CONTENTS

B·O·E LIMITED

BoE is a specialist provider of innovative financial solutions to businesses, and through businesses to individuals. Originally established as a trust company in Cape Town, South Africa, in 1838, BoE (formerly The Board of Executors) has been in operation for more than 163 years. BoE was listed on the JSE Securities Exchange in 1987. In 1998 BoE merged with NBS and Boland PKS to establish the core of the current Group. NBS was established as a building society in 1882 and Boland as a regional general bank in 1900.

As a South African group, BoE operates in both first world and emerging markets. The Group focuses on selected market segments in which we have developed expertise. BoE's major thrust is serving business, and through business to deliver service to individuals, whether they be the owners, managers, employees or customers of these businesses.

BoE comprises three main business groupings. Business-facing divisions offer merchant banking, asset-based lending to corporates, full-service commercial banking and e-commerce facilities. Investment management divisions offer private banking, asset management, employee benefits, insurance and fund administration services. The retail divisions offer consumer credit, secured and unsecured lending products and savings accounts to individuals.

Through a combination of high levels of client service and innovative products and ways in which products are delivered to customers, BoE seeks to differentiate itself from its competitors.

MISSION STATEMENT

BoE's mission is to be one of the most highly rated and respected specialist banking and financial services groups, providing innovative financial solutions to businesses, and through businesses to individuals. BoE seeks to add value by developing and maintaining strong long-term relationships with its clients in order to appreciate and understand their financial needs.

PHILOSOPHY

BoE's philosophy is to conduct its affairs with uncompromising honesty, integrity, diligence and professionalism and to be known for this by its stakeholders. In particular, all staff shall:

- Demonstrate a commitment to improve productivity, efficiency and quality.
- Carry out their duties with skill and care.
- Do business in a professional manner and according to the highest standards of conduct and ethics.
- Exhibit loyalty and dedication in all matters pertaining to the affairs of BoE.
- Not place themselves in a position where their personal interests could conflict with their duties to their clients and to BoE.
- Be prudent in the use of information acquired in the course of their duties and respect the confidentiality of corporate and client information.
- Not discriminate on the basis of race, religion or gender.

The detailed Code of Ethics adopted by the Group encompasses not only all staff and directors of BoE, but also recognises the ethical obligations of each stakeholder and the importance of a relationship of honesty, openness and fairness.

After the 2000 financial year, when BoE focused to a large extend on restructuring its complex structure, the 2001 year has been a busy one refining the Group's strategy for its coreoperations, enhancing capital management and improving operating efficiences. The Group is a specialist provider of innovative financial solutions to businesses, and through businesses to individuals. These banking, asset management and insurance solutions cater for the corporates themselves, their owners and other high net worth individuals, their employees and their customers.

CAPITAL MANAGEMENT

The Group continues to have excess capital. Steps taken to improve the return on capital for shareholders are:

- Continuation of the share buy-back programme.
- Return on equity improved to 18% whilst maintaining a return on assets of 1.8%.
- Improved allocation of capital between divisions.
- Excess capital in insurance companies moved to the centre at year end.
- Acquisitions of additional businesses in line with the strategy:
  - Credcor,
  - Cashbank,
  - Edge Investments, and
  - Stenham Gestinor.
- All divisions measured on an economic value-added basis and capital managed centrally.

FUNDING PROFILE

With liquidity being key to any bank's success, funding will always remain a focus area. To ensure diversity of and to lengthen funding, the Group has:

- raised a US$130m offshore syndicated loan;
- issued a R1 750m local unsubordinated bond; and
- broadened its base of corporate depositors.

OPERATIONS

The key focus for the year was on operations. This mainly concerned driving business in the core corporate businesses, resolving issues in under-performing divisions, the integration of new acquisitions, and increased cross-sell and co-operation between divisions.

Operational

- Fair topline revenue growth, with particularly good growth in non-funded income.
- Tight expense control.
- Provisions in NBS have been set at adequate levels.
- Local asset management has started to get good business inflows.
- Cheque processing outsourced to ABSA, with good cost savings being achieved.
- Continued growth in BoE Corporate advances.
- BoE Merchant Bank had a strong profit growth in most of its divisions, with particularly strong performance from Private Equity.
- With its focused strategy of providing banking to small and medium-sized corporates, BoE Bank Business Division delivered strong earnings.
- BoE Life Assurance increased its new business premium flows by targeting the broker market. Now more than 50% of new business comes through brokers.
- Strong performance from Credcor, a new acquisition to the Group.
- NBS successfully launched a personal loan product, utilising RCS systems infrastructure. Loans at year end amounted to R71m.
- Businesses have been grouped by market focus area to effect synergies and increased cross-selling.
- Continued roll out of PEP Bank branches (presently 61 open).
- Corporate Social Investment refocused to align with the business strategy.

Under-performing divisions

- Within NBS, problems with PiP's and other non-performing advances were experienced, mainly within the residential development loans and NBS commercial property loans divisions. New lending has been discontinued in both these areas and provisions raised accordingly. With increased focus, PiP levels are now improving.
- NBS retail mortgage loan growth was impaired by the intermediary market. The retail mortgage division has now been separated from the rest of NBS. New management has been put in place whose objectives will be to enhance growth and reduce costs.
- With Nsureline's small share of the direct short-term insurance market not allowing for sufficient economies of scale, it was decided to exit the market. This division was sold in January 2001.
- The cost infrastructure in the local Asset Management division was re-aligned to fit its current size. This included outsourcing several back office functions and retrenchment of certain staff. With the division's current consistent investment performance, profitability in 2002 should be restored to acceptable levels.
- Costs within BoE Private Bank were restructured to improve profitability, which should reflect in the 2002 numbers.
- The Kempton Park fraud case was concluded with an after tax loss arising of R30m.

Integration of new businesses

- The acquisition of Credcor (April 2001) went smoothly. It now forms part of the Retail Banking Division within BoE. Several areas have been integrated into other divisions within the Group and cross-sell opportunities have been identified and are currently being explored.
- The acquisition of Edge (May 2001) has enabled BoE to complete a comprehensive Employee Benefit offering. Edge is being fully integrated into the Investment Management Business within BoE and cross-sell to BoE clients has commenced.
- The acquisition of Stenham Gestinor was approved on 14 September 2001 and it will be integrated with BoE's offshore operations to provide a more complete product offering to South African clients. It now forms part of the Investment Management Business.
- Cashbank – Approval for the deal was received on 31 October 2001. Integration of the business can now proceed.

NON-CORE INVESTMENTS

The Group has largely dealt with its non-core investments. Unfortunately, the sale of Century City did not go through, but various steps have been taken to restructure these remaining investments:

- The Canal Walk shopping centre at Century City is operating as planned, and the return on investment is expected to improve in the medium term.
- To re-finance Monex Ltd, a successful rights offer was conducted, allowing BoE to reduce its debt exposure, whilst Monex's gearing position improved. Subsequent to year end, an offer to minority shareholders of Monex was made by BoE Bank Limited, and it has been proposed that the company be delisted.
- The investment in African Bank Investments Ltd was disposed of.

DISCLOSURE

BoE continues to maintain a position of open disclosure:

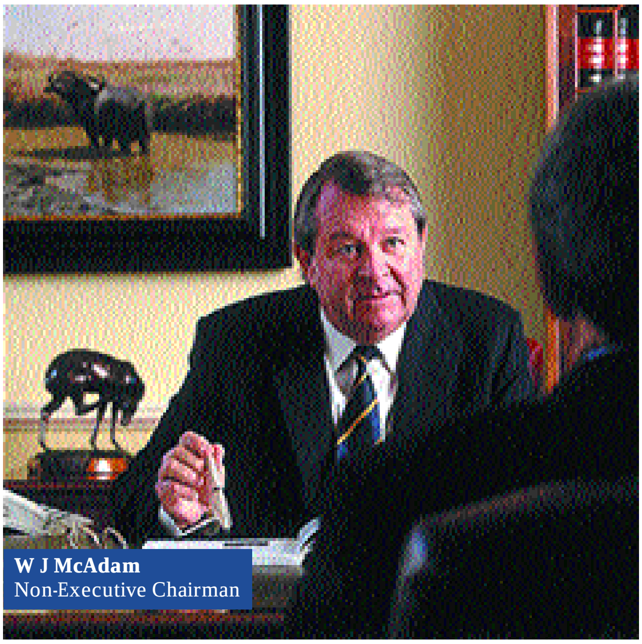
- Increased communication with the press.
- Continued pro-active interaction with the market.
- New website launched with increased information.
- Corporate Citizenship report produced, moving towards triple bottom line disclosure.

TARGETS FOR THE YEAR AHEAD

- ROE of 20% at current interest rate levels.
- Continued earnings growth.
- Margins to be maintained at greater than 4.3%.
- Cost to income ratio to be held at around 50%.
- Integration of Retail Banking division to be completed.
- Integration of Investment Management divisions to be completed.
- NBS Mortgage Loan division to be restored to profitability.
- Further integration of back office processing to be explored.
- Transparency to be maintained.
- BoE's good record of Corporate Social Investment to be continued.
- Plans for compliance with King II to be implemented. Best practice Standards of Corporate Governance to be maintained.

INCOME DRIVERS

	Actual 2001	Pro forma 2000
Margin / Advances	4.3%	4.3%
	multiply	*multiply*
Other income	2.1	1.9
	8.9%	8.3%
	less	*less*
Overheads / Advances	-4.4%	-4.5%
	less	*less*
Bad Debts / Advances	-1.5%	-1.0%
Sub Total	3.0%	2.9%
	multiply	*multiply*
1 - Tax rate	0.88	0.87
	2.6%	2.5%
	multiply	*multiply*
Advances / Total Assets	70.0%	69.4%
	=	=
RETURN ON ASSETS	1.8%	1.8%
	multiply	*multiply*
GEARING	9.8	8.8
	=	=
RETURN ON EQUITY	18.1%	15.8%
Cost / Income	50.0%	54.0%
Bad Debts / Margin	34.3%	22.6%



W J McAdam
Non-Executive Chairman

BACKGROUND

The year under review was characterised by a high level of volatility and uncertainty in financial markets. Furthermore, both the global and South African banking environments remained intensely competitive. Against this challenging macro-economic environment, the Group continues to develop its core businesses by building on a strategy of combining organic growth with selective strategic acquisitions. The Group continues to groom itself to generate consistent growth in profitability.

The results reflect mixed fortunes for the Group. Earnings per share increased by 15% to 52.1 cents and return on equity increased from 15.8% to 18.1%. Excellent results were achieved by our Merchant, Corporate and Business Banking divisions, which now contribute 58% to the Group's profits. Together these divisions achieved a return on equity of 30.2%. The Investment Management divisions, including private bank, asset management and international businesses, performed below expectations. Group expenses were tightly controlled.

The results were adversely affected by a significant increase in provisions against our non-performing loans and properties in possession in the NBS division. Overall provisions for the Group increased by R344 million, from R1 046 million to R1 390 million, mainly as a result of an abnormally large provision relating to residential property development and commercial property loans in the NBS division. Arising from an aggressive drive to reduce properties in possession, it became apparent that the valuations placed on our book were not realistic relative to the market, which called for a detailed investigation into all non-performing advances. The results of this review confirmed that further provisions were required mainly in the NBS residential property development loans and NBS commercial loans in smaller metropolitan rural areas. The bulk of these loans were made in the period between 1995 and 1997. The Group has ceased to operate in these markets. All necessary action has been taken and the Group can now accelerate the reduction of properties in possession at these realistic values.

Were it not for these additional once-off provisions, earnings per share would have been significantly higher in the year under review. The Group continues to refine its strategy and we are applying sharper focus on the main areas of Corporate Banking (including merchant banking, corporate and business banking), Investment Banking, Retail Banking and Investment Management.

During the year we disposed of our stake of 17.4% in African Bank Investments Limited (ABIL). The resultant non-headline loss was R716 million. However, since our entry into micro-lending some four years ago, the Group has made a R609 million cash surplus on this investment, which originated from the sale of the Boland PKS start-up micro-loan book to ABIL.

Key strategic acquisitions of Credcor, Cashbank, Edge Investments and Stenham Gestinor were made during the year and are being successfully integrated into the Group.

I am pleased to report that the Executive team has stabilised under the able leadership of Tom Boardman, who continues to drive the Group along its carefully chosen strategic route.

I refer to the Chief Executive's report, which deals in greater detail with the individual divisions of the Group.

LOCAL ENVIRONMENT IS CHALLENGING

Economic growth remained relatively firm despite current global conditions, due partly to the more accommodating monetary stance of the South African Reserve Bank and the benefits of a lower inflationary environment. Gross domestic product (GDP) rose at a yearly rate of 2.8% in the second quarter of 2001.

The local currency has become a shock absorber for global and Southern African influences, with a 17% depreciation on a trade weighted basis, this helping to support export prices in an environment of falling global demand.

The South African business cycle is expected to outperform the global business cycle in 2002, given our expectation of approximately 1.5% global growth during next year and approximately 2.8% growth in South Africa.

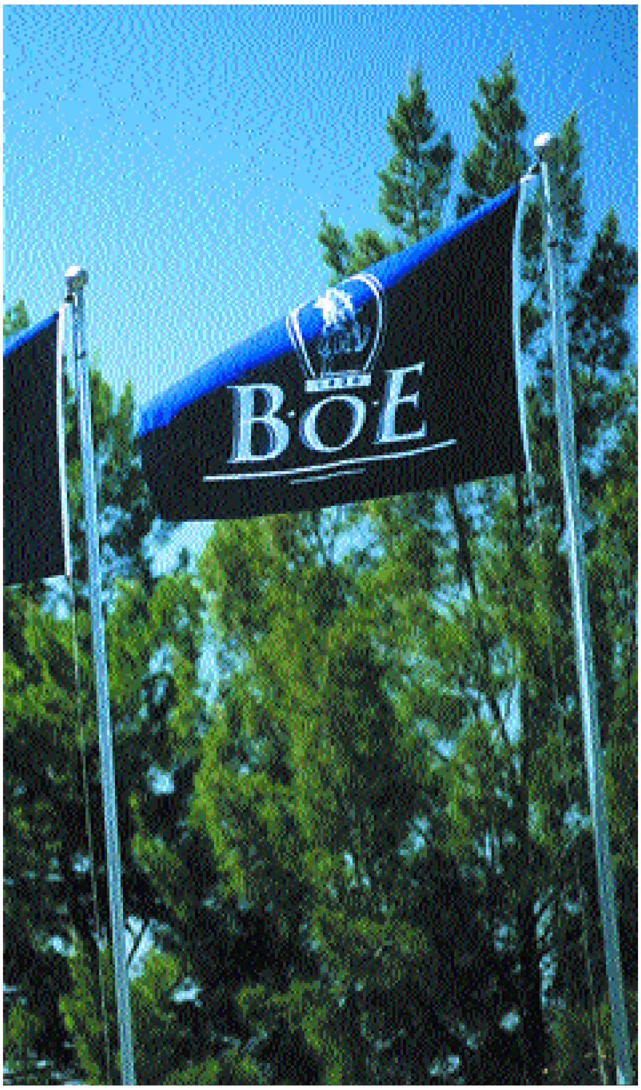
The Reserve Bank believes the 2002 inflation targets remain attainable, but express concern over the impact of rising import prices. Tighter retail margins are likely to curtail the transmission of the higher imported prices through into the headline consumer price index. High growth rates in money supply, administered prices and general wage increases remain a concern.

Given these circumstances, we believe that further reductions in interest rates from current levels will only take place after evidence that inflation is not being affected by international events. Further weakness in our currency will also play a significant role in determining the future course of interest rates.

South Africa's environment is challenging and the negative impacts of developments in Zimbabwe are certainly felt. It is essential that leaders in the region apply pressure to resolve these issues and to restore the rule of law in that country. The contagion effects on the region are extremely serious.

