/simple average total assets
Simple average total assets	340 049	320 507	Return on total assets
Simple average shareholders' funds	20 414	15 895	Gearing
			Return on equity

* Averages calculated on a 365/366 day balance



Operational segmental reporting

for the year ended 31 December 2005

Balance sheet	Nedbank Group		Nedbank Corporate		Nedbank Capital	
	Actual 2005	Actual 2004	Actual 2005	Actual 2004	Actual 2005	Actual 2004
Rbn						
Assets						
Cash and short-term funds	17	10	1		8	3
Other short-term securities	17	16	1	1	11	12
Government and public sector securities	23	26	2	2	15	17
Derivative financial instruments	16	27			16	27
Mortgage loans	114	96	44	39		
Leases and instalment debtors	35	29	12	11		
Loans and overdrafts	105	103	48	45	44	41
Other assets	25	21		2	8	3
Intergroup assets			30	23	15	8
Total assets	352	328	138	123	117	111
Current and savings accounts	47	45	15	15		1
Other deposits and loan accounts	255	226	113	99	97	79
Derivative financial instruments	17	28			17	28
Intergroup liabilities						
Long-term debt	7	7				
Allocated capital	26	22	10	9	3	3
Total liabilities	352	328	138	123	117	111
Income statement						
Rm						
Net interest income	8 529	7 145	4 025	3 986	698	451
Impairment of advances	1 189	1 217	228	259	142	77
Income from lending activities	7 340	5 928	3 797	3 727	556	374
Non-interest revenue	8 483	8 379	2 426	2 118	1 886	2 080
Foreign currency translation gains/(losses)	126	(280)				
Operating income	15 949	14 027	6 223	5 845	2 442	2 454
Total expenses	11 157	10 939	3 528	3 405	1 150	1 216
Operating expenses	10 764	10 939	3 495	3 405	1 146	1 216
BEE transaction expenses	393		33		4	
Indirect taxation	223	470	38	28	44	40
Profit/(loss) from operations	4 569	2 618	2 657	2 412	1 248	1 198
Attributable earnings of associates and joint ventures	167	147	51	33		
Profit/(loss) before direct taxation	4 736	2 765	2 708	2 544	1 248	1 198
Direct taxation	1 108	668	675	644	224	333
Profit/(loss) after taxation	3 628	2 097	2 033	1 801	1 024	865
Minority interest income attributable to ordinary shareholders	233	125	49	26	7	2
Minority interest income attributable to preference shareholders	228	229				
Headline earnings	3 167	1 743	1 984	1 775	1 017	863
Rbn						
Average interest-earning banking assets	240	225	125	122	44	36
Return on average assets (%)*	0,9	0,5	1,6	1,4	1,3	1,4
Return on average equity (%)**	15,5	11,0	19,7	18,7	29,2	29,3
Return on equity (%) (excl BEE)	17,2	11,0	20,0	18,7	29,3	29,3
Interest margin (%)	3,55	3,18	3,2	3,3	1,6	1,2
Non-interest revenue to gross income	49,5	55,0	37,6	34,7	73,0	82,2
Impairments charge to advances (%)	0,49	0,55	0,23	0,27	0,43	0,29
Expenses to gross income (%)	65,1	71,8	54,7	55,8	44,5	48,0
Expenses to gross income (%) (excluding BEE transaction expenses)	62,8	71,8	54,2	55,8	44,4	48,0
Effective taxation rate (%)	23,4	24,2	24,9	26,4	18,0	27,8
Number of employees	22 188	21 103	5 236	5 472	616	602

*ROA calculated pre minority for Imperial Bank is 1,5% for December 2005 and 0,9% for December 2004

**ROE calculated pre minority for Imperial Bank is 25,0% for December 2005 and 20,3% for December 2004.

Nedbank Retail		Imperial Bank		Shared Services		Central Management		Eliminations	
Actual 2005	Actual 2004	Actual 2005	Actual 2004	Actual 2005	Actual 2004	Actual 2005	Actual 2004	Actual 2005	Actual 2004
1	1			1		6	6		
4	3	1			1	6	6		
65	52	5	5						
8	7	15	11						
12	14	1	1		1		1		
6	4		(1)	8	7	3	6	(45)	(31)
96	81	22	17	9	8	15	19	(45)	(31)
32	29								
42	39			2	3	1	6		
17	8	19	15	6	4	3	4	(45)	(31)
		1	1			6	6		
5	5	2	1	1	1	5	3		
96	81	22	17	9	8	15	60	(45)	(32)
4 389	3 685	799	639	(366)	(256)	(1 016)	(1 360)		
887	725	115	243	(192)	(7)	9	(80)		
3 502	2 960	684	396	(174)	(249)	(1 025)	(1 280)	-	-
3 706	3 726	53	86	480	772	(21)	(134)	(47)	(269)
						126	(280)		
7 208	6 686	737	482	306	523	(920)	(1 694)	(47)	(269)
5 804	5 753	354	316	265	718	103	(200)	(47)	(269)
5 705	5 753	354	316	256	718	(145)	(200)	(47)	(269)
99				9		248			
164	177	14	8	96	187	(133)	30		
1 240	756	369	158	(55)	(382)	(890)	(1 524)	-	-
54	9			61	103	1	2		
1 294	765	369	158	166	(279)	(889)	(1 522)	-	-
332	183	78	15	40	(138)	(241)	(369)		
962	582	291	143	(34)	(141)	(648)	(1 153)	-	-
24	18	147	72	1	6	5	1		
						228	229		
938	564	144	71	(35)	(147)	(881)	(1 383)	-	-
81	71	17	14	1	1	9	8	(37)	(27)
1,1	0,7	0,7	0,4						
18,4	12,1	12,4	10,0						
19,8	12,1	12,4	10,0						
5,4	5,2	4,7	4,6						
45,8	50,3	6,2	11,9						
1,14	1,05	0,65	1,72						
71,7	77,6	41,6	43,6						
70,5	77,6	41,6	43,6						
25,7	23,9	21,1	9,5						
12 127	11 232	793	753	3 398	3 025	18	19		

Geographical segmental reporting

for the year ended 31 December

Income statement	Nedbank Group	
	Actual 2005	Actual 2004
Rm		
Net interest income	8 529	7 145
Impairment of advances	1 189	1 217
Income from lending activities	7 340	5 928
Non-interest revenue	8 483	8 379
Foreign currency translation gains/(losses)	126	(280)
Operating income	15 949	14 027
Total expenses	11 157	10 939
Operating expenses	10 609	10 314
Merger and recovery programme expenses	155	625
BEE transaction expenses	393	
Indirect taxation	223	470
Profit from operations	4 569	2 618
Attributable earnings of associates and joint ventures	167	147
Profit before direct taxation	4 736	2 765
Direct taxation	1 108	668
Profit after taxation	3 628	2 097
Minority interest income attributable to ordinary shareholders	(233)	(125)
Minority interest income attributable to preference shareholders	(228)	(229)
Headline earnings	3 167	1 743

South Africa		Rest of Africa		Rest of World	
Actual 2005	Actual 2004	Actual 2005	Actual 2004	Actual 2005	Actual 2004
7 958	6 558	328	301	243	286
1 190	1 155	15	34	(16)	28
6 768	5 403	313	267	259	258
7 940	7 724	199	37	344	618
126	(280)				
14 834	12 847	512	304	603	876
10 422	9 992	327	282	408	665
9 908	9 405	327	280	374	629
121	587		2	34	36
393					
216	464	3	1	4	5
4 196	2 391	182	21	191	206
122	91	45	56		
4 318	2 482	227	77	191	206
1 020	641	62	22	26	5
3 298	1 841	165	55	165	201
(185)	(105)	(31)	(10)	(17)	(10)
(228)	(229)				
2 885	1 507	134	45	148	191

Notes to the income statement

for the year ended 31 December

1 Average balance sheet and related interest

Rm	2005 Actual balance sheet	Average balance sheet	Interest
Assets			
Advances			
Mortgage loans	75 642	67 906	6 271
Commercial mortgages	37 993	34 874	3 693
Lease and instalment debtors	34 935	31 000	3 303
Credit card balances	4 074	3 754	507
Bills and acceptances	5 141	4 394	312
Overdrafts	11 604	10 581	1 120
Term loans and other*	85 524	78 987	6 478
Impairment of advances	(5 214)	(5 830)	
Government and public sector securities	22 658	25 021	1 536
Short-term funds and trading securities	22 515	23 798	1 669
Interest-earning assets	297 872	274 485	24 889
Derivative gross up	16 176	22 385	
Insurance assets	4 166	3 525	
Cash and bank notes	1 992	1 540	
Debtors and other accounts	14 026	12 072	
Associates and investments	3 366	4 355	
Property, plant and equipment	3 258	2 933	
Intangible assets	5 007	5 063	
SARB deposit	6 395	5 476	
Total assets	352 258	331 834	24 889
Liabilities			
Deposit and loan accounts	148 920	140 681	9 281
Current and savings accounts	47 018	43 686	988
Negotiable certificates of deposit	33 682	33 442	2 428
Other liabilities**	32 982	40 962	2 093
Subordinated debt	7 273	7 111	953
Interest-bearing liabilities	269 875	265 882	15 743
Creditors and other accounts	34 853	21 661	
Derivative gross up	17 055	17 793	
Insurance funds	4 166	3 526	
Ordinary shareholders' equity	22 490	19 344	
Minority shareholders' equity	3 819	3 628	
Total shareholders' equity and liabilities	352 258	331 834	15 743
Total average assets/interest			9 146
Gross interest-earning assets/interest	297 872	274 485	9 146
Net trading assets/interest disclosed in NIR	39 811	34 267	617
Interest-earning banking assets/interest	258 061	240 218	8 529

Where possible, averages are calculated on daily balances.