On a more general note, crime continues to erode confidence in South Africa. AIDS too remains a significant problem for South Africa. The pandemic, if left unchecked, may have disastrous effects on the economy. These issues, together with attracting foreign and local direct investment, improving education and job creation, remain vitally important for all South Africans.

The key to long-term success for our country is to successfully forge partnerships between government, business and labour. Investor confidence is a crucial element for boosting investment and economic growth in the country. Government and labour will need to find a formula to create a consistently favourable environment for investors, entrepreneurs and risk takers. Long-term confidence requires a set of consistent short-term actions which deal with the necessary disciplines in order for South Africa and its neighbouring countries to be regarded as an attractive investment haven. It is our belief that South Africa remains an exciting and exhilarating area in which to conduct business but it calls for our political leaders to recognise this by dealing with the negatives expeditiously and constantly re-enforcing the positives.



ADOPTING A CORPORATE CITIZENSHIP ROLE

We have also made an important mindshift in the area of corporate social responsibility, in line with international trends. Throughout our long history we have always been aware of our responsibility as a good corporate citizen, but whereas in the past corporate social responsibility may have been viewed as chequebook philanthropy, today it is regarded as a key value driver to our business.

In accordance with the new provisions of the revised King Code, we will be striving to adopt triple bottom line, or non-financial accounting, to measure our performance across a wider business model, taking account of stakeholder value.

Accordingly, BoE will adopt a corporate citizenship model which recognises responsibilities in four distinct areas:

- the marketplace, and the impact of our products and services on consumers' lives;
- the workplace, including our employees and issues that affect their wellbeing;
- the community in which BoE operates, and which gives us our license to operate; and
- the environment.

BoE has already made considerable progress, be this in matching social responsibility initiatives with our core business, considering the social effects of our corporate operations and the impact of our products, or building strong relationships with our customers, suppliers and communities. We acknowledge, however, that we still have much work to do.

In building our business and safeguarding our reputation we will continue to focus on attracting and retaining talented staff, improving our communication with our stakeholders, and managing risk.

OUR PEOPLE

BoE's success depends on the commitment and dedication of all our employees. Sadly, the re-organisation of the operations has resulted in some retrenchments in certain areas of the Group. My appreciation goes to all our staff for their enthusiasm, hard work, loyalty and support during these challenging times. I also value and appreciate the work done and role played by the Chief Executive, Tom Boardman, and his executive team.

I extend my gratitude to all my fellow directors for their loyalty and commitment to the Group's efforts, and to our clients and shareholders for their valued support that is so important to BoE's success.

CHALLENGES REMAIN

The Group has much to accomplish in 2002. The economic environment remains subdued, and all banking groups will find it difficult achieving the growth levels of recent years. We are confident that solid foundations are being established which will allow us to continue the progress made over the last year. The Group tax rate remains low and is likely to increase in the year ahead, whilst the Group continues to operate with excess capital. Both these issues will impede our annual rate of growth.

Notwithstanding the difficult market conditions, the Group is more focused and will keep a tight rein on expenses. Budgets reflect modest real growth in earnings per share and improved return on equity, which could be enhanced by further corporate activity.

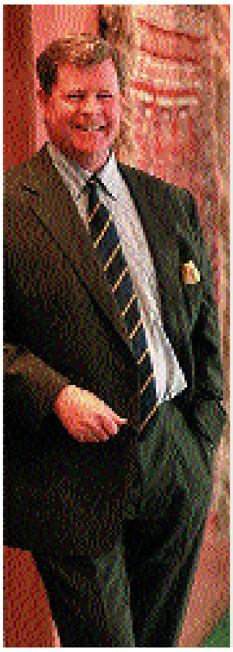
W J McAdam

W J McAdam (57) [2,3 & 4]
Non-executive Chairman
BA *Cape Town*
Appointed to the board: 1981
Formerly a stockbroker, he joined the Group in 1977. Appointed as managing director in 1981, and became executive chairman in 1996, and non-executive chairman in 1999. Chairman of the Western Cape Nature Conservation Board, a director of Commercial Finance Company Ltd and Congella Federation Ltd, chairman of The Laser Group Ltd, and trustee of the Premier's Relief Fund.

P Gorvalla (71) [3]
Independent Director
BCom (Honoris Causa)
Advanced Teachers Certificate
Appointed to the board: 1998
A director of Brimstone Investment Corporation Ltd, Business Partners and the Gorvalla Group of Companies.

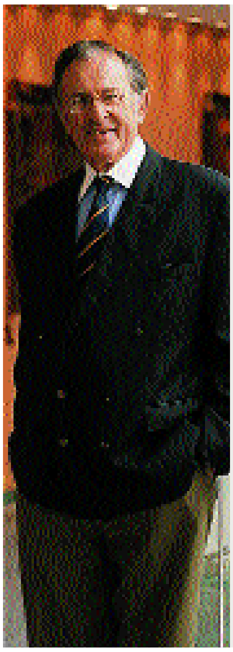
C J W Ball (62) [1,2,3 & 4]
Independent Deputy Chairman
Dip IURIS *Witwatersrand*
MA *Cantab*
Appointed to the board: 1995
A director of PG Bison Ltd and PG Bison Holdings Ltd. Former President of the Clearing Bankers Association of SA and Chief Executive of First National Bank Group.

J R McAlpine (60) [3 & 4]
Independent Director
BSc CA *Glasgow*
Appointed to the board: 1990
A non-executive director of Imperial Holdings, Anglovaal Mining, Metro Cash and Carry, and Grintek.
A former chairman of the Association of Unit Trusts of SA. Former head of investment activities and executive director of the Liberty Life Group.



J A C McGregor (56) [1,3 & 6]
Non-executive Director
BCom (Hons) *Cape Town*, CA (SA)
Appointed to the board: 1991
Joined the Group in 1977, and retired as Group Financial Director in 2000. Continues to serve as a trustee of the Group's various retirement funds and charitable trusts.

J G Modibane (43) [3]
Independent Director
BCom *University of the North*
MBA *Rutgers University (USA)*
Appointed to the board: 1998
Chief Executive Officer of Mr Prepaid (Pty) Ltd, and a director of Foskor Ltd (an IDC subsidiary) and Onelogix Ltd.



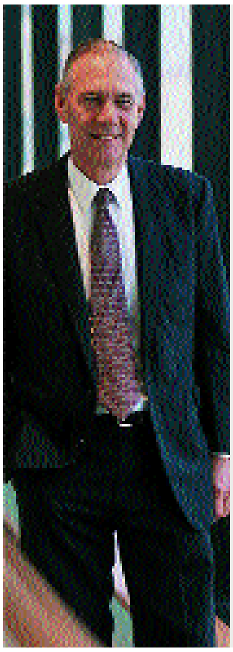
L A Meyerowitz (69) [3]
Independent Director
BCom *Witwatersrand*
Appointed to the board: 1998
A director of NIB Property Fund Managers Ltd and various private companies.

E Osrin (69) [2 & 3]
Independent Director
Registered attorney
Appointed to the board: 1992
Chairman of Foschini Ltd, a director of New Clicks Holdings Ltd and a director of various other companies.

J R Sanders (58) British [3]

Independent Director
BA (Hons) *Oxford*, MBA *Stanford*
Appointed to the board: 1995
Deputy chairman of Austin Reed Group plc, and a non-executive director of Amlin plc, Gulf Indonesia Resources Ltd, Sabanic Bank plc, and Sanwa International plc. Former executive director and head of International Division at S.G.Warburg and RBC Dominion Securities, Chairman of Royal Bank of Canada Europe, Royal Bank of Canada Suisse and Royal Bank of Canada Channel Islands, and Managing Director of NatWest Markets.

W J Swain (61) [1 3 & 5]
Independent Director
CA (SA)
Appointed to the board: 1987
Managing Director of Commercial Finance Company Ltd, Chairman of Congella Federation Ltd and a director of various other companies, including Mr Price Group Ltd and The Laser Group Ltd.



C M L Savage (62) [2 & 3]
Independent Director
BSc (Eng), MBA ISMP *Harvard*
Appointed to the board: 1998
Executive Chairman of The Tongaat-Hulett Group Ltd, and a director of AECI Ltd and Delta Motor Corp.

[1] = Audit, Risk and Compliance Committee
[2] = Remuneration Committee
[3] = Governance and Directors' Affairs Committee
[4] = Nominations Committee
[5] = Group Asset and Liability Committee
[6] = Group Credit Committee

Tom Boardman
Chief Executive

CORPORATE BUSINESSES

Philip Wessels
Executive Director

BoE Bank Business Division
- Commercial Division
- e-Business

National Payments System

Mike Brown
Executive Director

BoE Corporate
- Property Finance
- Business Finance
- Structured Finance
- Investment Partners
- Property Investment Partners
- Origination
- Premium Finance
- Corporate Saver
- Insurance Brokerage

BoE Insurance
NBS Mortgage Loans

Brian Kennedy
Executive Director

BoE Merchant Bank
- Specialised Finance
- Private Equity
- Investment Banking
- Corporate Finance
- Financial Engineering

BoE Securities
BoE Personal Stockbrokers

David Woollam
Executive Director

Group Treasury
Group Finance
Group Tax & Regulatory
ALCO & Capital Management

INVESTMENT MANAGEMENT

Paul Leaf-Wright
Executive Director

Asset Management
Employee Benefits
Investment Administration
Life Assurance
Multi-Management
Private Banking
Unit Trusts

RETAIL BANKING

John Maxwell
Executive Director

Cashbank
Credcor
NBS
- Savings & Investments
- Personal Loans

PEP Bank

SERVICES

John Smale

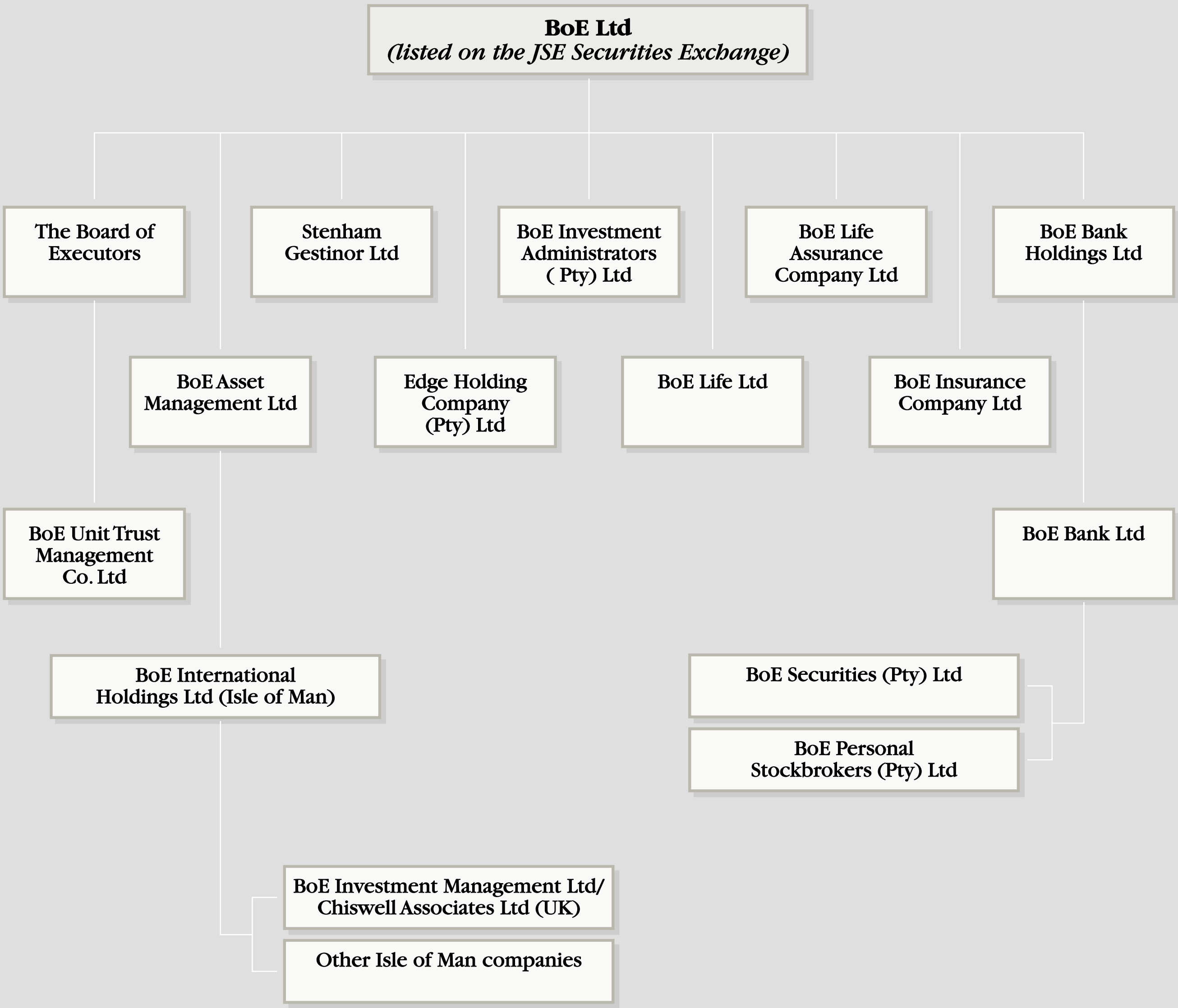
Group Risk
Compliance
Internal Audit

Don Bowden

Investor Relations
Communications
Group Human Resources
Group Marketing

Barry Froneman

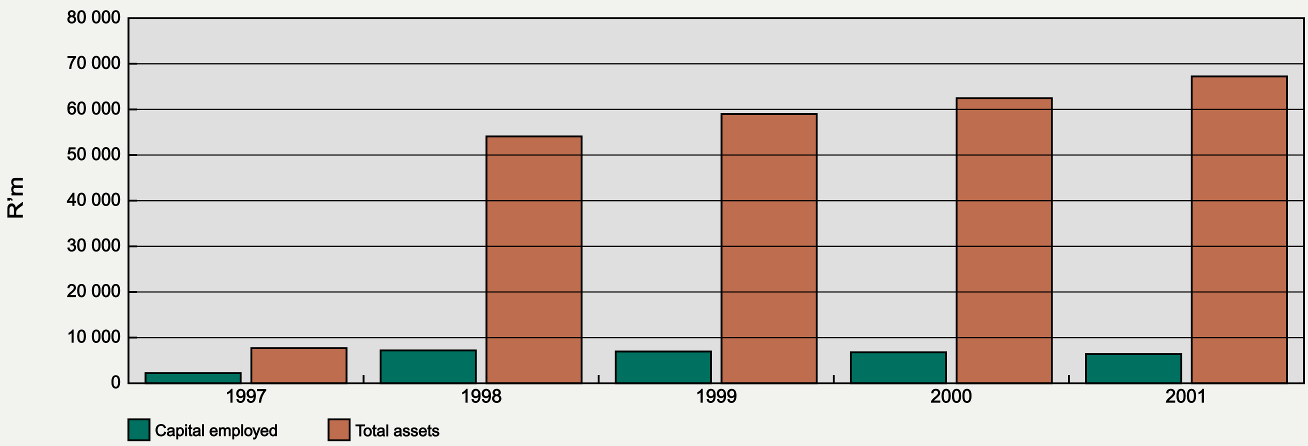
Group Information Technology


BoE Ltd
(listed on the JSE Securities Exchange)
The Board of Executors
Stenham Gestinor Ltd
BoE Investment Administrators (Pty) Ltd
BoE Life Assurance Company Ltd
BoE Bank Holdings Ltd
BoE Asset Management Ltd
Edge Holding Company (Pty) Ltd
BoE Life Ltd
BoE Insurance Company Ltd
BoE Unit Trust Management Co. Ltd
BoE Bank Ltd
BoE International Holdings Ltd (Isle of Man)
BoE Securities (Pty) Ltd
BoE Personal Stockbrokers (Pty) Ltd
BoE Investment Management Ltd/ Chiswell Associates Ltd (UK)
Other Isle of Man companies

CONSOLIDATED BALANCE SHEET

R'm	1992	1993	1994	1995	1996	1997	Pro forma 1998	Pro forma 1999	2000	**2001**
Property and equipment, cash and other assets	41	51	15	99	145	367	5 251	4 008	4 224	**5 864**
Investments	92	120	130	89	474	3 321	10 610	11 528	10 903	**10 221**
Advances	1 442	1 151	1 340	1 742	1 461	2 436	35 247	40 923	43 366	**47 458**
Liquid and trading assets		685	1 089	1 181	672	1 578	2 980	2 535	3 969	**3 693**
Total assets	1 575	2 007	2 574	3 111	2 752	7 702	54 088	58 994	62 462	**67 236**
Ordinary shareholders' funds	87	97	132	175	234	2 088	7 059	6 812	6 798	**6 402**
Convertible preference shares	–	–	–	144	144	144	144	144	–	**–**
Convertible loan stock	4	4	3	1	–	–	–	–	–	**–**
Capital and reserves	91	101	135	320	378	2 232	7 203	6 956	6 798	**6 402**
Life funds	–	–	–	–	231	1 425	4 674	7 031	6 653	**7 420**
Deposits and other accounts	1 451	1 857	2 385	2 694	2 001	3 725	38 429	41 470	46 253	**49 847**
Loans and other liabilities	33	49	54	97	142	320	3 782	3 537	2 758	**3 567**
Total equity and liabilities	1 575	2 007	2 574	3 111	2 752	7 702	54 088	58 994	62 462	**67 236**

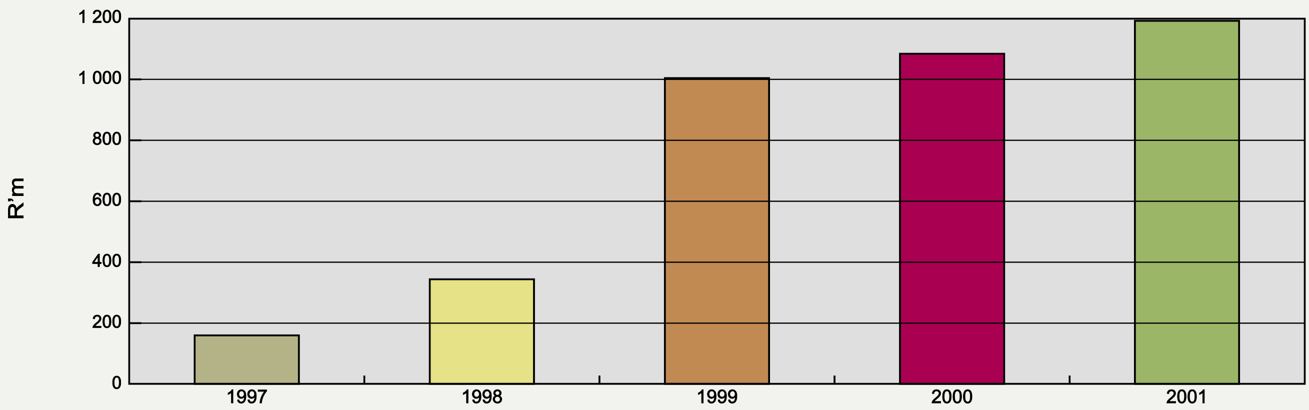
TOTAL SHAREHOLDERS' FUNDS AND TOTAL ASSETS



CONSOLIDATED INCOME STATEMENT

R'm	1992	1993	1994	1995	1996	1997	Pro forma 1998	Pro forma 1999	Pro forma 2000	**2001**
Net interest margin	not available	23	26	44	58	57	1 490	1 959	1 826	**1 956**
Non-interest revenue	not available	52	58	69	126	289	1 704	1 498	1 678	**2 077**
Income from normal operations	not available	75	84	113	184	346	3 194	3 457	3 504	**4 033**
Bad and doubtful debts	not available	5	2	3	7	11	445	525	412	**671**
Operating expenses	not available	53	57	69	111	195	1 586	1 807	1 893	**2 018**
Profit from normal operations	12	17	25	41	66	140	1 163	1 125	1 199	**1 344**
Exceptional items	–	–	–	12	20	8	–	(10)	(40)	**(860)**
Profit from operations	12	17	25	53	86	148	1 163	1 115	1 159	**484**
Financing costs	1	1	1	–	–	–	40	80	103	**102**
Share of earnings of associated companies	2	3	4	8	8	101	37	126	73	**61**
Profit before taxation	13	19	28	61	94	249	1 160	1 161	1 129	**443**
Taxation	–	2	4	8	12	31	200	170	159	**160**
Profit after taxation	13	17	24	53	82	218	960	991	970	**283**
Minority interest	–	–	–	–	–	–	615	–	–	**–**
Net profit for the year	14	17	24	53	82	218	345	991	970	**283**
Exclusions	–	–	–	(15)	(20)	(58)	(1)	13	114	**909**
Headline earnings	14	17	24	38	62	160	344	1 004	1 084	**1 192**
Growth in headline earnings	2	3	7	14	24	98	184	660	80	**108**
Preference dividends paid	–	–	–	5	14	14	15	15	–	**–**
Ordinary dividends paid	5	7	9	13	16	46	256	382	369	**430**

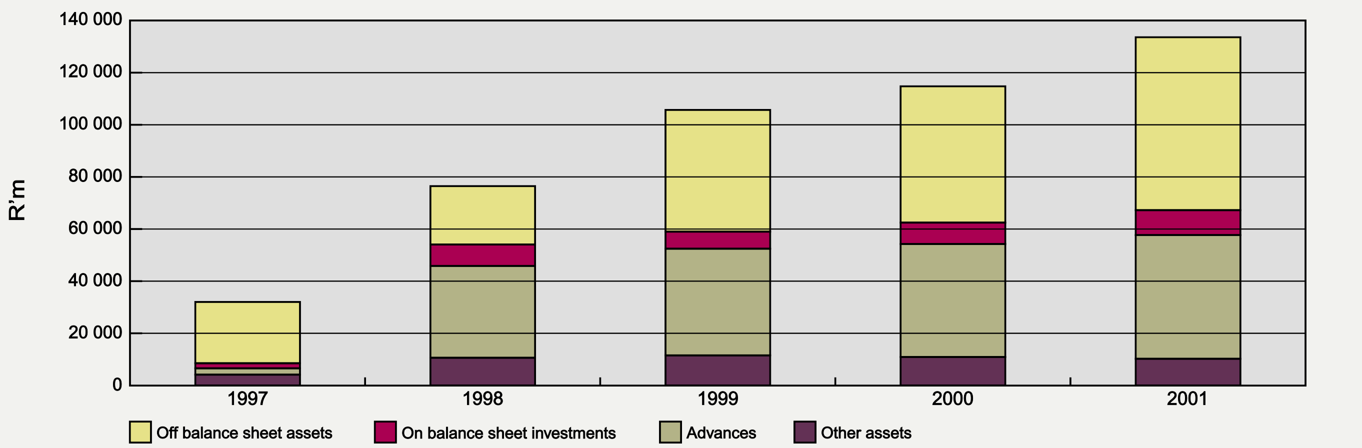
HEADLINE EARNINGS



ASSETS UNDER MANAGEMENT (market value)

R'm	1992	1993	1994	1995	1996	1997	Pro forma 1998	Pro forma 1999	2000	**2001**
Off balance sheet assets										
South Africa										
Asset management	1 608	2 412	4 012	4 863	9 868	12 548	11 209	12 294	12 774	**16 308**
Unit trusts	41	79	280	689	1 939	6 394	4 794	3 643	2 874	**2 342**
Private banking	2 518	3 218	4 738	2 486	3 114	4 074	3 661	5 078	6 250	**5 834**
Stock broker	–	–	–	–	123	224	958	880	1 148	**869**
Linked products	–	–	–	–	–	54	366	603	1 659	**7 425**
Properties	286	282	355	–	–	–	–	–	–	**–**
Offshore										
Asset management	–	–	–	–	–	–	60	14 190	17 765	**20 575**
Unit trusts	–	–	–	–	–	220	1 325	2 837	1 815	**3 616**
Fund services	–	–	–	–	–	–	–	7 189	8 021	**9 390**
Total off balance sheet assets	4 453	5 991	9 385	8 038	15 044	23 514	22 373	46 714	52 306	**66 359**
On balance sheet assets										
Long-term investments	70	96	145	116	309	2 700	5 740	4 355	4 077	**2 801**
Life investments	–	–	–	–	231	1 425	4 731	7 031	6 653	**7 420**
Short-term insurance investments	–	–	–	–	–	–	139	142	173	**–**
Total on balance sheet investments	70	96	145	116	540	4 125	10 610	11 528	10 903	**10 221**
Advances	1 442	1 151	1 340	1 742	1 461	2 436	35 247	40 923	43 366	**47 458**
Other assets	41	736	1 104	1 280	817	1 945	8 231	6 543	8 193	**9 557**
Total on balance sheet assets	1 553	1 983	2 589	3 138	2 818	8 506	54 088	58 994	62 462	**67 236**
Total assets under management	6 006	7 974	11 974	11 176	17 862	32 020	76 461	105 708	114 768	**133 595**

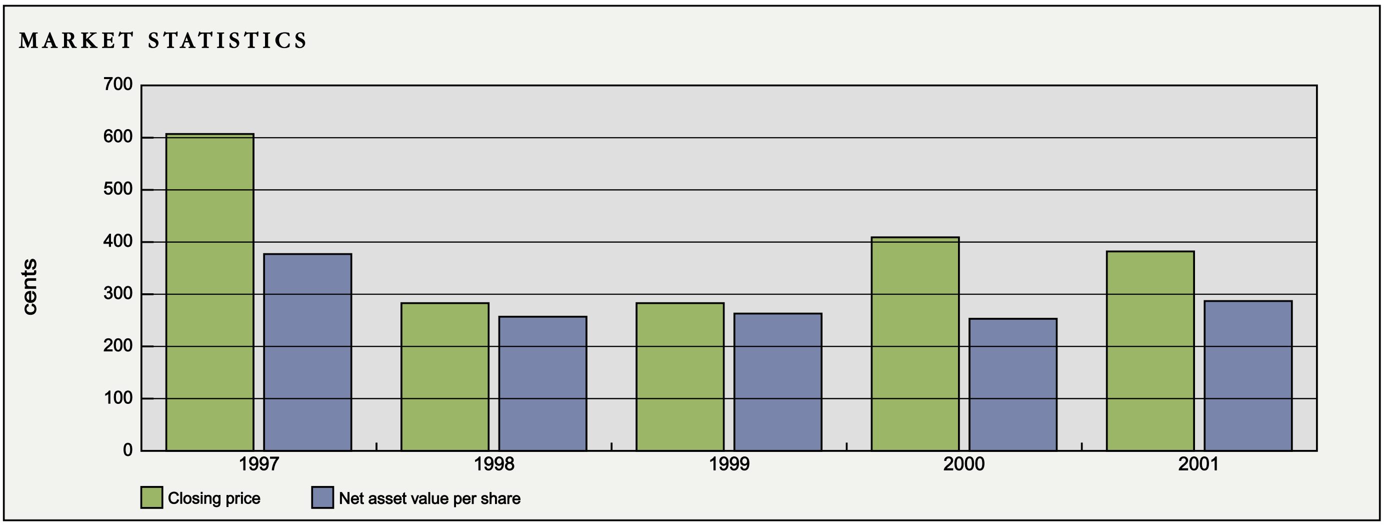
ASSETS UNDER MANAGEMENT



MARKET STATISTICS

		1992	1993	1994	1995	1996	1997	1998	1999	2000	**2001**
Ordinary share price: high	(c)	73	76	125	230	335	702	1 026	504	581	**500**
Ordinary share price: low	(c)	40	40	63	116	215	162	193	192	345	**318**
Ordinary share price: closing	(c)	41	63	124	225	335	607	283	283	409	**382**
Number of ordinary shares traded	('m)	6	11	12	20	15	34	274	744	1 037	**1 130**
Ordinary shares traded as a percentage of shares in issue	(%)	3	4	4	6	5	5	10	27	45	**49**
Value of ordinary shares traded	(R'm)	4	7	12	38	44	218	1 329	2 725	4 005	**4 831**
Price earnings ratio at year end		9	10	15	21	23	29	10	9	9	**8**
Price earnings ratio at year end for bank sector		12	14	19	16	16	15	11	14	12	**10**
Market capitalisation at year end	(R'm)	119	181	395	967	1 410	6 177	12 288	12 258	9 423	**8 652**
Market price premium to net asset value (investments at market value)	(%)	11	24	38	70	105	104	6	7	62	**33**
Earnings yield	(%)	11.8	9.6	6.6	4.8	4.4	3.4	10.5	11.5	11.1	**13.6**
Dividend yield	(%)	4.8	4.0	2.5	1.8	1.5	1.0	2.9	3.2	3.9	**5.0**

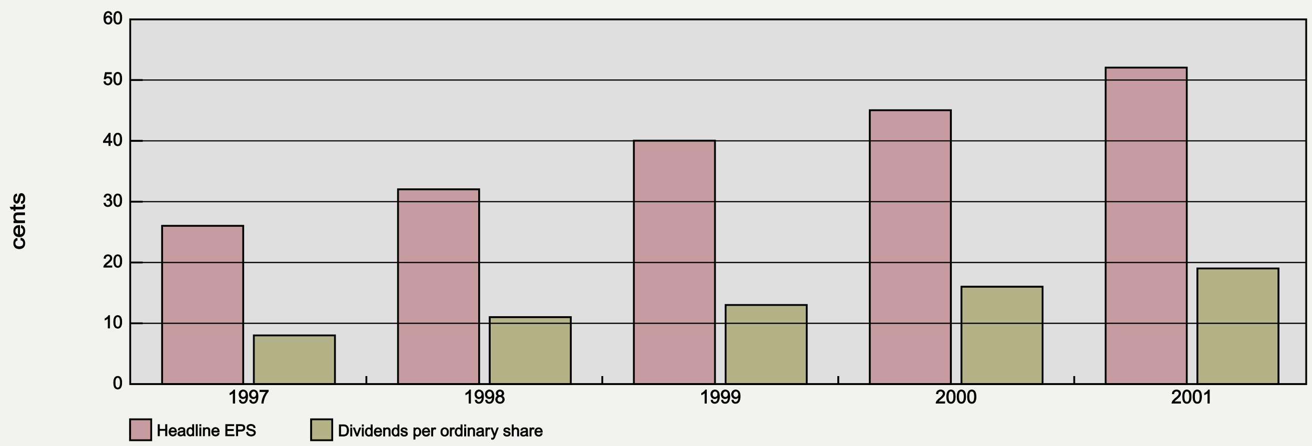
Note: 1991-1997 figures where applicable have been adjusted for the 20:1 share split that was effective on 11 May 1998. Ordinary share prices have been adjusted to reflect the pro forma adjustments of the capital distribution during May 2000.