* Includes: term loans, preference shares, factoring debtors, other lending-related instruments and customers' indebtedness for acceptances and interest on derivatives

** Includes: foreign currency liabilities, liabilities under acceptances

%	2004 Actual balance sheet	Average balance sheet	Interest	%
9,2	61 270	57 818	6 005	10,4
10,6	35 072	31 899	3 864	12,1
10,7	29 279	26 655	2 963	11,1
13,5	3 483	3 388	395	11,7
7,1	5 615	5 967	441	7,4
10,6	11 228	10 157	1 129	11,1
8,0	83 254	75 159	6 138	8,2
	(6 684)	(7 213)		
6,1	26 224	20 927	1 374	6,6
7,0	19 217	17 475	1 595	9,1
9,1	267 958	242 232	23 904	9,9
	27 276	25 974		
	3 109	4 064		
	1 656	1 379		
	9 786	8 018		
	4 471	5 046		
	3 002	2 874		
	5 095	5 391		
	5 487	4 839		
7,5	327 840	299 817	23 904	8,0
6,6	137 283	136 674	9 792	7,2
2,3	44 933	44 166	1 346	3,0
7,3	27 882	27 643	2 324	8,4
5,1	42 158	21 408	1 793	8,4
13,4	7 309	8 782	1 067	12,1
5,9	259 565	238 673	16 322	6,8
	15 598	15 228		
	27 781	23 658		
	3 109	4 064		
	18 337	15 244		
	3 450	2 950		
4,7	327 840	299 817	16 322	5,4
2,75			7 582	2,53
3,33	267 958	242 232	7 582	3,13
1,80	21 514	17 634	437	2,48
3,55	246 444	224 598	7 145	3,18

Notes to the income statement (continued)

for the year ended 31 December

2 Impairments and non-performing advances

Rm	Nedbank Corporate 2005	Nedbank Capital 2005
Opening balance	2 063	323
Income statement charge - impairment of advances	228	142
Bad debts recovered	92	14
Bad debts written off/other transfers	(573)	(55)
Total impairments	1 810	424
Split of impairments		
Specific impairments	1 117	409
Book value of non-performing loans less recoverable amounts before applying discounting	742	358
Book value of other loans less recoverable amounts before applying discounting	316	51
Impact on discounting cash flows	59	
Incurred but not reported (IBNR) impairments	693	15
Total impairments	1 810	424
Total advances	104 162	44 025
Total simple average advances	98 476	38 814
Non-performing advances		
Non-performing loans		
Mortgage advances	382	
Lease and instalment debtors	184	268
Credit card balances	4	
Other loans and advances	639	173
Total non-performing loans	1 209	441
Properties in possession	53	
Total non-performing advances	1 262	441
Expected recoveries	495	181
Expected losses	767	260
Ratios		
Ratio of impairments to advances (%)	1,74	0,96
Ratio of impairments charge to average advances (%)	0,23	0,37
Non-performing loans as % of total advances	1,16	1,00
Properties in possession as % of total advances	0,05	
Non-performing advances as % of total advances	1,21	1,00
Properties in possession		
Balance at beginning of year	247	
Disposal/write downs/revaluations	(210)	
PIPs added during the year	16	
Balance at end of year	53	-
Unsold	50	
Sold awaiting transfer	3	

Nedbank Retail 2005	Imperial Bank 2005	Central management 2005	2005	2004
2 973	927	398	6 684	7 505
887	115	(183)	1 189	1 217
111	9		226	227
(1 879)	(321)	(57)	(2 885)	(2 265)
2 092	730	158	5 214	6 684
2 004	730	158	4 418	6 035
787	636		2 523	4 488
843	53	158	1 421	982
374	41		474	565
88			796	649
2 092	730	158	5 214	6 684
84 687	20 425	323	253 622	227 692
76 967	17 763	229	240 658	222 548
971	211		1 564	2 680
257	348		1 057	1 106
157			161	252
274	61	65	1 212	2 691
1 659	620	65	3 994	6 729
253	3		309	761
1 912	623	65	4 303	7 490
863	241		1 780	3 002
1 049	382	65	2 523	4 488
2,47	3,57	48,92	2,06	2,94
1,15	0,65	(79,91)	0,49	0,55
1,96	3,04	20,12	1,57	2,96
0,30	0,01		0,12	0,33
2,26	3,05	20,12	1,70	3,29
497	16	1	761	1 280
(273)	(13)	(1)	(497)	(627)
29			45	108
253	3	-	309	761
136	3		189	391
117			120	370

Notes to the income statement (continued)

for the year ended 31 December

2 Impairments and non-performing advances (continued)

Classification categories December 2005 – Nedbank Group

Rm	Standard	Special- mention	Sub- standard	Doubtful	Loss	PIPs	Total
Mortgage advances	70 435	1 805	1 529	554	1 010		75 333
Lease and instalment debtors	32 841	813	224	503	554		34 935
Credit card balances	3 657	184	72	95	66		4 074
Other loans and advances	135 594	1 347	818	473	739		138 971
Properties in possession (PIPs)						309	309
Total gross balances	242 527	4 149	2 643	1 625	2 369	309	253 622
% of total advances	95,6	1,7	1,0	0,7	0,9	0,1	100,0

Classification categories December 2004 – Nedbank Group

Rm	Standard	Special- mention	Sub- standard	Doubtful	Loss	PIPs	Total
Mortgage advances	55 432	2 393	1 292	1 022	1 658		61 509
Lease and instalment debtors	27 193	757	225	366	738		29 279
Credit card balances	2 957	235	40	123	128		3 483
Other loans and advances	127 851	2 169	946	1 303	1 391		133 660
Properties in possession (PIPs)						761	761
Total gross balances	212 145	5 554	2 503	2 814	3 915	761	227 692
% of total advances	93,2	2,4	1,1	1,3	1,7	0,3	100,0

Classification categories December 2005 – Nedbank Corporate

Rm	Standard	Special- mention	Sub- standard	Doubtful	Loss	PIPs	Total
Mortgage advances	9 557	714	519	151	231		11 172
Lease and instalment debtors	11 779	182	70	112	72		12 215
Credit card balances	43	2	1	1	3		50
Other loans and advances	78 758	748	528	276	362		80 672
Properties in possession (PIPs)						53	53
Total gross balances	100 137	1 646	1 118	540	668	53	104 162
% of total advances	96,1	1,6	1,1	0,5	0,6	0,1	100,0

Classification categories December 2004 – Nedbank Corporate

Rm	Standard	Special- mention	Sub- standard	Doubtful	Loss	PIPs	Total
Mortgage advances	5 591	1 184	232	353	369		7 729
Lease and instalment debtors	10 735	236	92	129	96		11 288
Credit card balances	33	3	1	2	1		40
Other loans and advances	73 533	912	691	273	367		75 776
Properties in possession (PIPs)						247	247
Total gross balances	89 892	2 335	1 016	757	833	247	95 080
% of total advances	94,5	2,5	1,0	0,8	0,9	0,3	100,0

2 Impairments and non-performing advances (continued)

Classification categories December 2005 – Nedbank Capital

Rm	Standard	Special- mention	Sub- standard	Doubtful	Loss	PIPs	Total
Mortgage advances							–
Lease and instalment debtors	26			268			294
Credit card balances							–
Other loans and advances	43 144	286	128	48	125		43 731
Properties in possession (PIPs)							–
Total gross balances	43 170	286	128	316	125	–	44 025
% of total advances	98,1	0,6	0,3	0,7	0,3	–	100,0

Classification categories December 2004 – Nedbank Capital

Rm	Standard	Special- mention	Sub- standard	Doubtful	Loss	PIPs	Total
Mortgage advances	48						48
Lease and instalment debtors	431						431
Credit card balances							–
Other loans and advances	39 392	940	146	147	35		40 660
Properties in possession (PIPs)							–
Total gross balances	39 871	940	146	147	35	–	41 139
% of total advances	96,9	2,3	0,4	0,3	0,1	0,0	100,0

Classification categories December 2005 – Nedbank Retail

Rm	Standard	Special- mention	Sub- standard	Doubtful	Loss	PIPs	Total
Mortgage advances	60 456	1 047	1 010	403	568		63 484
Lease and instalment debtors	7 024	236	131	95	162		7 648
Credit card balances	3 614	182	71	94	63		4 025
Other loans and advances	8 529	313	162	148	126		9 277
Properties in possession (PIPs)						253	253
Total gross balances	79 623	1 778	1 374	740	919	253	84 687
% of total advances	94,0	2,1	1,6	0,9	1,1	0,3	100,0

Classification categories December 2004 – Nedbank Retail

Rm	Standard	Special- mention	Sub- standard	Doubtful	Loss	PIPs	Total
Mortgage advances	48 388	1 154	1 054	669	938		52 203
Lease and instalment debtors	6 228	243	82	95	235		6 883
Credit card balances	2 924	232	39	121	127		3 443
Other loans and advances	8 473	308	109	241	519		9 650
Properties in possession (PIPs)						497	497
Total gross balances	66 013	1 937	1 284	1 126	1 819	497	72 676
% of total advances	90,8	2,7	1,8	1,5	2,5	0,7	100,0

Notes to the income statement (continued)

for the year ended 31 December

2 Impairments and non-performing advances (continued)

Classification categories December 2005 – Imperial Bank

Rm	Standard	Special- mention	Sub- standard	Doubtful	Loss	PIPs	Total
Mortgage advances	428	44			211		683
Lease and instalment debtors	14 126	395	23	28	320		14 892
Credit card balances							–
Other loans and advances	4 786				61		4 847
Properties in possession (PIPs)						3	3
Total gross balances	19 340	439	23	28	592	3	20 425
% of total advances	94,7	2,1	0,1	0,2	2,9	–	100,0

Classification categories December 2004 – Imperial Bank

Rm	Standard	Special- mention	Sub- standard	Doubtful	Loss	PIPs	Total
Mortgage advances	117	55	6		351		529
Lease and instalment debtors	9 799	278	51	142	407		10 677
Credit card balances							–
Other loans and advances	4 760	9			67		4 836
Properties in possession (PIPs)						16	16
Total gross balances	14 676	342	57	142	825	16	16 058
% of total advances	91,4	2,1	0,4	0,9	5,1	0,1	100,0

Classification categories December 2005 – Central management and shared services

Rm	Standard	Special- mention	Sub- standard	Doubtful	Loss	PIPs	Total
Mortgage advances	(6)						(6)
Lease and instalment debtors	(114)						(114)
Credit card balances							–
Other loans and advances	377			1	65		443
Properties in possession (PIPs)							–
Total gross balances	257	–	–	1	65	–	323
% of total advances	79,6	–	–	0,3	20,1	–	100,0

Classification categories December 2004 – Central management and shared services

Rm	Standard	Special- mention	Sub- standard	Doubtful	Loss	PIPs	Total
Mortgage advances							–
Lease and instalment debtors							–
Credit card balances							–
Other loans and advances	1 693			642	403		2 738
Properties in possession (PIPs)						1	1
Total gross balances	1 693	–	–	642	403	1	2 739
% of total advances	61,8	–	–	23,5	14,7	–	100,0

2 Impairments and non-performing advances (continued)

Category	Definition
(i) Standard (or current)	Items that are fully current, the continued repayment of which are without doubt and for which full repayment is expected.
(ii) Special mention	Items that are subject to conditions that, if left uncorrected, could raise concerns about timely and full repayment and, as such, require more than normal attention.
(iii) Substandard	Items showing weaknesses that could lead to probable loss, if not corrected, or in respect of which full repayment is in doubt owing to the primary sources of repayment being insufficient.
(iv) Doubtful	Items that exhibit all the weaknesses inherent in items classified as substandard, with the added characteristic that the items are not adequately secured.
(v) Loss	Items that are considered uncollectable and of such little value that the items should no longer be included in advances.

Notes to the income statement (continued)

for the year ended 31 December

3 Non-interest revenue

Rm	Nedbank Group		Nedbank Corporate		Nedbank Capital	
	2005	2004	2005	2004	2005	2004
Commission and fees	5 770	5 460	1 895	1 600	324	381
Cash handling fees	326	298	252	229		
Administration fees	163	124	44	38		1
Insurance commission	300	262	23	18		
Exchange commission	213	200	136	135		
Fees	782	1 344	191	242	288	343
Guarantees	63	56	60	60	2	2
Service charges	1 731	1 476	411	378		
Other commissions	2 192	1 700	778	500	34	35
Exchange and other non-interest income	334	511	182	112	118	332
Derivative income	24	(160)		16	24	(30)
Exchange	114	59	24	24	23	(42)
Securities Dealing	358	465	225	66	126	324
Fair Value Adjustments	(162)	147	(67)	6	(55)	80
Trading income	1 431	1 369	75	81	1 318	1 243
Foreign exchange	658	611	75	81	545	485
Debt Securities	367	409			367	409
Equities	418	324			418	324
Other	(12)	25			(12)	25
Rents	65	106	16	24		4
Rents received	60	94	15	24		4
PIP Rental Income	5	12	1			
Internal Rents						
Investment income	248	139	24	30	98	104
Long-term Asset Sales	108	88	9	7	14	82
Dividends received	140	51	15	23	84	22
Sundry income	635	794	234	271	28	15
Total non-interest revenue	8 483	8 379	2 426	2 118	1 886	2 079

Nedbank Retail		Imperial Bank		Shared Services		Central Management		Eliminations	
2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
3 547	3 387	32	38	88	122	(102)	(43)	(14)	(25)
74	69								
136	102			7	6	(17)	(17)	(7)	(6)
275	225			2	19				
73	60			4	5				
253	685	6	20	51	42	(7)	12		
3	1					(2)	(7)		
1 320	1 098								
1 413	1 147	26	18	24	50	(76)	(31)	(7)	(19)
49	52	5	(5)	12	107	(32)	(87)		
19	33			4	21	44	(146)		
30	19			5	90	(28)	23		
		5	(5)	3	(4)	(48)	(34)		
							70		
38	45	–	–	–	–	–	–	–	–
38	45								
14	33	–	–	34	232	–	–	1	(187)
10	25			35	41				
4	8			(1)	4				
					187			1	(187)
–	6	–	–	79	23	47	(24)	–	–
	6			76	20	9	(27)		
				3	3	38	3		
58	203	16	53	267	288	66	21	(34)	(57)
3 706	3 726	53	86	480	772	(21)	(133)	(47)	(269)

Notes to the income statement (continued)

for the year ended 31 December

4 Forex currency exposure analysis at 31 December 2005

	Total offshore capital		FX-sensitive	FX-sensitive	Non-FX-sensitive	Non-FX-sensitive	Translation gains
	Rm	\$m equivalent	Rm	\$m equivalent	Rm	\$m equivalent	Rm
Non-rand/offshore capital per currency balance sheet							
December 2004	4 457	792	2 640	469	1 817	323	(270)
Current year movements							
Capitalisation of foreign holding company (R6,05/\$)				190			
Repatriations (various rates)				(411)			75
Uplift from profits				37			(26)
Other net capital moves				(50)			
31 December 2005 – balance sheet	3 932	621	1 488	235	2 444	386	(221)
Balance sheet – FCTR in equity			1 323	209			(95)
Income statement – gains on translation			165	26			(126)
Net reduction in foreign currency translation gains							
Exposure of Dec 2004 balance sheet at Dec 2005 rates							(270)
Actual exposure at December 2005							(221)
– FCTR in equity							(95)
– Translation gains in the Income Statement							(126)
Net reduction of forex exposure effects							49

5 Expenses

Rm	2005	Restated 2004
Staff	5 290	5 176
Salaries & wages	5 252	5 359
Post employment benefits	(12)	(205)
Share based-payment costs – non BEE schemes	50	22
Computer processing	1 330	1 234
Depreciation for computer equipment	200	210
Amortisation of computer software	423	395
Operating lease charges for computer equipment	109	112
Other computer processing expenses	598	517
Communication and travel	459	448
Occupation and accommodation	897	924
Depreciation for buildings	57	63
Operating lease charges for land and buildings	322	269
Other occupation and accommodation expenses	518	592
Marketing and public relations	575	502
Fees	1 377	1 225
Auditors remuneration	88	121
Other fees	1 289	1 104
Office equipment and requisites	301	303
Depreciation for furniture and other equipment	187	176
Depreciation for vehicles	6	8
Operating lease charges for furniture and other equipment	41	48
Operating lease charges for vehicles		6
Other office equipment and requisites expenses	67	65
Other sundries	361	432
Fees to alliance partners	19	70
Capital One (Peoples)		18
Capital One (Amex)		21
JD Group		18
Old Mutual Bank	(14)	(6)
Macquarie	33	19
Total operating expenses	10 609	10 314
Merger and recovery programme expenses	155	625
Staff/retrenchment costs		298
Property related	52	23
Consulting & fees		19
Office equipment		17
Computer and migration		4
Merger expenses	98	246
Other	5	18
BEE transaction expenses	393	–
BEE share based payment costs	371	
Fees	22	
Total	11 157	10 939
Efficiency ratio (%)	65,1	71,8

Notes to the income statement (continued)

for the year ended 31 December

6 Taxation

Rm	2005	Restated 2004
South African normal taxation		
Current	397	309
Deferred	560	246
Secondary taxation on companies	(1)	(38)
Foreign taxation	98	65
Current and deferred taxation on income	1 054	582
Prior year underprovision – current	441	86
Prior year underprovision – deferred	(387)	
Total taxation on income	1 108	668
Taxation on non-trading and capital items	32	(39)
Total taxation	1 140	629
Effective taxation rate excluding non-trading and capital items (%)	23,4%	24,2%

	2005 %	Restated 2004 %
Taxation rate reconciliation (excluding non-trading and capital items)		
Standard rate of South African normal taxation	29	30
Dividend income	(4)	(6)
Differences between foreign taxation rates and South African taxation rate	1	3
Non-taxable investment income	(1)	0
Foreign exchange translation gains/(losses)	(1)	4
Recognition of taxation loss	(1)	0
Other	–	(7)
Total taxation on income as percentage of profit before taxation (excluding non-trading and capital items)	23	24

7 Minority interest

Rm	2005		2004	
	Balance sheet	Income statement	Balance sheet	Income statement
Bastion		1	5	2
Imperial Bank	749	145	498	74
Nedbank (Swaziland)	32	8	24	6
Nedbank (Namibia)	19	7	13	5
Nedbank (Malawi)	1		1	
Fairbairn Private Bank	144	17	116	15
Taquanta	13	7	5	2
MBCA Bank	19	15		
The Lion Match company	20			
Fasic	21	10	11	16
Stenham				(5)
Bond Choice	5	8		
BoE Private clients	23	7	10	10
CW Investments				4
Other	3	8	(3)	(4)
	1 049	233	680	125

8 Preference shares

	Days	Rate	Amount (Rm)
Dividends paid			
1 July 2004 – 15 August 2004	46	8,63%	30,0
16 August 2004 – 31 December 2004	138	8,25%	86,3
1 Jan 2005 – 17 April 2005	107	8,25%	67,0
18 April 2005 – 30 June 2005	74	7,88%	44,3
	365		227,6
	Number of shares	Cents per share	Amount (Rm)
Dividends declared			
Final declared for 2004 – paid March 2005	277 298 896	41,94672	116,3
Interim declared for 2005 – paid August 2005	277 298 896	40,15068	111,3
			227,6
Final declared for 2005 – payable March 2006	227 298 896	39,69863	110,1

Notes to the balance sheet

as at 31 December

9 Advances

Segmental breakdown Rm	Nedbank Group		Nedbank Corporate	
	2005	2004	2005	2004
Homeloans	75 333	60 509	11 172	7 729
Commercial mortgages	37 993	35 072	33 204	30 831
Properties in possession	309	761	53	247
Credit cards	4 074	3 483	50	40
Overdrafts	11 604	11 228	9 542	8 569
Other loans to clients	50 464	45 585	13 965	11 260
Leases and instalment debtors	34 935	29 279	12 215	11 288
Preference shares and debentures	5 918	5 946	3 037	2 938
Factoring accounts	680	579	680	579
Remittances in transit	82	406	51	383
Deposits placed under reverse repurchase agreements	3 066	3 952		
Trade, other bills and bankers' acceptances	3 850	4 106	101	379
Term loans	25 314	26 786	20 092	20 836
Impairment of advances	(5 214)	(6 684)	(1 810)	(2 063)
Total advances	248 408	221 008	102 352	93 016

Nedbank Capital		Nedbank Retail		Imperial Bank		Shared Services		Central Management	
2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	48	63 484	52 203	683	529			(6)	
	6	669	257	4 204	3 978			(84)	
		253	497	3	16				1
		4 024	3 443						
	662	1 794	1 883			7	7	85	107
33 632	28 216	2 541	4 325	(1)	322	111	139	216	1 323
294	431	7 649	6 883	14 891	10 677			(114)	
2 629	1 949	26	124	119	124	82	777	25	34
		19	18			12	5		
3 066	3 952								
3 745	3 360	4	4						363
484	2 515	4 223	3 039	525	413	1		(11)	(17)
(424)	(323)	(2 092)	(2 973)	(730)	(927)	(75)	(473)	(83)	75
43 602	40 816	82 594	69 703	19 694	15 132	138	455	28	1 886

Notes to the balance sheet (continued)

as at 31 December

10 Investments in associate companies and joint ventures

Name of company and nature of business	Percentage holding		Acquisition date
	2005 %	2004 %	
Listed			
Banking			
State Bank of Mauritius Ltd***	20,1	20,1	Nov-97
Technology			
Net 1 Applied Technology Holdings Ltd****			Jul-00
Unlisted			
Banking			
Banque SBM Madagascar Ltd		20,0	Dec-99
SBM Nedbank International Ltd	50,0	50,0	Jul-99
Technology			
Acturis Ltd††	70,1	68,7	Mar-01
The Internet Solution (Pty) Ltd/Linx Holdings (Pty) Ltd		20,0	Jun-00
The IQ Business Group (Pty) Ltd***	41,4	46,1	Jul-00
Other			
BoE (Pty) Ltd†	50,0	50,0	Jan-03
NIB Life Assurance (Formerly BoE Life Assurance Company Ltd)†	50,0	50,0	Jan-03
Boness Development Phase 3 (Pty) Ltd**			Jan-92
Capegate Lifestyle (Pty) Ltd	34,0	34,0	Dec-02
Capricorn Science & Technology (Pty) Ltd	41,5	10,4	Nov-98
Century Square Development Trust	35,0	35,0	May-01
Corovest – NIB Property Asset Management**		35,0	May-00
G & C Shelf 31 (Pty) Ltd	40,0	40,0	May-04
Grapnel Property Group (Pty) Ltd	40,0	40,0	Mar-03
Kimberly Clark SA Holdings (Pty) Ltd	50,0	50,0	Aug-04
Lyric Rose (Pty) Limited	48,8	36,8	Jul-02
Off The Shelf Investment Forty One (Pty) Ltd	33,3	67,0	Dec-02
Robow Investments No 47 (Pty) Ltd	50,0	50,0	Dec-02
Sanbona Properties (Pty) Ltd	50,0	50,0	Oct-03
Sandton Square Portion 8 (Pty) Ltd		25,0	Jul-02
Steenberg Office Development (Pty) Ltd	25,0	25,0	Jul-02
Whirlprop 33 (Pty) Ltd	49,0		Jan-05
Other			

All associates and joint ventures are equity accounted and equity income is as at 31 December 2004

* Represents an amount less than R1m

** Disposed of in 2004

*** No longer accounted for as an associate, still reflects equity income for the year

**** No longer an associate, transferred to non-current assets held for sale

† Joint ventures

†† Consists of preference shares which do not carry voting rights, therefore accounted for as an associate

Year-end	Equity- accounted earnings		Carrying amount		Market value/ Directors' valuation		Net indebtedness of loans to/(from) associates	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm	2005 Rm	2004 Rm	2005 Rm	2004 Rm
Jun	34	51		336		356		
Jun		22						
	10	6	79	70	79	60	–	–
Jul		1		8		4		
Dec	10	5	79	62	79	56		
	16	22	11	127	11	275	–	55
Sep			11	23	11	27		
Sep	10	21		70		200		23
Jun	6	1		34		48		32
	107	46	567	486	762	668	241	142
Dec	33	22	140	107	140	107		
Dec	10	(12)	45	47	45	43		(12)
Dec		12						
Aug			24	3	24	3	19	3
Sep			30		30			
Feb			3		3			
Dec		*		7		7		7
Feb		*	8	1	28	11	21	10
Sep			17		7			
Dec	28	26	242	214	349	349		
Feb		1	8	6	8	6	8	6
Feb		*				7	10	7
Feb		*	5	7	5	7	7	7
Apr		(7)			12	43	59	51
Apr		*		6	29	28	29	28
Feb		*	1	1	1	1		1
Feb	22		22		22			
	14	4	22	87	59	56	88	34
	167	147	657	1 019	852	1 359	241	197