SHARE STATISTICS

		1992	1993	1994	1995	1996	1997	Pro forma 1998	Pro forma 1999	Pro forma 2000	**2001**
Number in issue											
Ordinary shares	('m)	255	260	298	317	327	708	2 770	2 780	2 304	**2 265**
Preference shares	('m)	–	–	–	96	96	96	96	96	–	**–**
Loan stock units	('m)	35	30	22	6	2	1	1	–	–	**–**
	('m)	290	290	320	419	425	805	2 867	2 876	2 304	**2 265**
Shares bought back not yet cancelled	('m)	–	–	–	–	–	–	–	–	–	**4**
Cross holding	('m)	–	–	–	–	–	–	264	379	6	**4**
Net shares in issue	('m)	290	290	320	419	425	805	2 603	2 497	2 298	**2 257**
Weighted average no. of shares	('m)	290	290	305	357	422	608	1 076	2 514	2 392	**2 286**
Earnings per share	(c)	5	6	8	15	20	36	89	39	41	**12**
Headline earnings per share	(c)	5	6	8	11	15	26	32	40	45	**52**
Dividends per ordinary share	(c)	2	3	3	4	5	8	11	13	16	**19**
% increase in dividends per ordinary share	(%)	–	33	–	25	20	38	27	16	19	**19**
Net asset value per share (investments at market value)	(c)	37	51	90	132	164	377	257	263	253	**287**
Total ordinary shareholders' return per share (no pro forma adjustment)											
Dividends per ordinary share	(c)	2	3	3	4	5	8	13	16	16	**19**
Capital distribution	(c)									163	
Growth in share price	(c)	(30)	22	61	101	110	272	(341)	12	(32)	**(27)**
		(28)	25	64	105	115	280	(328)	28	147	**(8)**

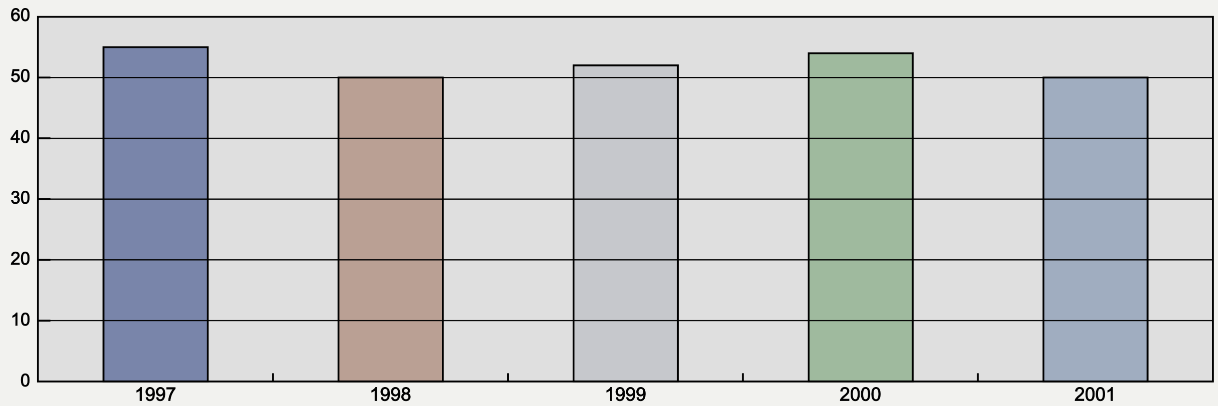
HEADLINE EARNINGS AND DIVIDEND PER SHARE



RATIOS

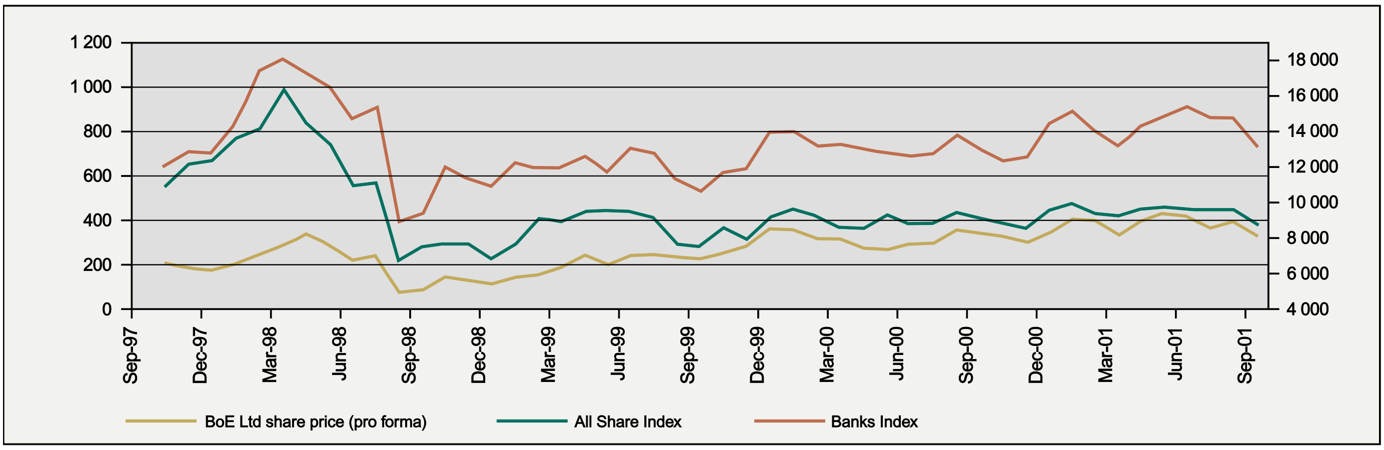
		1992	1993	1994	1995	1996	1997	Pro forma 1998	Pro forma 1999	Pro forma 2000	**2001**
Interest margin	(%)	not available	1.8	2.1	2.9	3.6	2.9	7.9	5.1	4.3	**4.3**
Non-interest revenue to total income	(%)	not available	70	69	61	68	84	53	43	48	**52**
Cost to total income	(%)	not available	66	65	58	58	55	50	52	54	**50**
Bad debts as a % of advances	(%)	not available	0.4	0.2	0.2	0.4	0.6	2.4	1.4	1.0	**1.4**
Effective tax rate, excluding associate income and exceptional items	(%)	18	25	25	26	24	25	17	15	15	**13**
Dividend cover		2.8	2.7	2.8	3.0	2.7	3.6	2.9	3.1	2.8	**2.7**
Headline return on equity	(%)	16	18	21	17	18	15	11	15	16	**18**
Return on total assets	(%)	1.3	0.9	1.0	1.3	2.1	3.1	1.1	1.7	1.8	**1.8**
Capital adequacy ratio of BoE Bank Ltd	(%)	n/a	n/a	n/a	n/a	n/a	n/a	16.7	14.5	13.0	**11.2**

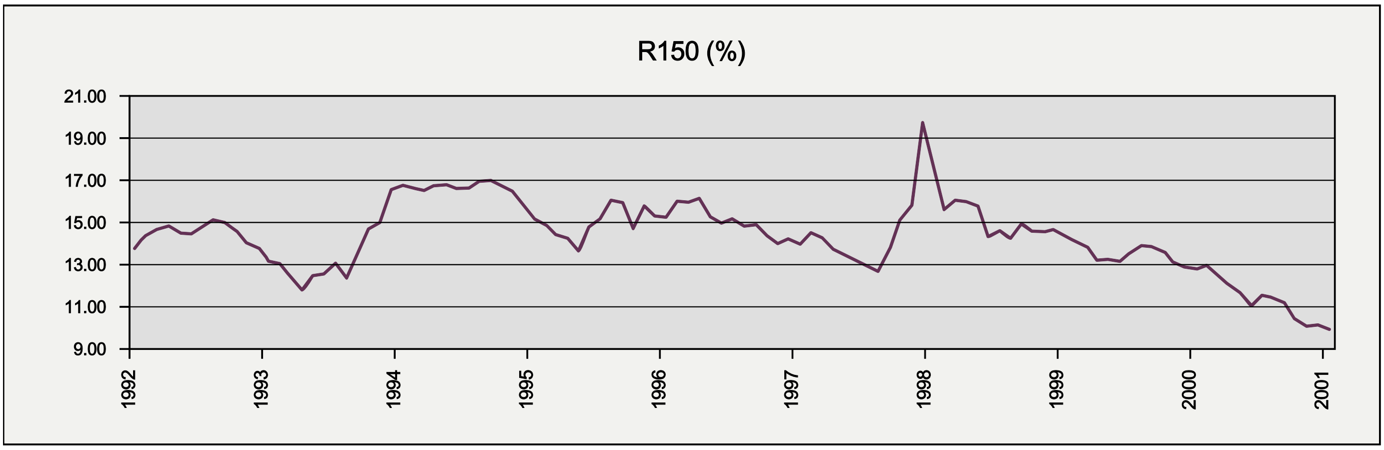
COSTS TO TOTAL INCOME (%)



OTHER INFORMATION

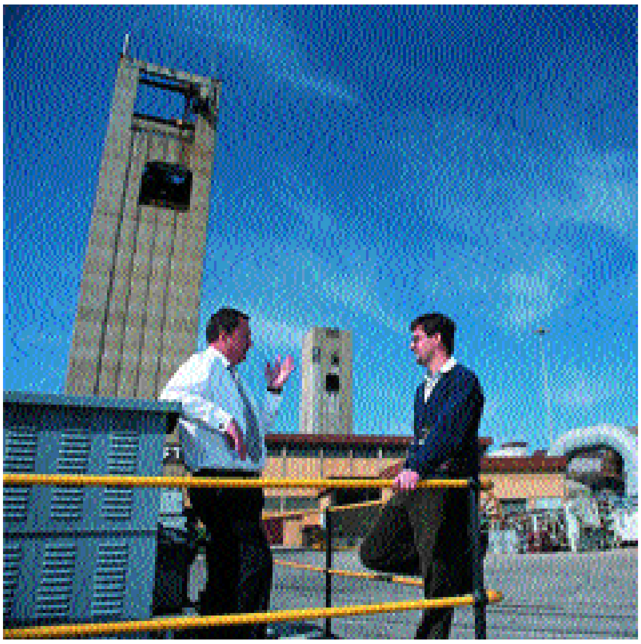
		1992	1993	1994	1995	1996	1997	1998	1999	2000	**2001**
Exchange rate to ZAR											
US ($)		3.0510	3.3972	3.5442	3.6460	4.6790	4.6625	5.8650	6.0100	7.2638	**9.0138**
Pound (£)		4.6253	5.0312	5.5355	5.6586	8.0221	7.5278	9.9731	9.8873	10.6695	**13.2798**
Euro (€)		n/a	n/a	n/a	n/a	n/a	n/a	n/a	6.3846	6.3929	**8.2073**
Interest rates											
Prime overdraft rate	(%)	17.25	15.25	16.25	18.50	20.25	19.25	23.00	16.50	14.50	**13.50**
R150	(%)	13.76	13.14	16.70	15.09	15.20	13.94	17.30	14.34	12.80	**9.96**
JSE All Share Index	high	3 749.0	4 896.0	6 054.0	6 283.3	7 099.4	7 616.4	8 373.6	7 341.6	9 335.5	**9 639.5**
	low	2 924.0	3 245.0	4 691.0	5 046.2	6 224.4	5 874.3	4 676.1	4 865.0	5 378.8	**7 171.1**
	closing	3 259.0	4 893.0	5 867.9	6 228.4	6 657.5	6 202.3	5 098.6	6 855.5	8 274.2	**8 126.1**
JSE Banks Index	high	3 310.0	4 143.0	5 448.6	8 120.9	8 805.9	13 002.9	18 126.4	13 829.7	15 646.8	**15 642.5**
	low	2 630.0	2 986.0	3 827.0	4 745.0	7 318.0	8 432.8	7 216.4	9 341.6	10 273.9	**11 545.3**
	closing	3 012.0	4 143.0	5 396.6	8 022.3	8 522.1	12 180.7	10 642.3	10 595.8	12 946.8	**13 083.7**





"BoE is a specialist provider of innovative financial solutions to businesses, and through businesses, to individuals".

The Group's market positioning as stated above captures key elements of BoE's mission statement, and seeks to differentiate BoE clearly in the financial services sector. The major drive of the Group is to use its established relationships with corporates to provide services not only for the corporates themselves, but also for their owners, other high net worth individuals, their employees and their clients.



BoE's mission is to be one of the most highly rated and respected specialist banking and financial services groups, providing innovative financial solutions to businesses and, through businesses, to individuals. BoE seeks to add value by developing and maintaining strong long-term relationships with its clients in order to appreciate and understand their financial needs.

The key elements of BoE's positioning statement and mission are explained as follows:

- In striving to be highly rated and respected by all stakeholders, the Group's focus is on achieving the highest levels of client service and integrity, consistent delivery of strong results, and open and full disclosure of events occurring within the Group. BoE measures its performance in this area by assessing its relative share performance with its peers, client response and frequent feedback from clients, and external independent surveys where applicable.
- BoE is a specialist in that it is not a generalist bank that tries to deliver a full product range to the market at large. The Group selects specific markets, understands the dynamics of those markets, and tailors specific products to meet their needs.
- By listening to client needs and understanding its markets, BoE provides innovative financial solutions and develops products that deliver alternative solutions to clients. The emphasis is placed on convenience and value for clients.
- Relationships are key to delivering high levels of service. BoE develops products to meet the needs of clients through good client relationships and a full appreciation of the markets in which the Group operates.




T A Boardman (51)
Chief Executive
BCom CTA *Witwatersrand*, CA (SA)
Joined: 1986. Appointed to the board: 1989
A director of the Banking Council, SA
Career history:

2000 to present	Chief Executive
1999	MD, BoE Bank Ltd
1994-1998	MD, BoE Merchant Bank
1989-1994	Executive Director, BoE Ltd
1986-1989	SGM, BoE Investment Management
1982-1986	MD, Boardmans
1978-1982	MD, Sam Newman Ltd
1977-1978	FD, Sam Newman Ltd
1973-1977	FM, Anglo American Properties

"A year of refining strategy, capital management and operating efficiencies."

Following the restructuring implemented by the Group during 2000, the focus in the year under review has been on three key areas:

- Refining strategy and structuring the business to align with this strategy;
- Enhancing capital management and improving the return on capital for shareholders; and
- Improving operating efficiencies within the parameters of the Group's strategy.

REFINED STRATEGY

In a low-growth economy and a fiercely competitive financial services sector, BoE's strategy is to position the Group as one of South Africa's leading specialist banking and investment management groups. The core of the strategy is to be a specialist provider of financial solutions to businesses, and through businesses to individuals.

The Group seeks to focus on market segments:

- which have the potential to grow faster than the economy as a whole;
- in which BoE can achieve a meaningful market share;
- where the risk/return ratio is satisfactory; and
- in which the Group has the necessary competence to compete successfully.

In implementing this strategy, BoE has:

- Focused on three main business areas:
  - Merchant, Corporate and Business Banking;
  - Investment Management; and
  - Retail Banking, primarily focused on the low-income to middle-income market.
- Disposed of its stake in African Bank Investments Limited (ABIL).
  - The 17.4% investment in ABIL was disposed of during the year by way of a specific share buy-back by ABIL.
  - Whilst BoE believes ABIL may have been a good addition to complement and expand its Retail Banking operation, both groups agreed after discussion that ABIL would pursue its own strategy and not form part of an integral BoE Retail Banking operation.

The Group is now well positioned to deliver consistent earnings growth, and continued return on equity enhancement.

  - Given that the Group could not acquire a controlling stake in that company, it sold its holding. In doing so, BoE recorded a non-headline write down of R716 million, reversing part of previously disclosed revaluation gains.
- Acquired four new businesses to complement existing businesses. Through disposing of ABIL, a company that the Group did not control and manage, BoE freed up funds to invest in businesses that it does control and manage, and that fit the strategic vision.
  - The acquisitions of Credcor, a leading provider of credit to consumers through retailers mainly in the emerging market, and Cashbank, a specialised provider of housing finance to the emerging market, enable BoE to:
    - Expand its product offering in this market;
    - Enhance the Group's credit and behavioural scoring ability;
    - Broaden the customer base; and
    - Obtain added management skills and a further understanding of the market.
  - The acquisition of Edge Investments, a multi-manager and insurance broker, which provides investment solutions in the individual and employee benefit markets, has:
    - Complemented the Group's employee benefit offering;
    - Increased BoE's distribution capability; and
    - Increased the depth of management in the investment management area.
  - The acquisition of Stenham Gestinor, an international private client asset management and trust company based in the UK and Europe, allows BoE to:
    - Improve its offshore product offering for South African private banking clients;
    - Increase the customer base;
    - Broaden the distribution network offshore;
    - Enhance its management skills offshore; and
    - Provide the Group with a better platform for cross-border trade and corporate finance activities.
- Stabilised the management team:
  - Last year BoE announced several management changes. Small refinements have been made to the team this year.
  - The Group now has a Group Executive team with experience both of the Group and the industry as a whole. This team has a blend of youth and experience.
  - The business units have the depth of management to ensure succession.
  - The one area of focus in which BoE has not yet progressed to its satisfaction remains its commitment to transforming its management team to be more representative of South Africa's demographics. A key part of this long-term transformation process is development plans for black staff members to ensure that they reach management positions in due course.