Notes to the balance sheet (continued)

as at 31 December

11 Investment securities

Rm	2005	Restated 2004
Listed investments		
Absa Group Ltd		19
Acucap Properties Ltd **	128	89
Barloworld Ltd		14
Eagles Bonds	8	9
Growthpoint Properties Ltd		65
Imperial Holdings Bonds		20
Imperial Holdings Ltd		11
JD Group Ltd		90
Massmart Holdings Ltd		12
NIB Funds Investments		110
NIB Unit Trusts		29
Resilient Property Income Fund Ltd **	146	103
Vukile Property Fund Managers Ltd		68
Other Private equity portfolio	21	17
Other *	114	118
	417	774
Unlisted investments		
AKA Capital (Pty) Ltd **	32	16
Catalyst Holding (Pty) Ltd		24
Crossroads Distribution (Pty) Ltd **	33	33
Endowment Policies	459	164
Eveready (Pty) Ltd **	53	41
Growthpoint & Toontjies Joint Venture **	108	106
Dr Holsboer Investment Portfolio	149	110
Inzalo Investment Holdings Ltd **	28	26
Kunene Finance Company (Pty) Ltd **	58	40
Momentum Insurance Policy	4	
Nedquants Core Equity	98	
Net I U.E.P.S. Technologies Inc	274	620
NIBI Fund	483	733
NIB-MDM Private Equity Fund 1		37
Rapid Dawn 271 (Pty) Ltd **	123	53
Strate Ltd	16	29
Treacle Venture Partners (Pty) Ltd		45
Other Private Equity Portfolio	192	226
Other *	182	375
	2 292	2 678

*Less than R10 million per investment

**Investment in private equity

11 Investment securities (continued)

Rm	2005	Restated 2004
Policyholder liabilities	(33)	(17)
Policyholder investments	4 199	3 126
Listed investments at market value	3 458	2 443
Equity other than property	596	499
Government, public and private sector stock	97	96
Unit trusts	2 765	1 848
Unlisted investments at directors' valuation	741	683
Equity other than property	8	22
NCDs, money market and other short-term funds	733	661
Insurance assets	4 166	3 109
Total investment securities	6 875	6 561
12 Summary of total private equity investments		
Property investments	390	302
Listed investments	274	192
Unlisted investments	116	110
Other investments	532	448
Listed investments	21	17
Unlisted investments	511	431
	922	750

Notes to the balance sheet (continued)

as at 31 December

13 Computer software and development costs

Rm	Amortisation periods	Carrying amount 2005	Restated Carrying amount 2004
Computer software	2-5 years	1 024	1 315
Customer product systems		583	715
Infrastructure and supporting systems		170	199
Risk management systems		133	182
Channel systems		104	153
Customer information systems		34	66
Computer development costs	none	296	104
Customer product systems		181	49
Infrastructure and supporting systems		75	44
Risk management systems		40	11
		1 320	1 419
Computer software			
Opening balance		1 315	1 335
Additions		46	50
Commissioned during the year		91	380
Disposals		(4)	(49)
Amortisation charge for the year		(423)	(395)
Impairments		(1)	(6)
		1 024	1 315
Computer development costs			
Opening balance		104	375
Additions		284	195
Commissioned during the year		(91)	(380)
Disposals			(2)
Impairments		(1)	(84)
		296	104

14 Goodwill

Rm	Carrying amount 2005	Restated Carrying amount 2004
Carrying amount at beginning of the year	3 676	3 762
Arising on business combinations	24	191
Realised through disposals	(8)	(164)
Impairments recognised in the income statement	(1)	(87)
Foreign currency translation and other	(4)	(26)
Carrying amount at end of the year	3 687	3 676

Rm	2005			2004		
	Cost	Accumulated amortisation and losses	Carrying amount	Cost	Accumulated amortisation and losses	Carrying amount
Major subsidiaries						
Gerrard Private Bank/Fairbairn Trust Company	382	80	302	382	76	306
Various SPV's (ex Peoples Bank Ltd)	38	38		38	38	
Peoples Mortgage lending	198	198		198	198	
Imperial Bank	285	27	258	285	27	258
BoE Limited	3 756	936	2 820	3 756	936	2 820
BoE (Pty) Limited (formerly FTNiBAM)	4	4		4	4	
Nedcor Investment Bank	375	375		375	375	
Nedbank Namibia (formerly Commercial Bank of Namibia)	116	2	114	129	8	121
Capital One	82		82	82		82
Amex	81		81	81		81
Other	30		30	8		8
	5 347	1 660	3 687	5 338	1 662	3 676

Notes to the balance sheet (continued)

as at 31 December

15 Deposits, current accounts and other liabilities

Segmental breakdown Rm	Nedbank Group		Nedbank Corporate	
	2005	2004	2005	2004
Current accounts	35 830	34 401	14 176	14 588
Savings accounts	11 188	10 532	553	530
Other deposits and loan accounts	166 573	155 333	105 128	88 290
Call and term deposits	89 525	85 684	64 934	54 946
Fixed deposits	23 389	24 796	4 603	3 316
Cash management deposits	35 183	29 691	35 191	29 641
Other deposits	18 476	15 162	400	387
Foreign currency liabilities	8 832	9 928	4 516	4 880
Negotiable certificates of deposit	33 682	27 882	357	96
Deposits received under repurchase agreements	5 206	12 671		
Total deposits, current accounts and other liabilities	261 311	250 747	124 730	108 384

Nedbank Capital		Nedbank Retail		Imperial Bank		Shared Services		Central Management	
2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
87	401	21 491	19 290			4	12	72	110
	273	10 605	9 725					30	4
26 053	20 631	35 215	35 921	193	206	224	77	240	10 208
9 027	15 224	15 392	15 031	161	170	10	62	1	251
557	1 469	18 569	19 915	20	20	34		(394)	76
80	60	43	27					(131)	(37)
16 389	3 878	1 211	948	12	16	180	15	284	9 918
4 084	641	176	149					56	4 258
33 271	27 611							54	175
4 998	3 930					208			8 741
68 493	53 487	67 487	65 085	193	206	436	89	28	23 496

Notes to the balance sheet (continued)

as at 31 December

16 Long-term debt instruments

		2005 Rm	Restated 2004 Rm
Rand-denominated			
Instrument terms			
Compulsorily convertible loans maturing on 31 December 2005	18,12% per annum		47
Compulsorily convertible loans maturing on 6 November 2005	13,75% per annum		20
R515 million (R350 million) bonds repayable on 4 December 2008	13,5% per annum	580	593
R2 billion callable notes repayable on 20 September 2011*	11,3% per annum	2 064	2 064
R4 billion callable notes repayable on 9 July 2012*	13,15% per annum	4 254	4 253
R200 million unsecured debentures repayable on 30 November 2029	16% per annum until 15 September 2000 – thereafter interest-free	3	3
		6 901	6 980
US dollar-denominated			
US\$40 million repayable on 17 April 2008	6-month Libor on nominal value	257	225
US\$18 million repayable on 31 August 2009	1,5 basis points below 6-month Libor on nominal value	114	103
		371	328
Namibian-dollar-denominated			
N\$40 million long-term debenture issue repayable on 15 September 2030	17% per annum until 15 September 2000 – thereafter interest-free	1	1
		1	1
Total long-term debt instruments in issue		7 273	7 309

Coupon holders are entitled, in the event of interest default, to put the coupon covering such interest payments to Nedbank Group.

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.

* Callable by the issuer, Nedbank Limited, after five years from date of issue, being 20 September 2001 and 9 July 2002 (i.e. 20 September 2006 and 9 July 2007), at which time the interest converts to a floating three-month Jibar rate.

17 Trading balance sheet
Average balance sheet

Rm	2005	Restated 2004
Assets		
Net trading assets	34 267	17 634
Cash and short-term funds	173	
Other short-term securities	11 330	5 144
Government and other securities	4 656	721
Bills and acceptances	567	204
Foreign correspondents	11 315	8 340
Other loans and overdrafts	6 226	3 225
Non interest earning assets	3 056	230
Debtors and other accounts	3 056	230
	37 323	17 864
Liabilities		
Current and savings accounts		4
Deposit and loan accounts	11 135	1 933
Negotiable certificate of deposit		101
Other liabilities	17 003	14 833
Intergroup funding	9 185	993
	37 323	17 864
Actual balance sheet		
Assets		
Net trading assets	39 811	21 514
Cash and short-term funds	515	
Other short-term securities	11 261	607
Government and other securities	3 877	4 325
Bills and acceptances	1 703	186
Foreign correspondents	14 366	9 865
Other loans and overdrafts	8 089	6 531
Non interest earning assets	7 012	1 190
Debtors and other accounts	7 012	1 190
	46 823	22 704
Liabilities		
Current and savings accounts	5	2
Deposit and loan accounts	14 642	6 288
Negotiable certificate of deposit	7	
Other liabilities	32 148	9 033
Intergroup funding	21	7 381
	46 823	22 704

Notes to the balance sheet (continued)

as at 31 December

18 BEE: Estimated dilutive shares and IFRS 2 charge

	2005	2006	2007
No of dilutive shares in each year ('000)			
BBP	764	1 945	1 978
NED	21	78	116
Retail	12	2 997	4 198
Corporate	581	2 359	2 996
Black Executives	11	194	459
Black Management	19	447	1 164
	1 408	8 020	10 911
IFRS 2: Share based payment cost (R'000)			
BBP	214 592		
NED	566	1 961	2 447
Retail	1 113	63 015	70 295
Corporate	14 348	47 342	61 018
Black Executives	2 387	14 463	22 779
Black Management	10 582	36 786	46 769
Broad-based	127 578		
	371 166	163 567	203 308

2008	2009	2010	2011	2012	2013	2014	2015
2 019	2 071	2 130	2 195	2 264	2 338	2 416	
167	226	281	118	94	54		
4 524							
3 517	3 937	4 269	1 131				
788	1 007	1 032	981	638			
1 906	2 417	2 613	2 657	766			
12 921	9 658	10 325	7 082	3 762	2 392	2 416	–
3 632	5 208	6 840	6 312	4 022	2 860	1 005	
69 340	7 280						
61 185	61 018	61 018	44 156	9 262			
22 841	21 823	16 186	8 251	2 267			
46 897	42 576	28 698	13 212	2 721			
203 895	137 905	112 742	71 931	18 272	2 860	1 005	–

Currency representation of balance sheet

as at 31 December

	Rand Rm	UK £ Rm	US\$ Rm	Other Rm	Total Rm
2005					
Total assets	312 320	7 886	21 972	10 080	352 258
Cash and balances with central banks	14 512	845	776	756	16 889
Other short-term securities	12 664	3 216	566	568	17 014
Government and other securities	20 022	211	1 296	1 129	22 658
Loans and advances and other assets	247 623	3 600	19 200	7 372	277 795
Deferred taxation assets	672	4		4	680
Current taxation receivable	134				134
Customers' indebtedness for acceptances	1 237		30	24	1 291
Other investments	7 329		104	99	7 532
Property, equipment and intangible assets	8 127	10		128	8 265
Total liabilities	291 954	7 472	19 514	7 009	325 949
Long-term debt instruments	6 901		371	1	7 273
Deposits, current accounts and other creditors	282 462	7 452	19 108	6 938	315 960
Deferred taxation liabilities	904	2	1	52	959
Current taxation liabilities	450	18	4	(6)	466
Liabilities under acceptances	1 237		30	24	1 291
Net assets	20 366	414	2 458	3 071	26 309
Capital	22 377	1 375	1 924	633	26 309
	2 011	961	(534)	(2 438)	–
2004					
Total assets	290 072	7 231	21 464	9 073	327 840
Cash and balances with central banks	8 746	248	731	325	10 050
Other short-term securities	12 936	2 033	613	728	16 310
Government and other securities	23 817	51	818	1 538	26 224
Loans and advances and other assets	227 533	4 541	18 327	6 215	256 616
Deferred taxation assets	1 255	2		1	1 258
Current taxation receivable	178			18	196
Customers' indebtedness for acceptances	1 509				1 509
Other investments	6 159	343	949	129	7 580
Property, equipment and intangible assets	7 939	13	26	119	8 097
Total liabilities	275 323	6 207	17 750	6 773	306 053
Long-term debt instruments	7 308			1	7 309
Deposits, current accounts and other creditors	265 240	6 199	17 739	6 721	295 899
Deferred taxation liabilities	1 093		1	49	1 143
Current taxation liabilities	173	8	10	2	193
Liabilities under acceptances	1 509				1 509
Net assets	14 749	1 024	3 714	2 300	21 787
Capital	17 330	1 315	2 543	599	21 787
	2 581	291	(1 171)	(1 701)	–

This balance sheet provides a view of the currency in which group balance sheet items are represented, expressed in ZAR.

Geographical currency representation of 2005 balance sheet – domestic and offshore

31 December 2005	Rand Rm	UK £ Rm	US\$ Rm	Other Rm	Total Rm
Nedbank Group domestic					
Total assets	311 013	581	14 730	1 554	327 878
Cash and balances with central banks	14 490				14 490
Other short-term securities	12 664				12 664
Government and other securities	20 022				20 022
Loans and advances and other assets	246 338	581	14 730	1 554	263 203
Deferred taxation assets	672				672
Current taxation receivable	134				134
Customers' indebtedness for acceptances	1 237				1 237
Other investments	7 329				7 329
Property, equipment and intangible assets	8 127				8 127
Total liabilities	291 239	439	15 544	718	307 940
Long-term debt instruments	6 901				6 901
Deposits, current accounts and other creditors	281 747	439	15 544	718	298 448
Deferred taxation liabilities	904				904
Current taxation liabilities	450				450
Liabilities under acceptances	1 237				1 237
Net assets	19 774	142	(814)	836	19 938
Intercompany	(2 603)	142	(814)	836	(2 439)
Capital	22 377	–	–	–	22 377

31 December 2005	Rand Rm	UK £ Rm	US\$ Rm	Other Rm	Total Rm
Nedbank Group offshore					
Total assets	1 307	7 305	7 242	8 526	24 380
Cash and balances with central banks	22	845	776	756	2 399
Other short-term securities		3 216	566	568	4 350
Government and other securities		211	1 296	1 129	2 636
Loans and advances and other assets	1 285	3 019	4 470	5 818	14 592
Deferred taxation assets		4		4	8
Current taxation receivable					
Customers' indebtedness for acceptances			30	24	54
Other investments			104	99	203
Property, equipment and intangible assets		10		128	138
Total liabilities	716	7 033	3 969	6 291	18 009
Long-term debt instruments			371	1	372
Deposits, current accounts and other creditors	716	7 013	3 563	6 220	17 512
Deferred taxation liabilities		2	1	52	55
Current taxation liabilities		18	4	(6)	16
Liabilities under acceptances			30	24	54
Net assets	591	272	3 273	2 235	6 371
Intercompany	591	(1 103)	1 349	1 602	2 439
Capital	–	1 375	1 924	633	3 932

This balance sheet provides a view of the currency in which group balance sheet items are represented, expressed in ZAR.

Geographical currency representation of 2004 balance sheet – domestic and offshore

31 December 2004	Rand Rm	UK £ Rm	US\$ Rm	Other Rm	Total Rm
Nedbank Group domestic					
Total assets	288 730	626	13 468	890	303 714
Cash and balances with central banks	8 480				8 480
Other short-term securities	12 936				12 936
Government and other securities	23 779				23 779
Loans and advances and other assets	226 496	626	13 468	890	241 480
Deferred taxation assets	1 255				1 255
Current taxation receivable	178				178
Customers' indebtedness for acceptances	1 509				1 509
Other investments	6 158				6 158
Property, equipment and intangible assets	7 939				7 939
Total liabilities	274 277	15	14 688	409	289 389
Long-term debt instruments	7 309				7 309
Deposits, current accounts and other creditors	264 193	15	14 688	409	279 305
Deferred taxation liabilities	1 093				1 093
Current taxation liabilities	173				173
Liabilities under acceptances	1 509				1 509
Net assets	14 453	611	(1 220)	481	14 325
Intercompany	(2 877)	611	(1 220)	481	(3 005)
Capital	17 330				17 330
Nedbank Group offshore					
31 December 2004	Rand Rm	UK £ Rm	US\$ Rm	Other Rm	Total Rm
Total assets	1 342	6 605	7 996	8 183	24 126
Cash and balances with central banks	266	248	731	325	1 570
Other short-term securities		2 033	613	728	3 374
Government and other securities	38	51	818	1 538	2 445
Loans and advances and other assets	1 037	3 915	4 859	5 325	15 136
Deferred taxation assets		2		1	3
Current taxation receivable				18	18
Customers' indebtedness for acceptances					–
Other investments	1	343	949	129	1 422
Property, equipment and intangible assets		13	26	119	158
Total liabilities	1 045	6 193	3 062	6 364	16 664
Long-term debt instruments					–
Deposits, current accounts and other creditors	1 045	6 185	3 051	6 313	16 594
Deferred taxation liabilities			1	49	50
Current taxation liabilities		8	10	2	20
Liabilities under acceptances					–
Net assets	297	412	4 934	1 819	7 462
Intercompany	297	(903)	2 391	1 220	3 005
Capital		1 315	2 543	599	4 457

This balance sheet provides a view of the currency in which group balance sheet items are represented, expressed in ZAR.

Capital adequacy

The group's capital adequacy ratio and risk weighted assets are based on the aggregation of the banks within the group. The requirement of capital adequacy is not a group concept but is a requirement of each bank. The table below is indicative of the group as a whole, as if it were a bank.

	Percentage weighting %	Weighted assets	
		December 2005 Rm	Restated December 2004 Rm
Nedbank Group			
Money, interbank deposits and claims on central government			
Land bank and other public sector bodies	10	86	101
Trade transactions with recourse to other banks	20	7 002	4 580
Residential mortgage loans	50	28 738	25 050
All other banking assets excluding intragroup	100	146 554	136 448
Notional trading assets	100	8 391	11 947
All other non-banking assets	100	23 154	20 973
Total on-balance-sheet items		213 925	199 099
Off-balance-sheet items	0-100	9 759	7 957
Counterparty risk	0-100	2 072	4 946
Large exposure requirements	1 000		457
Total risk weighted assets		225 756	212 459

	December 2005 Capital Rm		December 2004 Capital Rm	
		%		%
Nedbank Group				
Tier 1 capital (primary)	21 151	9,4	17 274	8,1
Share capital and reserves	22 490	10,0	18 095	8,5
Minority interest: ordinary	1 049	0,5	721	0,3
Minority interest: preference shareholders	2 770	1,2	2 770	1,3
Impairments			(20)	
Goodwill	(3 687)	(1,6)	(3 441)	(1,6)
Other regulatory differences	(1 471)	(0,7)	(851)	(0,4)
Tier 2 capital (secondary)	7 648	3,4	8 095	3,8
Long-term debt instruments	7 273	3,2	7 308	3,4
Tier 2 bonds not qualifying as Tier 2 capital	(420)	(0,2)	(83)	-
Provision for performing loans	795	0,4	880	0,4
Impairments			(10)	
Tier 3 capital (tertiary)	300	0,1	294	0,2
	29 099	12,9	25 663	12,1

	Country CAR	Weighted assets		Weighted assets	
		2005 Rm	Capital 2005 %	2004 Rm	Capital 2004 %
Capital adequacy analysis by bank					
(solo supervision)	%				
Nedbank Limited	10	194 524	13,3	184 872	12,5
Imperial Bank Limited	10	19 997	10,2	15 467	10,2
Peoples Bank Limited				5 439	25,5
Nedbank (Lesotho) Limited	8	329	28,7	211	38,5
Nedbank (Swaziland) Limited	8	435	17,4	395	15,2
Nedbank (Malawi) Limited	8	55	30,3	129	13,4
Nedbank (Namibia) Limited	10	2 516	11,2	1 863	10,4
SBM Nedbank International Limited	10	116	62,4	228	28,3
Fairbairn Private Bank (Jersey) Limited	11	1 184	13,0	1 105	12,9
Fairbairn Private Bank (IOM) Limited	11,5	1 806	14,8	1 703	13,5

Credit ratings

Fitch

	Nedbank Group October 2005	Nedbank October 2005
Individual	C	C
Support	2	2
Foreign currency		
Short-term	F3	F3
Long-term	BBB	BBB
Long-term rating outlook	Stable	Stable
Local currency		
Long-term senior	BBB	BBB+
National		
Short-term	F1 (zaf)	F1+ (zaf)
Long-term	A+ (zaf)	AA- (zaf)

Individual and support

C = An adequate bank which, however, possesses one or more troublesome aspects.

2 = A bank for which there is a high probability of external support, and the potential provider of support is highly rated in its own right.

Foreign and local currency (capped by sovereign limits)

F3 = Fair credit quality. The capacity for timely payment of financial commitments is adequate.

BBB = Good credit quality. Indicates that there is currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate.

National

F1 = Indicates the strongest capacity for timely payment of financial commitments relative to other issuers or issues in the same country.

AA = Denotes a very strong credit risk relative to other issuers or issues in the same country.

A = Denotes a strong credit risk relative to other issuers or issues in the same country. However, changes in circumstances or economic conditions may affect the capacity for timely repayment of these financial commitments to a greater degree than for financial commitments denoted by a higher rated category.

CA-Ratings

	Nedbank Group December 2005
Long-term	zaAA-
Short-term	zaA1+
Outlook	Positive

Long-term

zaAA = Indicates very strong capacity of the issuer to pay interest and repay capital relative to other South African obligors.

Short-term

zaA1 = Indicates that the degree of safety regarding timely payment is overwhelmingly strong, relative to other South African obligors.

Issues determined to possess overwhelming safety characteristics are denoted with a plus (+) sign designation.

Moody's

	Nedbank January 2005
Financial strength	C
Outlook – Financial strength	Stable
Foreign currency – long-term bank deposits	Baa1
Foreign currency – short-term bank deposits	Prime-2
Outlook – Deposits	Positive

Financial strength

C = Banks rated C possess good intrinsic financial strength. Typically, they will be institutions with valuable and defensible business franchises. These banks will demonstrate either acceptable financial fundamentals within a stable operating environment, or better than average financial fundamentals within an unstable operating environment.