ENHANCED CAPITAL MANAGEMENT

Last year BoE acknowledged that it had capital in excess of its current needs, and indicated that the Group would address this issue over time, while under no circumstances jeopardising the liquidity position. Steps taken this year to restructure and deploy some of this capital include the continuation of the share buy-back programme and strategic acquisitions.

- During the year BoE bought back 74 million shares with a value of R 317 million.
- The strategic acquisitions of Credcor, Cashbank, Edge Investments, and Stenham Gestinor helped to deploy some of the excess capital.

- The Group's return on equity has improved to 18%. BoE acknowledges that further improvement is necessary and this will remain a focus for the year ahead.The Group aims to drive the return on equity up to a more acceptable level.

Proper management of capital within a bank is crucial because of regulatory minima and risk considerations. BoE has:

- Improved the allocation of capital among divisions;
- Identified excess capital in the insurance companies in the Group, previously subject to the volatility of equity markets, and moved this to the centre;
- Continued with internal evaluations of divisional performance on an economic value-added basis; and
- Managed capital centrally with a view to obtaining a consistent return with minimum volatility, and allowing divisions to earn a value-added contribution from their operations.

IMPROVED OPERATIONAL EFFICIENCIES

The Group headline earnings for the year were R1 192 million and headline earnings per share was up 15% from 45.3 cents to 52.1 cents. The NBS retail mortgage division had a poor year as a result of increased provisions for doubtful advances. However, this has been offset by strong performance in the Group's Corporate Banking businesses.

- The Group's income from operations increased by 15% in the period under review. This comprised an increased of 23% in other operating income with net interest income (margin) increasing by 7%. Margin has been affected largely by the reduction of cash used for share buy-backs and lower interest earned on free flow capital due to falling interest rates. Excluding these impacts, the increase would have been 13%. The buy-backs, however, have a positive impact on the Group's return on equity and earnings per share.

	R'm	Growth %
Total income		
2001	4 033	
2000	3 504	
Growth	529	
This was achieved from:		
▪ Organic revenue growth	430	12
▪ Net growth in revenue through acquisitions	134	4
▪ Foreign exchange gain on translation of integrated foreign operations	80	2
▪ Growth in revenue from the cash generated by the disposal of ABIL	34	1
▪ Impact of interest rate drop on capital	(86)	(2)
▪ A reduction in revenue from share buy-backs	(46)	(1)
▪ Cost of funding acquisitions	(17)	(1)
	529	15

- Stringent expense control has meant that overheads increased by only 2% after adjusting for overheads relating to new businesses acquired during the year. BoE's cost to income ratio for the year was 50%, an improvement from 54% last year.
- Good asset growth was achieved by the core Corporate and Business Banking divisions, and the Investment Management business started to see a positive turnaround in asset growth:
  - Corporate and commercial advances grew by 16%.
  - Investment Management assets under management grew by 27%. This growth arose through a combination of organic growth, acquisitions and foreign exchange fluctuations.

- The Group has increased its provisions aggressively for properties in possession (PiP's) and non-performing loans. Further to BoE's stated strategy of only operating in areas where it believes it can compete successfully, NBS ceased lending in the residential development and predominantly smaller metropolitan and rural commercial property market.
- The bad debt expense represents a charge of 1.4% of advances against 1.0% in the prior year. Of the total change of R671 million, R418 million relates to NBS. Since March, PiP's in NBS have reduced by R91 million and in addition, R286 million of remaining PiP's have been sold, awaiting transfer. This leaves R698 million PiP's to be sold, down from R884 million at September 2000.
- The Group concentrated on improving its liquidity and ended the year in a strong position. Banks in South Africa generally rely heavily on funding from corporate deposits within the domestic market. These deposits are typically of a short-term nature, often funding longer-term advances. The Group strengthened its position and lengthened the term and diversity of its funding through a currency hedged one-year US$130 million offshore syndicated loan and the issuing of a R1 750 million three-year unsubordinated bond. Active marketing by Group Treasury has increased the number of corporates providing deposits to the Group.
- Retail deposits grew by 13%, and now represent 37% of total deposits. Significant contributions were made by NBS as a result of a concerted marketing campaign for the "Golden Rate" fixed deposit and strong growth from the Corporate Saver product.

OPERATING PERFORMANCE

The Merchant, Corporate and Commercial Banking divisions have produced excellent performances during the past year, increasing headline earnings from these divisions by 46%.

BoE Merchant Bank had strong earnings growth in most of its business units, with a particularly pleasing performance from its private equity business. A team approach utilising a typical investment-banking model, together with the ability to provide funding in addition to deal structuring, has helped the merchant bank achieve this success. The competition in this market remains fierce, with foreign banks taking the lion's share, but BoE believes it is well placed to continue with strong results.

BoE Corporate and BoE Bank Business Division both delivered good growth and returns on equity. Corporate lending has been generally subdued in the banking sector as a whole. Nonetheless, high levels of customer service have enabled these divisions to compete in this area. The concept of 'taking the bank to the customer' has worked well and quick decision-making has helped the Group compete. In addition, the Group has to date been relatively unscathed by the many recent corporate collapses in South Africa. The contribution from the Corporate Banking divisions, which constitutes 58% of our total income, is key to our strategy of utilising this base to cross-sell products for the Retail Banking and Investment Management businesses.

BoE's new Retail Banking initiatives are marketed predominantly through corporates and merchants. The product offering is based on the premise that banking in the lower-income to middle-income markets is driven by five basic needs, which a bank will have to offer to be competitive in the long run. These needs are:

- An accessible, low-cost physical distribution network;
- Affordable transaction costs;
- A simple, single savings account, earning interest on any positive balance, with full transactional capability;
- Competitive personal loan products; and
- A secured, low-interest home loan product.

In growing the Retail Banking business, over the past year BoE acquired Credcor and Cashbank. These divisions, together with PEP Bank, NBS Savings and Investments, Personal Loans and Direct, form the Retail Banking business. With 1.3 million customers, 200 outlets and 300 ATM's, the Group has a strong base in order to penetrate the fast-growing lower-income to middle-income market. The product offering comprises not only loans but also transactional accounts that offer some of the highest rates in this market and the lowest charges. South Africans generally do not have a culture of saving, and BoE strongly believes and agrees with government that banks should encourage savings wherever they can.

The Group has integrated the Investment Management Business in line with BoE's stated strategy. Consistent investment performance by most units within this business has translated into asset growth which, along with steps to reduce the cost base, has laid the foundation for earnings growth in the new year. The acquisition of Edge Investments allows the Group to approach the employee benefits market aggressively, through a more comprehensive product offering. The acquisition of Stenham Gestinor strengthens BoE's offshore platform, bringing additional products and a wider distribution base. The offshore businesses have been integrated into the Investment Management Business and BoE has therefore included foreign exchange gains of R80 million in income, in accordance with Generally Accepted Accounting Practice and the Group's accounting policies.

ADDRESSING THE MIDDLE-INCOME MORTGAGE LOAN CHALLENGE

The mortgage loans market in South Africa has changed fundamentally as margins continue to decline with the introduction and growth of intermediaries, and increased competition in a market of modest growth. In this challenging environment, the NBS mortgage loans division has implemented several steps to address non-performing loans, bad debt, and properties in possession. NBS has accelerated the disposal of properties in possession, resulting in a reduction in the number of properties. The Group is maintaining its focus on this area until it reaches satisfactory levels. As mentioned above, NBS has ceased new lending to residential property developers and on commercial properties in predominantly rural and small metropolitan areas not serviced by BoE Corporate or BoE Bank Business Division.

The mortgage division focuses on the upper end of the middle-income market, above the key focus of BoE's other Retail Banking businesses. Accordingly, BoE has structured this business as a separate division with its own dedicated management team. This will allow the division to operate as a single-product specialist provider of retail mortgage loans.

CROSS-SELL

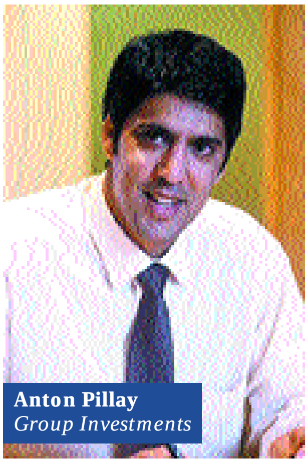
A major focus over the past year has been to increase cross-sell within the Group. In addition to traditional areas, such as insurance where strong cross-sell exists, some notable successes have been achieved. Some examples are:

- The merchant client base in Credcor is being targeted by BoE Bank Business Division to introduce card-acquiring technology to these businesses. Card products will shortly be available for Credcor customers to utilise at these merchants;
- Edge and BoE Investment Administrators now provide investment management and fund management services to a number of BoE Corporate clients;
- NBS Personal Loans, in conjunction with Credcor, recently launched a personal loans product to the broker market;
- BoE Bank Business Division continues to refer more complex structured loan and corporate finance business to BoE Corporate and BoE Merchant Bank;
- NBS personal loans, introduced this year, have successfully been marketed to the existing client base with strong demand to date;
- Credit cards are being marketed to clients that qualify with certain credit criteria throughout the Group;

- More than 70% of the clients opening accounts at PEP Bank are sourced from relationships the Group has with corporates; and
- A campaign was launched to sell BoE Unit Trusts to the NBS client base through their Financial Planners.

Through the grouping of like business, BoE believes the Group can achieve more synergies, and in the process further increase cross-sell opportunities within the Group.

NON-CORE INVESTMENTS


Anton Pillay
Group Investments

Good progress has been made in disposing non-core investments and returning the Group to its core business in banking and investment management. In the 2000 financial year, BoE wrote down its holding costs of Monex and Century City, the only two large non-core investments left. The steps taken to recapitalise Monex will allow BoE the time to deal with this investment at the appropriate moment. An offer has been made to purchase the minority shareholders in Monex. Century City continues to trade in line with initial expectations and to provide a positive return to the Group.

THE FUTURE

Managing the transition of the Group over the last eighteen months has been challenging. South African businesses do not operate in isolation, and the rapidly changing global environment and recent events in America have added to uncertainty.

Against this backdrop, BoE has emerged somewhat strengthened. It has returned to its core focus as a specialist banking and investment management group.

The plan for the year ahead is to continue the work commenced. The Group will:

- Grow the Investment Management and Retail Banking businesses off the foundation of its strong Corporate and Business Banking units;
- Actively manage its capital to ensure that the return on equity is increased to satisfactory levels; and
- Maintain the drive for further operating efficiencies. The Group will continue to pursue synergies and cost alignment within the Group and to exploit cross-selling opportunities.

Under current economic conditions, BoE is targeting to continue to achieve earnings growth.

APPRECIATION

I wish to thank Bill McAdam, Chairman of BoE, and his fellow non-executive directors for their support and input to the Group through these often difficult times. I extend a special word of thanks to my fellow executive directors for their commitment to grappling with the issues that have confronted us, as well as for the personal support they have given to me.

I further extend my thanks to our shareholders, who give valuable ongoing input in guiding us and helping us to shape our strategy.

In conclusion, I would especially like to thank the staff of BoE, who have displayed substantial skill, commitment and resilience. Many departments have unfortunately had to say farewell to a number of people, but they have handled the changes with stoicism. I believe that together we have the ingredients to take the Group forward to make it one of South Africa's most respected financial services companies.

T A Boardman

BoE BANK BUSINESS DIVISION

What we do

The Business Division of BoE Bank focuses mainly on small and medium-sized businesses. The Bank's e-business division is a leading supplier of card and e-business products to corporate and individual clients.

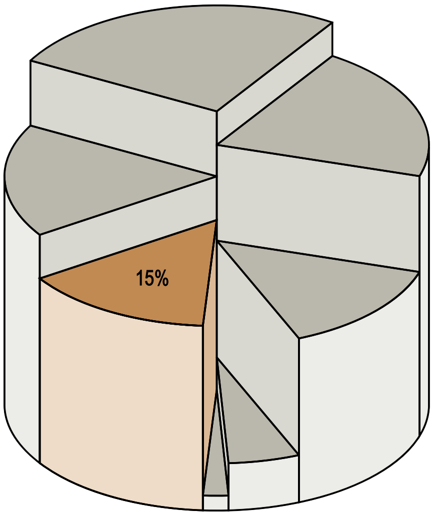
Philip Wessels (43)
Executive Director
BCom *UCT*, Diploma in Advanced Banking Law *RAU*, CA (SA), SA Institute of Stockbrokers
Joined: 1995. Appointed to the board: 2001
Career history:

2000 to present	MD, BoE Bank Business Division
1998-2000	MD, BoE International (UK)
1995-1998	MD, BoE Securities
1981-1995	Deloitte & Touche (partner at date of leaving)

Review

BoE Bank Business Division had strong headline earnings growth of 37% and currently represents 15% of the Group's earnings.

HEADLINE EARNINGS CONTRIBUTION (%)



Financial highlights		**2001**	2000
Headline earnings	R'm	**175**	128
Total advances	R'm	**8 288**	7 916
Bad debts as % of net advances	%	**1.1**	1.5
Cost to income ratio	%	**59.4**	65.0
Return on equity	%	**26.6**	24.5
Number of employees		**2 331**	2 500

The division is in its second year of trading under the BoE Bank name, and has in the past year successfully completed the integration of operations of the former Boland PKS into a division of BoE Bank Limited.

The division provides banking solutions to businesses based on the following key elements:

- A commercial banker that visits clients;
- An electronic banking solution through which clients can do their banking from their own premises;
- A pick-up and delivery service; and
- A range of BoE Group products available to clients for their staff, their clients and the owners/managers themselves.

This concept is unique, as it takes the bank to the customer.

“The concept is unique, as it takes the Bank to the customer.”

Alwyn Rossouw
Finance

Schalk Roux
Commercial Operations

Andre van der Burgh
Credit Risk

Gerhard Laubscher
Technology

Eugene de Villiers
e-Business

Following restructuring and changes to the location and number of commercial centres, efforts were focused on consolidating the division and implementing strategies to expand and grow the business. A process of upgrading client facilities at commercial centres which require refurbishment was started at Malmesbury, Knysna and Bloemfontein. These centres will be able to offer a high standard of client service and improved facilities, which support the BoE Group’s image and identity.

Cross-selling initiatives were launched with other divisions in the BoE Group, in particular BoE Bank Business Division can now offer banking services to approved Credcor merchants, and full transactional banking facilities to clients of BoE Private Bank and BoE Corporate.

Prospects and strategy

The division’s strategy of providing banking services to small and medium businesses is sound, and whilst growing its lending book, increasingly the focus will include further developing systems and procedures. The concept of “taking the bank to the customer” has proved to be successful, and positions the division competitively in the current corporate and commercial banking markets, which provide services to small and medium sized businesses.

The e-business division concentrates mainly on its card products and the expansion of the card acquiring business is expected to continue.

The process of upgrading commercial centres will continue when refurbishment of the East London and Pretoria centres commence. Improvements to BoE Bank Business Division’s head office in Paarl will be completed. A process of upgrading and expanding certain of the distribution centres will allow the division to offer its full product range to clients within a wider area than currently being offered.