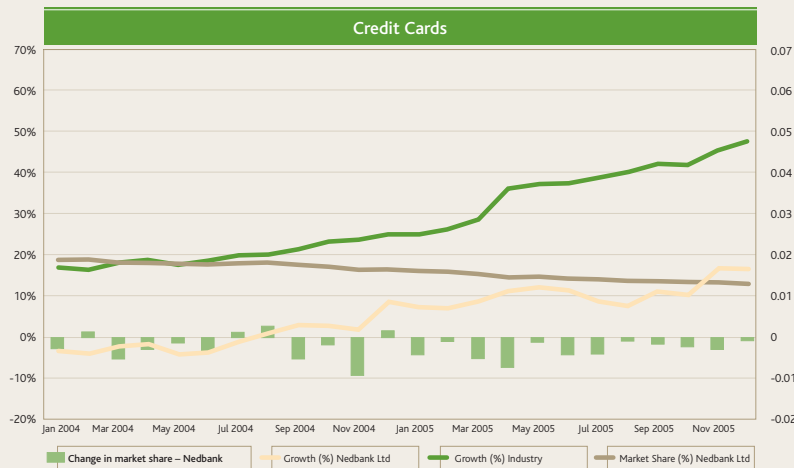
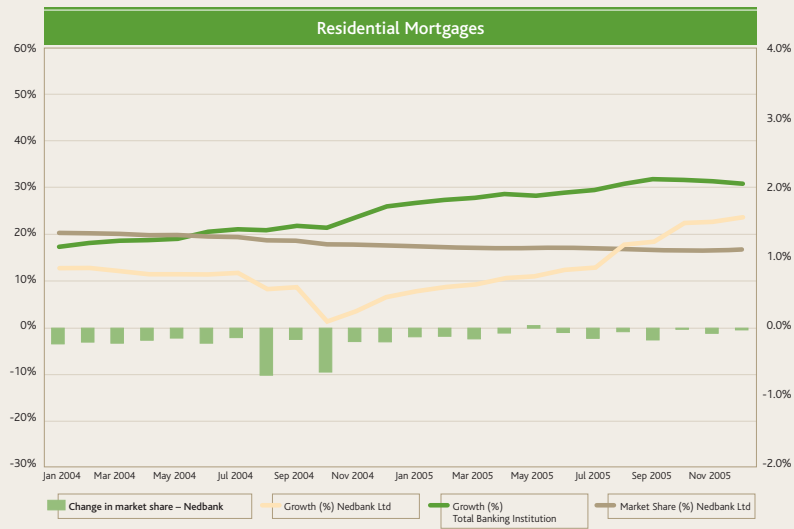
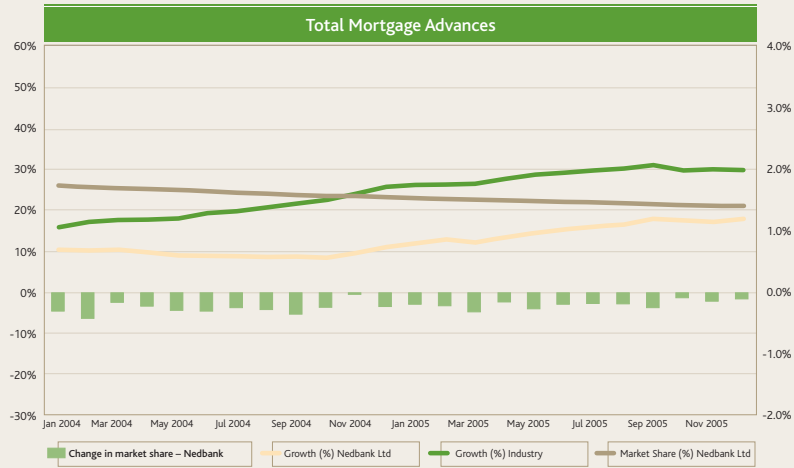
Long-term (capped by sovereign rating)

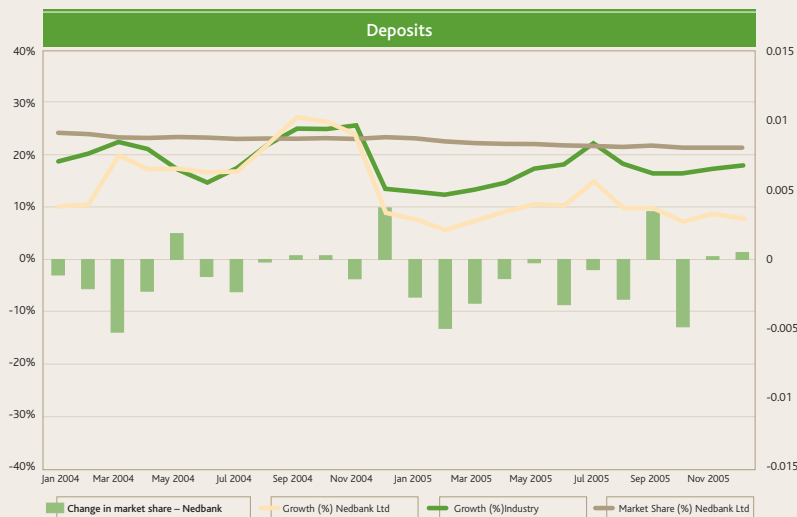
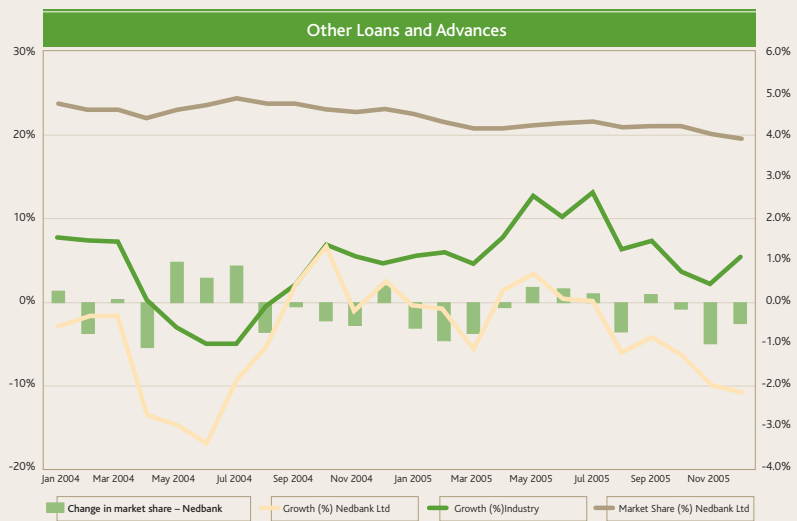
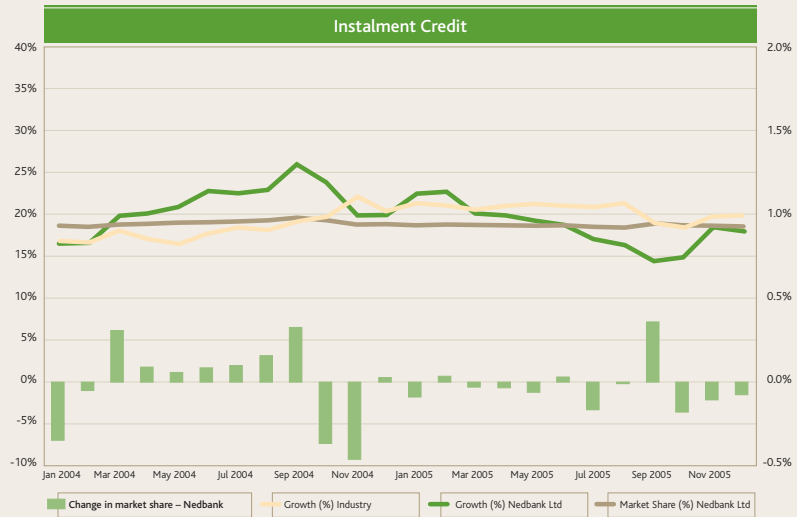
Baa = Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.

Short-term

P-2 = Issuers rated Prime-2 have a strong ability to repay short-term debt obligations.

Market share





Operational statistics

as at 31 December 2005

Classification of clients – Nedbank Retail	Number of clients	Number of internet banking clients	Number of telephone banking clients
	3 179 984	203 020	9 893
	Assets under management (Rbn)	Number of branches	Number ATMS
	42	472	1 174
	Number of SSTs	Number of retail outlets	Number of employees
	318	371	12 127

Nedbank Corporate	Number of clients	Number of internet banking clients	Number of branches	Number of employees	Market share (%)
Corporate Banking (Turnover > R400 million)	682	621		298	
Business Banking (Turnover > R7,5 million)	26 700	26 700	56	2 016	19%
Property Finance	8 868		5	778	40%
International/Africa	30 118		11	1 186	
Other				958	
Total	245 443	163 344	72	5 236	

Imperial Bank	Number of clients	Number of internet banking clients	Number of branches	Number of employees	Market share (%)
	179 075		17	793	

Nedbank Group employee incentive schemes

as at 31 December

	2005	2004
Movements		
Options outstanding at beginning of year	28 905 173	25 089 839
Granted	6 534 202	14 328 122
Exercised	3 099 459	2 772 393
Surrendered	10 295 942	7 740 395
Options outstanding at end of year	22 043 974	28 905 173
Performance-based options – 1994 scheme	7 953 593 ^p	12 793 099 ^p
Non-performance-based options – 1994 scheme	8 503 622	16 112 074
Non-performance-based options – 2005 scheme	5 586 759	–
	22 043 974	28 905 173

Nedcor share incentive trust (1994)

The following options granted had not been exercised at 31 December 2005

Option expiry date	Number of shares	Issue price R	Option expiry date	Number of shares	Issue price R	Option expiry date	Number of shares	Issue price R
1-Jan-06	7 650	130,80	b/f	832 011		b/f	1 477 671	
1-Jan-06	8 300	157,00	1-Jun-06	3 000	102,65	1-Jan-07	28 500	123,60
9-Jan-06	61 300	123,60	1-Jun-06	11 350	123,60	1-Jan-07	6 650	125,00
29-Jan-06	129 830	125,00	1-Jun-06	21 700	125,00	1-Jan-07	250	130,80
1-Feb-06	35 650	88,00	1-Jun-06	1 300	130,80	1-Jan-07	3 100	132,00
1-Feb-06	3 500	102,65	1-Jun-06	10 100	136,20	1-Feb-07	900	88,00
1-Feb-06	52 900	123,60	1-Jun-06	3 000	152,00	1-Feb-07	3 425	125,00
1-Feb-06	39 025	125,00	17-Jun-06	7 600	123,60	1-Mar-07	5 000	60,01
1-Feb-06	1 250	130,80	1-Jul-06	12 000	60,01	1-Mar-07	5 000	88,00
1-Feb-06	75 808	136,20	1-Jul-06	71 900	88,00	1-Mar-07	16 975	125,00
1-Mar-06	13 000	88,00	1-Jul-06	2 500	102,65	1-Mar-07	385	150,00
1-Mar-06	4 000	102,65	1-Jul-06	7 800	123,60	1-Mar-07	98	151,00
1-Mar-06	30 450	123,60	1-Jul-06	65 050	125,00	1-Mar-07	76 600	157,00
1-Mar-06	24 850	125,00	1-Jul-06	24 375	130,80	31-Mar-07	500	136,20
1-Mar-06	5 800	128,60	1-Jul-06	22 850	136,20	1-Apr-07	2 000	60,01
1-Mar-06	368	130,60	13-Jul-06	950	125,00	1-Apr-07	5 000	88,00
1-Mar-06	500	130,80	21-Jul-06	200	125,00	1-Apr-07	750	102,65
1-Mar-06	512	134,00	1-Aug-06	3 750	88,00	1-Apr-07	4 150	125,00
1-Mar-06	17 121	136,20	1-Aug-06	1 000	102,65	1-May-07	4 900	88,00
1-Mar-06	313	139,00	1-Aug-06	3 100	123,60	1-May-07	6 000	123,60
1-Mar-06	3 000	152,00	1-Aug-06	4 500	125,00	1-May-07	2 300	125,00
2-Mar-06	2 000	60,01	1-Aug-06	750	136,20	27-Sep-07	6 000	130,80
2-Mar-06	10 000	88,00	22-Aug-06	101 500	152,00	28-Sep-07	66 694	130,80
2-Mar-06	7 200	125,00	1-Sep-06	7 500	60,01	2-Nov-07	21 347	123,00
2-Mar-06	2 000	136,20	1-Sep-06	8 000	88,00	19-Nov-07	15 800	125,00
1-Apr-06	5 300	88,00	1-Sep-06	2 900	123,60	14-Feb-08	23 700	115,00
1-Apr-06	1 500	102,65	1-Sep-06	4 000	125,00	15-Apr-08	303 400	125,00
1-Apr-06	26 650	123,60	1-Oct-06	18 000	60,01	15-Apr-08	1 180 942 ^p	125,00
1-Apr-06	25 560	125,00	1-Oct-06	35 000	88,00	2-Jul-08	1 816 700	123,60
1-Apr-06	84 800	133,20	1-Oct-06	40 900	123,60	15-Oct-08	245 900	102,65
1-Apr-06	13 630	136,20	1-Oct-06	14 250	125,00	15-Oct-08	76 348 ^p	102,65
9-Apr-06	3 200	123,60	1-Oct-06	2 920	131,45	27-Nov-08	50 000	123,60
1-May-06	9 000	60,01	1-Oct-06	30 000	155,20	25-Feb-09	131 500	102,19
1-May-06	33 050	88,00	1-Nov-06	5 400	60,01	1-Apr-09	2 116 050 ^p	88,00
1-May-06	500	102,65	1-Nov-06	13 000	88,00	1-Apr-09	44 800	88,00
1-May-06	8 300	123,60	1-Nov-06	1 000	102,65	1-Oct-09	54 080 ^p	69,20
1-May-06	42 400	125,00	1-Nov-06	12 800	123,60	1-Oct-09	265 850	69,20
1-May-06	26 194	136,20	1-Nov-06	3 115	125,00	11-May-10	2 861 000 ^p	60,01
2-May-06	4 900	128,60	1-Nov-06	15 700	142,00	11-May-10	619 400	60,01
3-May-06	2 000	88,00	1-Dec-06	900	123,60	11-May-10	25 000 ^p	61,40
3-May-06	250	125,00	1-Dec-06	1 500	125,00	10-Aug-10	112 000 ^p	55,75
3-May-06	250	130,80	1-Jan-07	18 500	60,01	10-Aug-10	253 900	55,75
17-May-06	1 000	152,00	1-Jan-07	29 200	88,00	20-Apr-11	523 200	74,40
1-Jun-06	7 200	88,00	1-Jan-07	800	102,65	25-Apr-11	100 000 ^p	73,00
	832 011			1 477 671			12 563 765	

^p Performance-based options

Option expiry date	Number of shares	Issue price R	Option expiry date	Number of shares	Issue price R	Option expiry date	Number of shares	Issue price R
1-Jan-06	16 005	45,00	b/f	234 297		b/f	566 730	
29-Jan-06	84	45,00	1-Sep-06	5 000	45,00	1-Apr-08	926	45,00
1-Feb-06	26 699	45,00	1-Oct-06	33 653	45,00	8-Apr-08	556	45,00
7-Feb-06	13 890	60,00	1-Nov-06	8 593	45,00	15-Apr-08	475 001 ^p	45,00
15-Feb-06	463	45,00	29-Nov-06	4 630	45,00	15-Apr-08	17 083 ^p	60,00
1-Mar-06	18 627	45,00	1-Dec-06	1 265	45,00	15-Apr-08	107 187	45,00
2-Mar-06	7 999	45,00	1-Jan-07	22 209	45,00	21-Jun-08	2 778	45,00
1-Apr-06	39 676	45,00	1-Feb-07	4 427	45,00	1-Jul-08	15 277	45,00
9-Apr-06	1 334	45,00	8-Feb-07	13 236	45,00	2-Jul-08	562 553	45,00
1-May-06	24 498	45,00	1-Mar-07	22 190	45,00	2-Jul-08	94 043	60,00
2-May-06	2 042	45,00	1-Apr-07	4 127	45,00	15-Oct-08	31 787 ^p	45,00
3-May-06	1 042	45,00	1-May-07	5 061	45,00	15-Oct-08	61 169	45,00
17-May-06	418	45,00	24-Jul-07	17 819	45,00	27-Nov-08	20 834	45,00
1-Jun-06	16 814	45,00	27-Sep-07	1 666	45,00	25-Feb-09	54 800	45,00
21-Jun-06	3 483	45,00	28-Sep-07	11 666	45,00	1-Apr-09	822 602 ^p	45,00
1-Jul-06	15 965	45,00	2-Nov-07	150 569	45,00	1-Apr-09	59 168 ^p	60,00
13-Jul-06	396	45,00	2-Nov-07	3 472	60,00	1-Apr-09	18 666	45,00
21-Jul-06	84	45,00	19-Nov-07	6 584	45,00	1-Oct-09	22 532 ^p	45,00
26-Jul-06	18 305	45,00	1-Dec-07	417	45,00	1-Oct-09	110 772	45,00
1-Aug-06	500	45,00	6-Feb-08	5 973	45,00			
22-Aug-06	25 973	45,00	14-Feb-08	9 876	45,00			
	234 297			566 730			3 044 464	

Ex-NIB share incentive scheme – now part of Nedcor share incentive trust

The following options granted had not been exercised at 31 December 2005

Option expiry date	Number of shares	Issue price R	Option expiry date	Number of shares	Issue price R	Option expiry date	Number of shares	Issue price R
			b/f	119 723		b/f	314 660	
1-Jan-06	1 000	86,40	1-Jul-06	26 667	79,50	24-Jul-07	61 279	89,70
16-Jan-06	3 305	86,40	1-Jul-06	19 734	86,40	2-Nov-07	409 714	86,40
1-Feb-06	31 219	86,40	26-Jul-06	45 640	79,50	1-Dec-07	1 000	86,40
1-Feb-06	18 937	96,00	1-Oct-06	11 020	86,40	6-Feb-08	14 333	90,90
1-Feb-06	17 172	97,50	29-Nov-06	11 113	79,50	1-Apr-08	3 333	81,00
7-Feb-06	33 335	79,50	1-Dec-06	633	86,40	8-Apr-08	1 334	81,00
15-Feb-06	1 111	86,40	1-Jan-07	29 762	84,00	21-Jun-08	6 667	111,00
1-May-06	830	86,40	1-Jan-07	3 571	86,40	1-Jul-08	36 666	111,00
1-Jun-06	1 666	89,70	8-Feb-07	46 354	96,00			
21-Jun-06	11 148	79,50	1-May-07	443	86,40			
	119 723			314 660			848 986	

Nedbank Group options scheme (2005)

The following options granted had not been exercised at 31 December 2005

Option expiry date	Number of shares	Issue price R
1-Apr-07	2 200	76,79
30-Jun-10	4 933 759	76,79
8-Aug-10	650 800	84,68
	5 586 759	
Total options outstanding	22 043 974	

Shareholders' analysis

Register date: 31 December 2005
 Authorised share capital: 600 000 000 shares
 Issued share capital: 442 811 368 shares

Major managers

	Number of shares	31 Dec 2005 % Holding	31 Dec 2004 % Holding	31 Dec 2003 % Holding
Old Mutual Group	223 620 681	50,50	53,68	53,16
Old Mutual Life Assurance Company Limited and associates (SA)	222 239 583	50,19	51,92	51,02
Old Mutual Asset Managers (SA)	1 381 098	0,31	1,76	2,14
Nedbank Group BEE trusts (SA)	41 268 130	9,32		
Allan Gray Limited (SA)	36 157 521	8,17	7,64	0,06
Sanlam Investment Management (SA)	20 219 078	4,57	5,73	3,36
STANLIB Asset Management (SA)	16 938 006	3,83	4,53	4,24
Boston Company Asset Management (US)	14 545 066	3,28	3,09	3,04
Franklin Templeton Investments (US)	10 383 318	2,34	2,03	1,08

Major beneficial shareholders

	Number of shares	31 Dec 2005 % Holding	31 Dec 2004 % Holding	31 Dec 2003 % Holding
Old Mutual Life Assurance Company (South Africa) Limited and associates (SA)	222 239 583	50,19	51,92	51,02
Public Investment Corporation (SA)	24 006 139	5,42	5,81	5,83
Liberty Life Association of Africa (SA)	5 415 574	1,22	1,32	1,09

Geographical distribution of shareholders

	Number of shares	31 Dec 2005 % Holding	31 Dec 2004 % Holding	31 Dec 2003 % Holding
South Africa	377 084 004	85,16	81,18	79,70
USA	45 976 817	10,38	12,69	12,42
United Kingdom	6 394 164	1,44	2,14	3,64
Netherlands	2 084 066	0,47	0,83	0,19
Other countries	11 272 317	2,55	3,16	4,05

Nedbank Limited income statement

for the year ended 31 December

Rm	2005	Restated 2004
Interest and similar income	23 683	22 252
Interest expense and similar charges	14 987	15 498
Net interest income	8 696	6 754
Impairment charge on loans and advances	987	1 358
Income from lending activities	7 709	5 396
Non-interest revenue	7 385	7 380
Foreign currency translation gains/(losses)	139	(434)
Operating income	15 233	12 342
Total expenses	10 564	10 438
Operating expenses	10 265	9 813
Merger and recovery programme expenses	121	625
BEE transaction expenses	178	
Indirect taxation	213	459
Profit from operations before non-trading and capital items	4 456	1 445
Non-trading and capital items	833	(86)
Impairment of goodwill	(1)	(4)
Profit on sale of subsidiaries, investments and property and equipment	934	31
Net impairment of investments, property and equipment and capitalised development costs	(100)	(113)
Profit from operations	5 289	1 359
Share of profits of associates and joint ventures	67	121
Profit before direct taxation	5 356	1 480
Total direct taxation	935	338
Taxation	898	377
Taxation on non-trading and capital items	37	(39)
Profit for the year	4 421	1 142
Attributable to:		
Profit attributable to equity holders of the parent	4 228	1 025
Profit attributable to minority interest ordinary shareholders	193	117
Profit for the year	4 421	1 142
Earnings reconciliation		
Profit attributable to equity holders of the parent	4 228	1 025
Less: Non-headline earnings items	796	(47)
Non-trading and capital items	833	(86)
Taxation on non-trading and capital items	(37)	39
Headline earnings	3 432	1 072