BoE CORPORATE

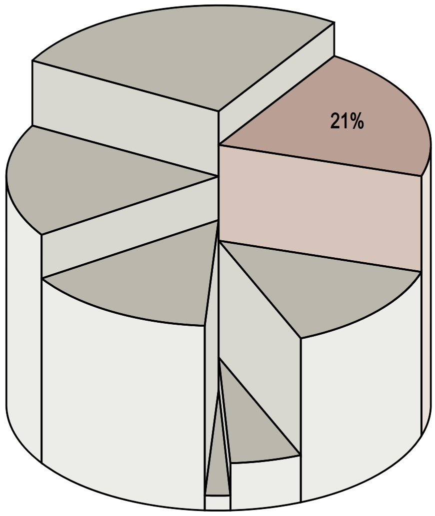
What we do

BoE Corporate specialises in the provision of secured finance to corporate clients in the middle corporate market. This includes finance for commercial, retail and industrial property; movable assets; invoice discounting; and the financing of short-term insurance premiums. In addition, the division offers private equity solutions for growing businesses, and invests in selected properties and property portfolios together with clients.

Mike Brown (35)
Executive Director
BCom PGDA *Natal*, CA (SA)
Joined: 1993. Appointed to the board: 2001
A director of various other companies, including Richway Retail Properties Ltd, Paragon Business Forms Ltd, Fasic Ltd and Kimberley-Clark SA Holdings (Pty) Ltd
Career history:

1999 to present	MD, BoE Corporate
1998	Deputy MD, BoE Corporate
1993-1998	Structured Finance, NBS Bank Ltd
1988-1992	Deloitte & Touche (SA & USA)

HEADLINE EARNINGS CONTRIBUTION (%)



Financial highlights		**2001**	2000
Headline earnings	R'm	**247**	198
Total advances	R'm	**14 994**	13 070
Bad debts as % of net advances	%	**0.7**	1.1
Cost to income ratio	%	**37.8**	33.4
Return on equity	%	**20.4**	21.5
Number of employees		**602**	606

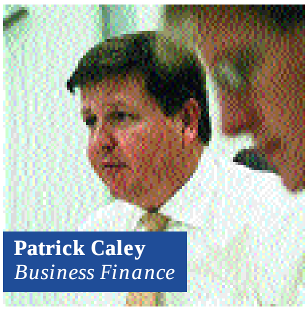
Review

BoE Corporate remained a major contributor to the BoE Group's earnings with growth in headline earnings of 25%. In a market characterised by sluggish economic growth, total advances grew by 15% with the division achieving real growth across a number of different business units.

The specialist commercial and industrial property division once again contributed significantly to earnings and to the growth in assets, and has become a leading force in lending to this market.

Significant improvement in growth was achieved in the asset-based finance division, where specialisation in certain

"Specialists in the provision of secured finance to corporate clients."



Patrick Caley
Business Finance

Rob Lockhart-Ross
NBS Home Loans

Richard Harman
Property Investment Partners

David Cory
Commercial

Clive Howell
Investment Partners

David Gorven
Property Finance

Brian Findlay
Corporate Services

Greg Heron
Structured Finance

Riaan van Eck
Business Solutions

David Griffiths
Corporate Saver

Craig Evans
Premium Finance

industries, notably medical, agricultural and aviation, has produced good results. This, together with very active management of existing exposures, has seen a much improved return from this area of the business.

Banking margins were under pressure for most of the year, and non-margin business was again a significant contributor to the division's results, with excellent performance in the structured finance arena, and solid returns from property investment, and the life and short-term insurance activities.

The division has actively managed its problem accounts during the year and succeeded in maintaining arrears at very acceptable levels. The income statement charge for bad debts showed a pleasing decline over the prior year, and was reflective of the stable interest rate environment, improved lending quality and a focus on recoveries.

A number of high profile liquidation matters continue without final resolution, but the policy of BoE Corporate of undertaking generally only secured lending has limited any potential impact on financial results.

BoE Corporate is exposed to the Macmed Health Care group, which has been liquidated. The exposure of R127 million (R115m plus interest) is secured by certain assets. Although BoE Corporate has received an advance dividend from the sale of these assets in an amount sufficient to extinguish its claim in full, the security has been disputed by the liquidator. In the event that the liquidator's claim succeeds, the advance dividend will be refunded and BoE Corporate's claim would become concurrent. Opinion from Senior Counsel is that BoE Corporate's claim is secure, and accordingly, no provisions have been raised, and this amount is shown as a contingent liability in the financial statements. It is likely this matter will be heard in court in June 2002.

During the course of the year BoE Corporate took over the management of the R2.8 billion commercial and industrial mortgage book that was housed in NBS. The financial results of this book will be consolidated into BoE Corporate in 2002. This has resulted in the consolidation of property finance skills in one division of BoE.

The residential development property loans division within NBS will be managed by BoE Developments, a subsidiary of BoE Corporate, who have expertise in this area. No new lending will be made, as this is not a key area for the Group, but the book will be managed down.

As part of the broader BoE Group strategy of clustering together businesses that deal with similar customers, NBS Corporate Saver has been rebranded as BoE Corporate Saver, and has become a division of BoE Corporate with effect from 1 October 2001. This is anticipated to increase cross-selling of banking products to the professional market.

Prospects and strategy

BoE Corporate continues to sharpen its focus in its selected markets and invests extensively in understanding and penetrating these markets through a high level of specialisation. This focus, together with a heavy emphasis on superior client service and extensive investment in people development, has positioned the division to anticipate good growth prospects in the new year. This has been underpinned by a significant investment in new technology, with the successful implementation of the SAP system in October 2001, providing a world class foundation for continued growth in the business.

BoE MERCHANT BANK

What we do

BoE Merchant Bank offers a wide spectrum of investment banking products and advisory services to large corporate clients, parastatals, institutions and government. The product areas include corporate finance, private equity, specialised finance, financial engineering and securitisation. BoE Securities, the full service institutional broker, and BoE Personal Stockbrokers, the retail brokerage, both report into the Merchant Bank.

Brian Kennedy (41)

Executive Director

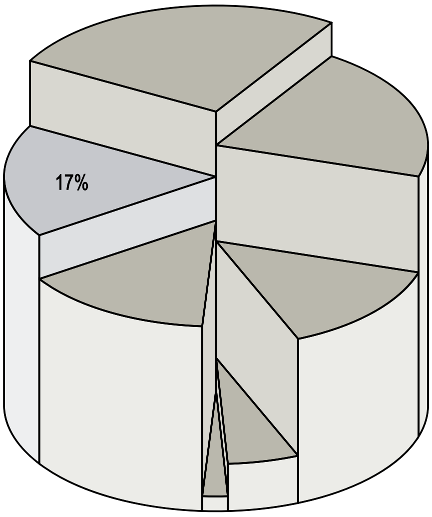
MSc Eng, MBA *Witwatersrand*

Joined: 1996. Appointed to the board: 2001

Career history:

1998 to present	MD, BoE Merchant Bank
1996-1998	Head of Structured & Project Finance, BoE Merchant Bank
1988-1996	Head of Structured & Project Finance, FirstCorp Merchant Bank
1984-1988	Senior Systems Engineer, Denel Ltd

HEADLINE EARNINGS CONTRIBUTION (%)



Financial highlights		**2001**	2000
Headline earnings	R'm	**206**	87
Total advances	R'm	**3 191**	2 140
Cost to income ratio	%	**46.4**	69.4
Return on equity	%	**78.2**	51.6
Number of employees		**322**	380

Review

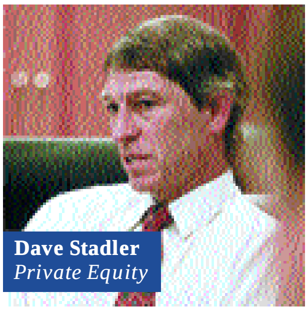
BoE Merchant Bank performed extremely well during the year, with earnings growth of 137% and asset growth of 49% in a difficult and highly competitive environment. Several high profile mandates were secured, such as: advising Harmony in the R1 billion acquisition of the Deelkraal and Elandsrand mines, as well as structuring and funding R500 million of this acquisition; underwriting R220 million of cross border acquisition finance for Harmony's New Hampton mine in Australia; participating in the underwriting and financing of up to R190 million in the Messina Platinum Mine project together with other participants; R750 million interim funding of the Maandagshoek Platinum project pending the finalisation of the project finance facility; and $37.5 million Export Credit Insurance Corporation (formerly CGIC) backed term project finance for stage II of the Mozal aluminium smelter in Mozambique. The division's success in securing these large

"BoE Merchant Bank leverages off its research capabilities, the Group balance sheet and a number of products and channels available in the wider Group."


Mark Weston
Chief Operating Officer


Anton Taljaard
Specialised Finance


Mark Learmonth
Corporate Finance


Dave Stadler
Private Equity


Pierre Brink
Gilts


Jean du Plessis
BoE Securities


Louis Geldenhuys
Personal Stockbrokers


Dave Eliot
Personal Stockbrokers

Patrick Jackson
Financial Engineering

Wynand van Zyl
Equity Research

transactions is clearly assisted by BoE Bank's balance sheet capacity, strong credit skills and a thorough knowledge and understanding of the sectors in which it focuses.

In its second year of operation, Financial Engineering continued to realise synergies between Specialised Finance, Treasury expertise and derivative equity products to deliver structured investment solutions to the wholesale and retail markets. This division made a strong contribution to earnings.

The Investment Banking division continues to build on its success by bringing the breadth of BoE's product range to bear on the entire client base. This has resulted in a robust pipeline of deal flow.

Merchant Bank's balance sheet is utilised to make private equity investments. A strong contribution to earnings was made through the realisation of the private equity investment in Protea Chemicals.

In the face of strong competition from global investment banks, BoE Securities was again ranked 7th (unweighted) amongst all equities research firms.

The separation of the Personal Stockbroking business in the previous financial year has brought focus to this retail business. BoE Personal Stockbrokers offers internet trading capability, portfolio management, as well as execution and delivery service to private clients. It also offers innovative structured investment products to its client base.

Prospects and Strategy

BoE Merchant Bank is able to leverage off its research capabilities, the Group balance sheet and a range of products and channels available within the wider BoE Group. This is particularly the case with the Specialised Finance and Financial Engineering businesses, both of which have carried over good deal flow into the new financial year. It should be noted, however, that should adverse global equity conditions prevail for an extended period, it could affect certain business units within the Merchant Bank adversely in the year ahead.

TREASURY

What we do

BoE Group Treasury is focused primarily on four activities:

- Money Market Funding - managing the wholesale deposit base of the bank (approximately 63% of deposits);
- Hedging – providing hedging products to the banking

David Woollam (37)

Executive Director

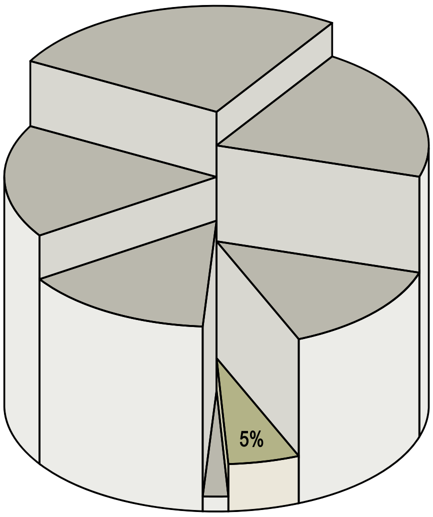
BCom *Natal*, BCompt (Hons) *UNISA*, CA (SA)

Joined 1999. Appointed to the board: 2001

Career history:

2001 to present	Group FD & MD Group Treasury
2000	Group CFO
1999	SGM: Finance – BoE Bank Ltd
1995-1999	Risk & Financial Management – Greenwich NatWest (London)
1992-1995	Risk Management – Credit Suisse FP (London)
1991	Financial Management – Mortgage Services, Citibank (London)
1982-1990	Deloitte & Touche

HEADLINE EARNINGS CONTRIBUTION (%)



Financial highlights		**2001**	2000
Headline earnings	R'm	**65**	61
Cost to income ratio	%	**28.4**	28.9
Return on equity	%	**40.2**	51.9
Number of employees		**117**	108

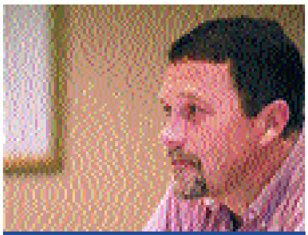
divisions as well as managing the interest rate risk for the ALCO process;

- Client facilitation – covers the entire foreign exchange product range from travel to wholesale; and
- Proprietary trading – focus on capital markets, interest rate derivatives and foreign exchange.

Review

The trading operations within Treasury fared well in markets which, during the course of the year, varied from being range bound to incredibly volatile. The past year saw continued growth in the corporate foreign exchange area, which was in line with the division's core objective to increase annuity-based income. Key contributions were again made by the interest rate derivatives and foreign exchange areas, however capital market activities fell short of original expectations due to a continuing lack of liquidity in the options market.

"The established franchises of foreign exchange and interest rate swaps businesses have created the base off which to expand."



Hannes van der Westhuyzen
Group Treasurer

Gordon Little

Neil McCarthy

Willy Ford

Gunter Joachim

The division had acceptable growth in fee and trading income, cost growth was well contained and an increase in credit provisions of R14.9 million being the difference between a good rather than a truly memorable year.

Treasury management has over the past year expended significant time on the management of problematic advances. The division's involvement in consortium arrangements on McCarthy Retail and RAG saw both companies recapitalised during the period. The McRetail recapitalisation of R870 million and the RAG recapitalisation of R410 million have effectively created sound financial platforms for both companies.

Siltek and Masterfridge were placed into liquidation during the period under review and substantial provisions are being held against both.

At year end, R39.4 million of specific provisions were held against the four exposures outlined above. The exposures that led to these provisions were legacy loans inherited out of the merger with BoE and NBS. BoE Group Treasury no longer carries out lending activities of this nature.

The past year brought a number of notable achievements:

- Negotiation of a $130 million syndicated loan;
- Issuance of a R1.75 billion, three year BoE senior unsubordinated bond;
- Continued expansion in the funding book and wholesale depositor base;
- Joint-lead arranger of the African Bank bond listing (ABL1);
- Expansion of corporate foreign exchange profit base; and
- Excellent profit contribution from the interest rate and foreign exchange desks.

Prospects and strategy

The established franchises of foreign exchange and interest rate swaps businesses have created the base off which to expand. The division invested a great deal of resources into building strong risk systems and a sound control environment.

A number of plans and strategies have been developed to expand and diversify the product ranges and customer reach. The division is committed to delivering on a number of these during the course of the year. Examples are:

- Bond origination;
- Commodities trading;
- Capital market trading; and
- Securitisation and credit derivatives.

All this will, however, be done within a tight risk management framework and a thorough understanding of the risks involved.

Funding the Bank remains a high priority, and the division will continue to explore ways to diversify and improve the liquidity profile in order to maintain a sound platform for growth.