Nedbank Limited balance sheet

 2005 Annual results
 presentation

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as at 31 December

Rm	2005	Restated 2004
Assets		
Cash and cash equivalents	11 112	4 163
Other short-term securities	9 496	13 426
Derivative financial instruments	11 281	23 886
Government and other securities	22 505	26 035
Loans and advances to customers	249 969	230 609
Other assets	5 088	5 512
Customers' indebtedness for acceptances	1 248	1 509
Current taxation receivable	119	182
Investment securities	2 419	2 614
Non-current assets held for sale	66	48
Investments in associate companies and joint ventures	397	437
Deferred taxation asset	626	1 220
Investment property	87	119
Property and equipment	3 039	2 767
Post-employment assets	1 225	1 184
Computer software and capitalised development costs	1 281	1 375
Mandatory deposits with central banks	5 206	5 419
Goodwill	563	549
Total assets	325 727	321 054
Shareholders' equity and liabilities		
Ordinary share capital	27	27
Ordinary share premium	14 422	13 945
Reserves	6 263	2 578
Total equity attributable to equity holders	20 712	16 550
Preference share capital and premium	2 770	2 770
Minority shareholders' equity attributable to – ordinary shareholders	872	558
– preference shareholders		245
Total shareholders' equity	24 354	20 123
Derivative financial instruments	14 844	25 979
Amounts owed to depositors	270 610	258 801
Other liabilities	5 224	5 158
Liabilities under acceptances	1 248	1 509
Current taxation liabilities	333	119
Deferred taxation liabilities	774	954
Post-employment liability	1 067	1 103
Long-term debt instruments	7 273	7 308
Total liabilities	301 373	300 931
Total shareholders' equity and liabilities	325 727	321 054
Guarantees on behalf of customers excluded from assets	11 064	10 770

Nedbank Limited capital adequacy

The group's capital adequacy ratio and risk weighted assets are based on the aggregation of the banks within the group. The requirement of capital adequacy is not a group concept but is a requirement of each bank. The table below is indicative of the group as a whole, as if it were a bank.

	Percentage weighting %	Weighted assets	
		December 2005 Rm	Restated December 2004 Rm
Nedbank Limited			
Money, interbank deposits and claims on central government			
Land bank and other public sector bodies	10	178	73
Trade transactions with recourse to other banks	20	5 183	2 825
Residential mortgage loans	50	27 334	22 077
All other banking assets excluding intragroup	100	142 516	136 411
Notional trading assets	100	8 390	11 947
Total on-balance-sheet items		183 601	173 333
Off-balance-sheet items	0 – 100	9 125	7 033
Counterparty risk	0 – 100	1 797	4 506
Total risk weighted assets		194 523	184 872

	December 2005 Capital		December 2004 Capital	
	Rm	%	Rm	%
Nedbank Limited				
Tier 1 capital (primary)	18 634	9,6	15 380	8,3
Share capital and reserves	17 830	9,2	15 590	8,4
Preference share capital and premium	2 791	1,4	2 770	1,5
Impairments	(1 987)	(1,0)	(2 980)	(1,6)
Tier 2 capital (secondary)	6 903	3,5	7 326	4,0
Long-term debt instruments	6 155	3,1	6 695	3,6
Tier 2 bonds not qualifying as Tier 2 capital	–		(1)	
Provision for performing loans	748	0,4	642	0,4
Impairments	–		(10)	
Tier 3 capital (tertiary)	300	0,2	294	0,2
	25 837	13,3	23 000	12,5

Definitions

Assets under management

Asset managed by Nedbank Group which are beneficially owned by clients and are therefore not reported on the consolidated balance sheet. The service provided in respect of these assets is discretionary portfolio management on behalf of the clients.

ATM

Automated teller machine. A cash machine or free-standing device dispensing cash which may also provide other information or services to customers who have a card and a Personal Identification Number, password or other personal identification.

Basel Capital Accord (Basel II)

The new Basel Capital Accord (Basel II) of the Bank for International Settlements is an improved capital adequacy framework accomplished by closely aligning banks' capital requirements with improved modern risk management practices and sophisticated risk assessment capabilities. It further ensures the risk sensitivity of the minimum capital requirements by including supervisory reviews and market discipline through enhanced disclosure.

BEE

Black economic empowerment, as defined in the Financial Sector Charter.

BEE transaction

Nedbank Group's BEE transaction, which focused primarily on the issuing of shares to BEE Partners for the purposes of BEE, equating to approximately 9,33% (41 268 130 shares) of total share capital and equating to black ownership of 11,5% of the value of the Nedbank Group's South African businesses.

Group capital adequacy ratio

Group capital adequacy is the ratio of Group net qualifying capital and reserve funds to total group risk weighted assets as calculated per the regulations relating to banks.

Capital adequacy ratio

The capital adequacy of South African banks is measured in terms of the South African Banks Act requirements. The ratio is calculated by dividing the primary (Tier 1), secondary (Tier 2) and tertiary (Tier 3) capital by the risk-weighted assets. The minimum South African total capital adequacy ratio for banks is now 10% of risk-weighted assets. Non-South African banks within the group have similar requirements.

Primary (Tier 1) capital

Primary capital consists of issued ordinary share capital and perpetual preference share capital, retained earnings and reserves. This amount is then reduced by the portion of capital that is allocated to trading activities.

Secondary (Tier 2) capital

Secondary capital is made up of compulsorily convertible loans, subordinated debt, portfolio impairment and 50% of any revaluation reserves.

Tertiary (Tier 3) capital

Tertiary capital means

- accrued current-year uncapitalised net profits derived from trading activities; and
- capital obtained by means of unsecured subordinated loans, subject to such conditions as may be prescribed.

Cash flow**Financing activities**

Activities that result in changes to the capital structure of the group.

Investment activities

Activities relating to the acquisition, holding and disposal of property, plant and equipment and long-term investments.

Operating activities

Activities that are not financing or investing activities and arise from the operations conducted by the group.

Deferred taxation assets

Deferred taxation assets are the amounts of income taxation recoverable in future years in respect of:

- deductible temporary differences arising due to differences between the taxation and accounting treatment of transactions; and
- the carry forward of unused taxation losses.

Deferred taxation liabilities

Deferred taxation liabilities are the amounts of income taxation payable in future years due to differences between the taxation and accounting treatment of a transaction.

Dividend/distribution cover

Headline earnings per share divided by dividends/capitalisation award per share.

Dividend/distribution declared per share

Dividend/distribution per share is the actual interim dividend paid/capitalisation award and the final dividend declared/capitalisation award for the year under consideration, expressed in cents.

Definitions (continued)

Dividend/distribution paid per share

Dividend/distribution paid per share is the actual final dividend paid for the prior year and the interim dividend paid/capitalisation award issued for the year under consideration, expressed in cents.

Dividend yield

Dividend/capitalisation award declared per ordinary share as a percentage of the closing share price of ordinary shares.

Earnings per share**Basic earnings basis**

Income attributable to equity holders for the year divided by the weighted average number of ordinary shares in issue during the year.

Headline earnings basis

Headline earnings divided by the weighted average number of shares in issue during the year.

Fully diluted basis

The relevant weighted average number of ordinary shares outstanding is adjusted for all the potential shares which could have a dilutive effect on the earnings per share calculation. Profit for the year divided by the weighted average number of shares including dilutive instruments (ie potential ordinary shares) outstanding at the year end, assuming they had been in issue during the year.

Earnings yield

Headline earnings per share as a percentage of the closing price of ordinary shares.

Effective taxation rate

The taxation charge in the income statement, excluding taxation relating to non-trading and capital items, as a percentage of earnings before taxation.

Efficiency ratio (cost-to-income ratio)

Total expenses as a percentage of income from normal operations (net interest income plus non-interest revenue).

Foreign exchange translation gains/losses

All foreign entities controlled by the group which have a rand functional currency are translated at the closing exchange rate and the differences arising are recognised in the income statement as foreign exchange translation gains/losses.

Headline earnings

Headline earnings is not a measure of maintainable earnings. For purposes of the definition and calculation, the guidance given on headline earnings as issued by the South African Institute of Chartered Accountants in circular 07/02, as issued in December 2002, has been used.

Headline earnings consist of the earnings attributable to ordinary shareholders, excluding non-trading and capital items.

IFRS

International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB) and interpretations issued by the International Reporting Interpretations Committee (IFRIC) of the (IASB).

Nedbank Group's consolidated financial result are prepared in accordance with IFRS.

Impairment of advances

Impairments of advances are made where there is objective evidence that the group will not be able to collect an amount due. The impairment is the difference between the carrying amount and the estimated recoverable amount.

King II (the code)

The King Report on Corporate Governance 2002, which sets out principles of good corporate governance for South African companies and organisations.

Market capitalisation

The group's closing share price multiplied by the number of shares in issue.

Net asset value per share

Total equity attributable to security holders divided by the number of shares in issue, excluding shares held by group entities.

Net interest income to interest-earning assets (net interest margin)

Net interest income expressed as a percentage of average net interest-earning banking assets. Net interest-earning assets are used, as these closely resemble the quantum of assets-earning income, which is included in net margin.

Non-interest revenue to total income

Income from normal operations, excluding net interest, as a percentage of total income from normal operations.

Non-performing advances

Advances are classified as non-performing when:

- categorised as 'doubtful' and 'loss' per the bank regulatory credit risk classification system;
- a counterparty is under judicial management or declared insolvent; or
- management is doubtful about the collection of future cash flows.

Non-trading and capital items

These comprise the following:

- surpluses and losses on disposal of long-term investments, subsidiaries, joint ventures and associates;
- amortisation and impairments of goodwill arising on acquisition of subsidiaries, joint ventures and associates;
- surpluses and losses on the sale or termination of an operation;
- capital cost of fundamental reorganisation or restructuring having a material effect on the nature and focus of the operations of the reporting entities;
- impairments of investments, property and equipment, computer software and capitalised development costs; and
- other items of a capital nature.

Off-balance-sheet assets

Assets managed on behalf of third parties on a fully discretionary basis.

Total equity attributable to equity holders

Ordinary share capital, share premium and reserves.

Price/Earnings ratio

The closing price of ordinary shares divided by headline earnings per share.

Properties in possession

Properties acquired through payment defaults on a loan secured by the property.

Risk-weighted assets

Risk-weighted assets are determined by applying risk weights to balance sheet assets and off-balance-sheet financial instruments according to the relative credit risk of the counterparty. The risk weighting for each balance sheet asset and off-balance-sheet financial instrument is regulated by the South African Banks Act or by regulations in the respective countries of the other banking licences.

Return on equity

Headline earnings expressed as a percentage of average equity attributable to equity holders.

Return on total assets

Headline earnings expressed as a percentage of average total assets.

Segmental reporting***Operational segment***

A distinguishable component of the group, based on the market on which each business area focuses, which is subject to risks and returns that are different from those of other operating segments.

Geographical segment

A distinguishable component of the group that is engaged in providing services within a particular economic environment and is subject to risks and returns that are different from those of components operating in other economic environments.

Tangible net asset value per share

Total equity attributable to equity holders less goodwill, computer software and capitalised development costs, divided by the number of shares in issue, excluding shares held by group entities.

Treasury shares

Ordinary shares in Nedbank Group Limited acquired by group companies.

Weighted average number of shares

The number of shares in issue increased by shares issued during the year, weighted on a time basis for the period during which they participated in the income of the group, less treasury shares held by entities in the group, weighted on a time basis for the period during which the entities held these shares.

These definitions should be read in conjunction with the group's accounting policies, which also clarify certain terms used.