Paul Leaf-Wright (39)
Executive Director
BCompt (Hons) *UNISA*, CA (SA)
Joined: 1986. Appointed to the board: 1999
A director of various other companies, including Monex Ltd, Luna Corporation Ltd and Southern African Investments Ltd
Career history:

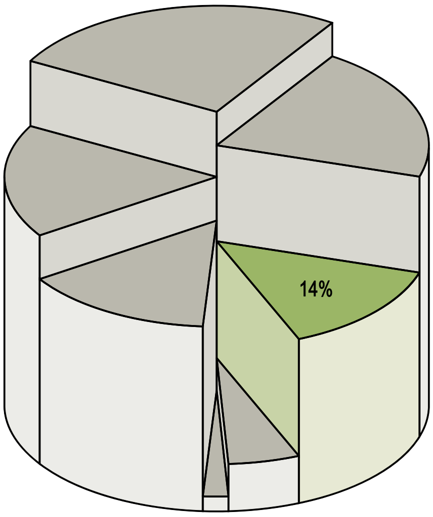
2001 to present	MD, Investment Management Business
1999-2000	Executive Director: Finance & Treasury
1994-1999	MD, BoE Corporate
1986-1994	NBS Bank Ltd: Group Finance & Treasury
1979-1986	Deloitte & Touche

INVESTMENT MANAGEMENT DIVISION (IMD)

What we do

The Investment Management Division of BoE focuses on providing solutions to meet a diverse range of clients' financial needs. Clients range from intermediaries and institutions to high net worth individuals at the upper end of the market. Potential and current clients look to BoE to provide tailor made

HEADLINE EARNINGS CONTRIBUTION (%)



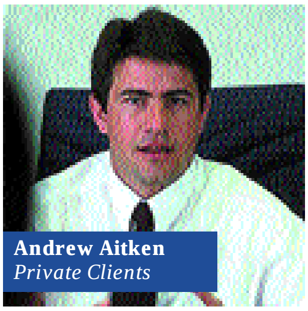
Financial highlights		**2001**	2000
Headline earnings	R'm	**167**	191
Assets under management	R'm	**66 359**	52 306
Life fund investments	R'm	**7 420**	6 653
Life companies embedded value	R'm	**713**	844
Cost to income ratio	%	**62.2**	61.0
Return on equity	%	**21.4**	19.7
Number of employees		**760**	602

solutions that will deliver investment solutions in line with their stated objectives and expectations. Through the integration and alignment of distribution platforms the division is able to facilitate delivery of investment and banking products to varied client segments. The product mix for each segment differs, and through ownership of the client relationship, BoE is able to deliver a client-centred solution. Although there is currently a strong South African presence, it is complemented by the ability to actively leverage this presence into the Group's expanding offshore businesses.

Businesses dealing with Private Clients

(BoE Private Bank, Edge Investments, Stenham Gestinor)

The Private Clients segment of the business focuses on


Andrew Aitken
Private Clients


Brian Béchet
International Private Clients


Michael Fienberg
BoE International – Offshore


Vernon Boulle
BoE International – SA based

individuals whose net worth or current earnings results in financial expectations that must be met in a more individualised and structured way. BoE has delivered personalised service to high net worth clients and their families since its inception in 1838. An enviable reputation for providing clients with both the highest quality of service and consistent growth, via in-house rigorous investment processes, has been nurtured. A focus on employing and developing the highest calibre of staff is maintained. Strengths in this market have been the core Private Banking values of professionalism, prudence and personal needs attentiveness.

Providing suitable investments for clients has continued to be a very important business, and has produced good results despite the challenges that are facing this market. Armed with a strong brand and track record, the division continues to increase its market share. To enhance its offshore offering to South African based clients and to add bulk to the international private client and asset management business, BoE acquired Stenham Gestinor, an international private client asset management and trust company. Together with BoE Trust Company Limited, the international offering includes confidential onshore and offshore services, including advice on tax and estate planning, Trustee Services (consulting and administration), asset management and property investments. Stenham Gestinor will be used as a distribution platform for other existing products, in particular from the Life Company. The process of integrating the South African and offshore businesses is well under way, and 2002 is an exciting year for growth in this area.

Edge Investments, acquired in May 2001, has taken the offering to high net worth individuals one step further, by supplementing more traditional products with innovative investment solutions. Through life products, they provide a structured after tax income stream based on individual client needs. Edge has performed above the Group's original forecasts in its first five months.

Prospects

The banking product range is being supplemented and transactional capabilities increased to enable the provision of tailored banking solutions to individuals with a high earnings capacity. Functionality that currently exists within the Group will be used to expedite implementation on a cost efficient basis.

The division has spent time on internal systems and procedures over the past year to provide a sound platform to grow the business confidently into the future.

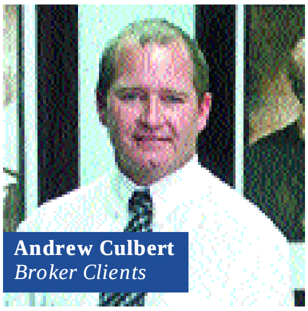
With a concerted marketing drive, extra people resources and complemented with new products, the Group's efforts in aggressively growing the Private Bank in 2002 will be made possible.

BoE Personal Stockbrokers offers domestic Internet stockbroking and trading service as well as execution and delivery service to private clients. BoE Personal Stockbrokers has a substantial client base, and through the alignment and co-operation of the Private Bank and Personal Stockbrokers, these two businesses will enhance the product range to a significantly enlarged client base.

Businesses distributing through intermediaries

(BoE Life Assurance, BoE Investment Administrators, Edge Investments and BoE Unit Trust Management Company)

To satisfy individual clients needs, intermediaries require access to a broad and integrated product offering which enables them to deliver on client expectations. These needs include integrated administration platforms, investment, individual and group life products. A strategy of providing products to targeted clients through a common integrated distribution platform is in line with this market's needs.



Andrew Culbert
Broker Clients

Jacqui Bennett
Strategy & Implementation

Schalk Pieterse
Support Services

Mark Smith
Human Resources

BoE Unit Trust Management Company Limited has re-organised itself after two disappointing years, and has implemented an aggressive business development plan, including outsourcing its administration. The product range has been expanded, resulting in an increased profile. Profitability has improved as outflows of funds have largely been stemmed.

The investment performance on the unit trust funds across the board has improved in line with expectations, placing two of our funds, BoE Value Fund and BoE GARP Fund, first in their respective categories.

BoE Investment Administrators provides products and administration of retirement and investment needs of individuals and employers. In association with Edge Multi-Management, the product offering has been overlaid with an optional investment advisory service. This approach in conjunction with Edge offers a more complete solution, which has attracted a significant flow of new business. Entry into the Employee Benefits market and subsequent acquisition of administration contracts on a number of private pension funds has been enhanced. 'White labelling' arrangements for other leading asset managers have also been secured. The positive impact of this acquisition on existing business units has been pleasing. Asset growth to R7.4bn (2000: R1.7bn) is encouraging and with over 38 000 clients under administration, this business is favourably positioned for enhanced growth into the future.

BoE Life Assurance specialises in quality risk and investment solutions distributed through selected Independent Financial Advisors, Corporate Brokerages and various Group companies. The current year has shown substantial growth in the distribution network and visible advances from the operational side of the business.

BoE Life Gateway, an interactive point of sale system, continues to attract business through its ease of use and speed of decision making. In addition, BoE Life Assurance has launched its on-line services web initiative and an e-mail policy tracking communication system. These enhancements have brought the division one step closer to delivering a buying and selling assurance service that is easier and a more client-centric process. It has positioned BoE Life Assurance at the technological forefront of new business application processing.

There has been significant growth on the distribution side, particularly from independent and financial institution broker markets. This distribution growth has been supported by a 250% increase in the sales team and the opening of sales offices in Pretoria and Port Elizabeth, as well as the formation of three supporting micro sales offices. The introduction of these offices increased market spread and intensified service levels.

This financial year has seen the development of a Retirement Annuity product, the sharpening of disability rates and the enhancement of Adaptability, BoE Life Assurance's flagship risk product offering. There has been significant growth in structured tranche products and the provision of additional investment choice.

BoE International Portfolio Services (BoEIPS), based in the Isle of Man, provides multi-manager portfolio services – both managed and execution only – for private and institutional clients. Most recently, BoEIPS has successfully launched a unitised version of its series of multi-manager Select Portfolios. These new BoE International Multifunds have been developed in response to the changing domestic capital gains tax environment. BoEIPS' range of services supplement our local offerings and the synergies achieved bode well for the future.

BoE Life International Limited offers a range of flexible and transparent products that are aimed primarily at investors in the UK and, in conjunction with BoE International Portfolio Services, has recently launched products that are specially designed for the UK trustee and high net worth individual markets. International businesses, whilst supporting local businesses, are expanding into niche markets either based on our current infrastructure and resources, or with our now expanded offshore operations. Expansion into the UK and

Europe is still in its infancy but we are confident that we will show good growth in the new year.

Prospects

Integration of the Broker Distribution teams from the Unit Trust Management Company, Investment Administrators and Life Companies, which target the broker community, have taken place where appropriate. This move will enable communication of one message to the market, strengthen distribution capability and facilitate becoming more client-centric whilst offering a much wider product range.

The Employee Benefit business is enhanced via its inclusion into this group of businesses and exciting growth opportunities are currently presenting themselves in this market segment.

Businesses dealing with Institutional clients:

(BoE Asset Management, Kwezi Asset Management, Chiswell Associates, BoE International Fund Services)

Institutional clients are wholesale investors, encompassing retirement funds, universities, government and parastatal schemes, medical aids and corporations. These clients have unique needs and require delivery on constantly evolving investment objectives.

Anet Ahern
Asset Management

Robert Brown
Chiswell

BoE Asset Management is one of South Africa's top rated asset managers, managing assets in excess of R16bn (2000: R13bn). The success of this business lies in leveraging individual clients' needs off a proprietary investment process, and drawing on this insight to deliver superior products and levels of client service.

Clever stock picking, backed by proprietary research, is the hallmark of our investment style. Consistently superior investment returns within acceptable levels of risk during this financial year were achieved. Substantial new assets were gained during the second half of the financial year based on continued competitive performance. Back-end administration processes have been outsourced to right-size the cost base.

Asset Management achieved third position in the overall peer ranking for the one-year, two-year and three-year periods to end September 2001 across various recognised industry performance surveys. Behind this performance lies a team of entrepreneurial professionals, operating within a structure that balances the creativity necessary to generate investment ideas with the appropriate degree of process and discipline. This performance is now leading to greater inflows of funds, and in turn, a higher profitability.

Offshore asset manager, BoE International Asset Management (IOM) Limited, manages a suite of international unit trusts from the Isle of Man for both institutional and private clients.

BoE Asset Management's empowerment venture with the Kwezi Group has enhanced the investment team, further strengthened empowerment credentials and secured a place amongst the rated empowerment asset management firms in South Africa. Many presentations have been made and this company attracted assets into its new passive product range mainly in the latter half of the financial year and is well positioned to secure new mandates in the new year.

Helped by new client wins, London-based Chiswell Associates Limited raised profits despite the hostile global stock market environment and also maintained its top quartile investment performance record. Chiswell is an asset manager with a broad UK and international investment capability. The firm has now been part of the BoE Group for three years and has a growing reputation in the UK where it manages stock market investments for pension funds, charities and unusually wealthy private clients. Chiswell also manages the international investments of clients of BoE Group companies.

Highlights of the year included continuing success at the annual Private Asset Manager's Awards and an excellent reception for the firm's growing programme of promotional events around the UK. Market conditions remain difficult and highly competitive, but long-term prospects remain excellent as Chiswell continues to establish itself as an emerging force in its chosen markets.

BoE acquired 100% of Edge Multi-Management in May 2001. Whilst Edge services a similar client base as the local asset management company, it offers this market a multi-manager solution. Edge has steadily grown its asset base to in excess of R3 billion and anticipates further good growth in 2002. The launch of BoE retail multi-manager products with Edge as the manager will enable Edge to penetrate the lucrative unit trust market. This is another example of expanding our range of services to this market so that differing needs of clients are met.

In keeping with an international strategy to enter niche markets, BoE International Fund Services Limited provides third party fund administration services to institutional clients, including the BoE International range of international pooled funds. Through the combined flexibility of its in-house developed systems and its experienced personnel, it offers a professional and cost effective service to a wide spectrum of International Investment Advisers and Fund Managers. The company currently administers funds domiciled in the Isle of Man, Cayman Islands, British Virgin Islands and the State of Delaware in the USA, which invest in a wide range of global investment instruments.

Prospects

BoE Asset Management will continue to develop its business and investment model to secure a steady growth in revenue, while still focusing on retaining and enhancing the offering to the existing base of highly valued clients. Multi-manager acceptance is strong, which also bodes well for the future. Locally, the shift from defined benefit to defined contribution is gaining momentum, and the division is well positioned to service clients in this change.

The International businesses offer exciting prospects and solid building blocks are being put in place to fulfil local clients' needs offshore as exchange controls are relaxed. The offshore business will add real value as growth is being generated off a relatively low historic earnings base.

RETAIL BANKING

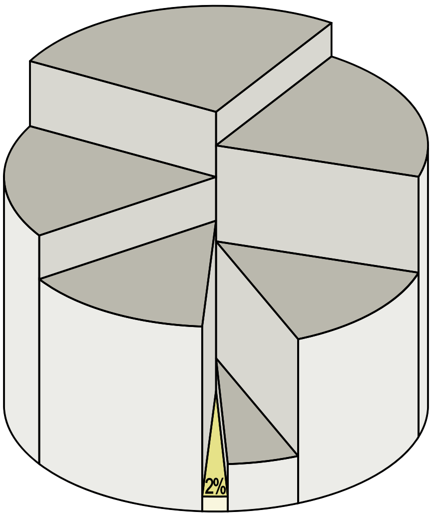
What we do

BoE's Retail Banking businesses provide banking services to the lower and middle-income markets. These services include consumer credit, personal loans, savings and deposit accounts, transaction accounts and home loans secured by mortgage bonds or retirement fund assets.

J G Maxwell (40)
Executive Director
BCom, PGDA *Natal*, CA (SA)
Joined: 1990. Appointed to the board: 1999
A director of various other companies
Career history:

2001 to present	MD, Retail Banking Division
2000	Chief Operating Officer, BoE Ltd
2000	MD, BoE Bank Ltd
1999	Deputy MD, BoE Bank Ltd
1997-1999	MD, NBS Division
1990-1996	Various positions in NBS Bank Ltd
1988-1989	Receiver of Revenue
1985-1987	Deloitte & Touche

HEADLINE EARNINGS CONTRIBUTION (%)



Financial highlights		**2001**	2000
Headline earnings	R'm	**23**	147
NBS	R'm	**(39)**	142
PEP Bank	R'm	**(7)**	–
Credcor	R'm	**41**	–
Short-term Insurance	R'm	**28**	5
Total advances	R'm	**17 703**	17 085
Bad debts as % of net advances	%	**2.5**	1.1
Cost to income ratio	%	**58.3**	58.6
Return on equity	%	**2.0**	15.7
Number of employees		**3 007**	2 520

Review

The 2001 financial results for NBS include the following divisions:

- The Mortgage Loans division, which provides retail mortgage loan products to the middle-income market;
- the Savings and Investment division, which provides retail savings, investment and transaction products to the lower- and middle-income markets through a number of specialised channels such as the branch network, automatic teller machines (ATM's), telephone banking, internet banking and financial planners;

John Briscoe
Business Development

Hassim Akoob
NBS Savings

Herman Engelbrecht
PEP Bank

Andre Schoeman
Credcor

Christine Glover
Cashbank

Clive van Horen
Finance, Risk & Compliance

- the Personal Loans division, which provides personal loans; and
- the **ican**online internet joint venture with M-Web.

NBS experienced a very challenging year as a result of poor performance in certain components of the mortgage loans business, in particular the residential development and the commercial and industrial portfolios. Following extensive reviews of the mortgage book and properties in possession, additional provisions of R130 million were raised in the current year to position the division going forward. Margin income also came under pressure as a result of the introduction and rapid growth of mortgage originators, as well as the effect of an unadjusted 25 basis point increase in the repo rate, which further squeezed margins.

Properties in possession (PiPs), whilst decreasing from R1 058 million to R984 million during the year, reduced more slowly than anticipated. Renewed focus on the PiPs problem has resulted in additional provisions referred to above and an acceleration in sales of these properties. Of the closing balance, properties awaiting transfer amounted to R286 million.

As a result of these challenges, no further lending is taking place in the Commercial and Industrial development categories. The Commercial and Industrial book has been transferred to BoE Corporate, the residential development book is being wound down and a new head has been appointed for the Mortgage Loans business, which has been restructured as a separate specialist division from October 2001. The remainder of NBS' businesses performed according to expectations.

During the course of the year, NBS Corporate Saver was rebranded and moved to BoE Corporate, where synergies exist with the division's focus and client base.

Credcor has a long history of providing finance to the consumer through a network of 11 000 retail merchants across most sectors of the retail market, including clothing, hardware, furniture, auto fitment, and secondhand cars. This network allows the consumer to shop across all retail sectors and only have one account and one instalment. Using well-established scoring and administrative systems, Credcor is able to assess credit risk rapidly and reliably, using the latest scorecard developments and behavioural scoring for repeated risk assessment. Customers have access to credit which has traditionally not been available through banks. BoE acquired Credcor Limited in April 2001.

The past year saw many changes for Credcor. With its expansion into the used car market in May 2000, there was an unanticipated acceleration in business which resulted in a funding problem.This led to Credcor temporarily withdrawing from the used car market. The announcement by BoE to acquire Credcor stimulated confidence levels and resulted in turnover increasing to earlier levels.

The financial results include 6 months of Credcor's operations. Advances growth during the period was very strong, increasing from R284 million to R392 million. Provision levels at acquisition were carefully reviewed and brought in line with Group and regulatory levels. The integration of Credcor into the BoE Group proceeded smoothly and quickly, and Credcor will form an important component of BoE's Retail Banking business going forward.

Following the successful completion of a pilot phase in 2000, the number of PEP Bank branches has increased from 8 to 61 at the date of this report. PEP Bank products include personal loans, savings accounts, ATMs and transaction accounts. The distribution model is based on two main components: a low-cost branch network and the use of corporate customers as a channel for distributing products. Pricing is competitive for both loans and savings accounts, and PEP Bank is well positioned as a responsible and affordable banking partner for previously unbanked consumers.

The number of PEP Bank customers has grown rapidly during the year with a total of 189 596 by year end. The savings account, which offers attractive interest rates for depositors, grew to R44 million (2000: R7 million) and continues to attract considerable interest from customers. Advances grew to R61 million (2000: R17 million) with an average loan size of R5 122. The quality of the advances book has been preserved and this is reflected in a low ratio of bad debts to advances of 2.3%. Current efforts are focused on more rapid advances growth whilst maintaining existing credit quality.

BoE announced in June 2001 that it was in the process of acquiring the business of Cashbank. Cashbank has its origins in the Group Credit Company, established in 1989, and was registered as a mutual bank in 1995 and a commercial bank in 1999. Cashbank is a specialist provider of housing finance to the low income market through products such as mortgage loans and housing loans secured by borrowers' pension and provident fund benefits. Cashbank focuses primarily on corporate and institutional clients rather than operating an extensive retail branch network.

The acquisition received regulatory approval from competition and banking regulators in October 2001 and the financial results of Cashbank will be included from the effective date of the transaction in 2002.

Prospects and strategy

BoE's aim is to become the preferred retail bank in the low to middle income market. The strategy and priorities for BoE's Retail Banking businesses in the year ahead include the following:

- operating through multiple distribution channels to achieve maximum revenue growth and, in particular, focusing on merchant and corporate channels, together with a low-cost branch model;
- achieving cost savings through sharing of infrastructure and resources, and the elimination of duplicate product factories;
- effecting the restructuring and repositioning of the business, including the refocusing of the Mortgage Loans business and the continued reduction of PiPs; and
- rationalising the existing set of brands.

The results of the restructuring and acquisitions made during the past year are expected to be positive. Credcor will continue to be the Retail Banking division's main profit contributor in the year ahead. Credcor has secured merchant agreements with several leading hardware retailers, as well as independent merchants. Further growth areas are the provision of finance for used cars between the ages of five and ten years, and products which provide credit facilities for medical expenditure.

The repositioning of NBS Mortgage Loans is expected to improve focus on profitability of the business. The remaining NBS businesses, particularly Savings and Investments and Personal Loans, will be increasingly focused on the low to middle income market which offers attractive growth prospects. PEP Bank will continue to roll-out new branches, although at a slower rate, and is expected to break even in the year ahead. The focus in Cashbank will be on turning the business to profitability on the basis of its improved access to funding, the BoE corporate client base and additional cross-selling opportunities.

GROUP SERVICES

Group Information Technology

What we do

Barry Froneman
Group IT

The prime objective of the Group Information Technology unit is, in conjunction with all users, to formulate and implement an information technology strategy to enable BoE to leverage its information technology platform to best advantage.

The unit is responsible for all infrastructure activities throughout the Group, including:

- telecommunications;
- groupware services;
- internet and intranet infrastructure;
- data centres;
- assessment of information technology risk;
- security and access;
- local and wide area networks; and
- disaster recovery.

It is also responsible for ensuring that best use is made of information technology throughout the Group and that duplication of like systems is eliminated where possible.

Review

Looking at information technology through the years, it started off in the 1970's that information technology drove the business.

Throughout the 1980's, information technology was the support to the businesses. In the 1990's, information technology operated like a business, whereas today it is seen as an integral part of the business.

BoE has accordingly set up information technology as a value centre that must be positioned to continually manage the returns from technology, and to ensure that the correct risk return ratio is achieved from all the systems throughout the Group.

Centres of excellence have been set up in the major geographical regions throughout BoE's operations. These centres ensure that best use is made of technology, and to date substantial savings have already been made in terms of telecommunications. The Group already shares substantial systems and platforms, including areas such as disaster recovery units, and is looking for ways to save further costs into the future.

Prospects and strategy

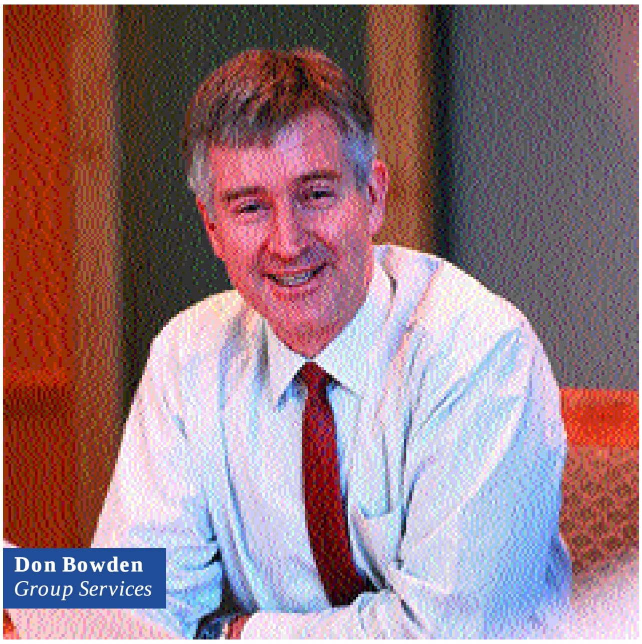
The Group inherited a number of platforms through the merger of the three different banking groups. The unit is currently investigating a common transactional platform that will be used throughout the banking business units of the Group. This will entail a process that defines an enterprise architecture. An enterprise architecture is the holistic expression of BoE's key business information application and technology strategy, and their impact on business functions and processes. This process is driven through the participation of all decision makers, including business, operational and technology members of the various business units.

The enterprise architecture will accommodate the BoE business model whereby business units are accountable for their bottomline. Group Information Technology does not attempt to drive the business but rather focuses on participating in clearly articulated business decisions to enable the business units and the Group as a whole to integrate information technology where possible. Further integration will help set the platform for effective customer relationship management and increased cross-sell between the business units.

We believe that in the short-term, some substantial savings can be made through these various projects. The long-term goal is to continue to build information technology in a manner that fosters innovation, agility, high performance and dynamic alignment with the business.

Group Risk

The activities of the Group Risk department are clearly set out within the Risk Management section of this Annual Report.



Don Bowden
Group Services

Other Group Services

Group Marketing, Group Communications, Group Human Resources, Investor Relations and the Company Secretarial department are all co-ordinating units that carry out these functions for the Group as a whole, and ensure consistency in application of relevant policy throughout the Group.

Further detail is included in the Corporate Citizenship booklet.

Mahala Manley
Group HR

GROUP VALUE ADDED STATEMENT

Value added measures the performance of the Group in terms of wealth created through the collective efforts of management and employees by providing clients with a quality, value added service.

	Notes	Actual 2001 R'm	%	Pro forma 2000 R'm	%
VALUE ADDED					
Net margin (net of preference share gross up)		**1 895**		1 722	
Fee income and commission income	25	**1 053**		940	
Investment income	26	**492**		363	
Insurance underwriting surplus	27.1	**90**		36	
Other operating income	28	**442**		339	
Exceptional items	32	**(860)**		(40)	
Share of retained earnings of associate companies	33	**61**		73	
Operating expenses (excluding staff costs, directors' remuneration and depreciation)		**(789)**		(701)	
WEALTH CREATED FROM OPERATIONS		**2 384**	**100**	2 732	100
VALUE ALLOCATED					
EMPLOYEES		**1 073**	**45**	1 005	37
Staff remuneration		**1 054**		987	
Staff training and development cost	30	**19**		18	
DIRECTORS					
Directors' remuneration	31.1	**16**	**1**	40	1
TAXATION		**132**	**5**	92	3
Income tax	34.1	**56**		20	
Other taxes	34.3	**76**		72	
SHAREHOLDERS					
Dividends – ordinary	37	**430**	**18**	369	14
GROWTH AND EXPANSION		**733**	**31**	1 226	45
Depreciation	30	**166**		178	
Provisions	29	**671**		412	
Reserves		**(147)**		601	
Deferred taxation	34.1	**43**		35	
		2 384	**100**	2 732	100

The notes refer to the Annual Financial Statements booklet.

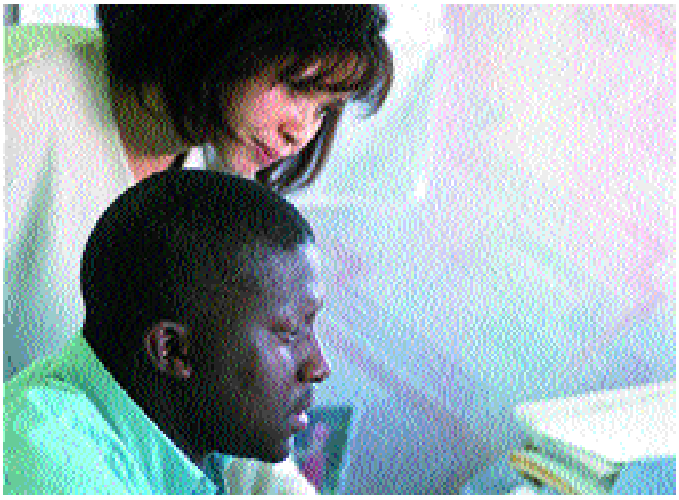
SEGMENTAL ANALYSIS BY MARKET FOCUS – CONSOLIDATED BALANCE SHEET

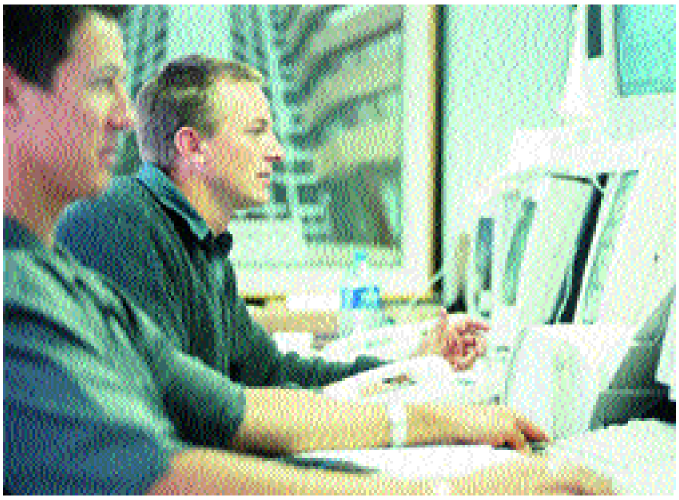
	Total		Consolidation entries		Capital and Investments		Corporate Banking		Investment Management		Retail Banking	
R'm	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
ASSETS												
Property and equipment	**812**	735	**–**	–	**325**	249	**319**	305	**33**	38	**135**	143
Goodwill	**976**	124	**–**	–	**976**	124	**–**	–	**–**	–	**–**	–
Investments												
Associate companies	**31**	1 634	**–**	–	**26**	1 630	**5**	4	**–**	–	**–**	–
Other investments	**2 770**	2 443	**–**	–	**2 053**	1 676	**553**	446	**164**	321	**–**	–
Life funds	**7 420**	6 653	**–**	–	**–**	–	**–**	–	**7 420**	6 653	**–**	–
Short-term insurance fund	**–**	173	**–**	–	**–**	–	**–**	–	**–**	–	**–**	173
Advances	**47 458**	43 366	**–**	–	**1 442**	1 938	**26 995**	23 212	**1 318**	1 131	**17 703**	17 085
Deferred taxation assets	**96**	83	**–**	–	**16**	73	**16**	43	**(3)**	(10)	**67**	(23)
Liquid and trading assets	**3 693**	3 969	**–**	–	**3 130**	3 695	**474**	242	**89**	32	**–**	–
Receivables	**1 937**	1 725	**(124)**	(244)	**763**	897	**862**	741	**298**	202	**138**	129
Short-term deposits and cash	**2 043**	1 557	**(169)**	(114)	**1 044**	911	**518**	320	**483**	314	**167**	126
Total assets	**67 236**	62 462	**(293)**	(358)	**9 775**	11 193	**29 742**	25 313	**9 802**	8 681	**18 210**	17 633
EQUITY AND LIABILITIES												
Capital and reserves	**6 402**	6 798	**–**	–	**1 738**	2 972	**2 621**	1 967	**777**	785	**1 266**	1 074
Interest-bearing borrowings	**849**	851	**–**	–	**849**	851	**–**	–	**–**	–	**–**	–
Life funds	**7 420**	6 653	**–**	–	**–**	–	**–**	–	**7 420**	6 653	**–**	–
Short-term insurance fund	**11**	12	**–**	–	**–**	–	**–**	–	**–**	–	**11**	12
Deferred taxation liabilities	**84**	87	**–**	–	**–**	17	**28**	19	**56**	51	**–**	–
Deposits and other accounts	**49 847**	46 253	**(65)**	131	**6 521**	6 621	**25 482**	22 233	**1 222**	1 062	**16 687**	16 206
Payables and other provisions	**2 623**	1 808	**(228)**	(489)	**667**	732	**1 611**	1 094	**327**	130	**246**	341
Total equity and liabilities	**67 236**	62 462	**(293)**	(358)	**9 775**	11 193	**29 742**	25 313	**9 802**	8 681	**18 210**	17 633

	Total		Consolidation entries		Capital and Investments		Corporate Banking		Investment Management		Retail Banking	
	Actual	*Pro forma*	**Actual**	*Pro forma*	**Actual**	*Pro forma*	**Actual**	*Pro forma*	**Actual**	*Pro forma*	**Actual**	*Pro forma*
R'm	**2001**	*2000*	**2001**	*2000*	**2001**	*2000*	**2001**	*2000*	**2001**	*2000*	**2001**	*2000*
Income from advances	**7 012**	*6 440*	**–**	*–*	**838**	*562*	**3 608**	*3 450*	**226**	*224*	**2 340**	*2 204*
Interest on deposits	**5 056**	*4 614*	**–**	*(16)*	**852**	*594*	**2 476**	*2 418*	**170**	*175*	**1 558**	*1 443*
Net margin	**1 956**	*1 826*	**–**	*16*	**(14)**	*(32)*	**1 132**	*1 032*	**56**	*49*	**782**	*761*
Fee and commission income	**1 053**	*940*	**(70)**	*(91)*	**7**	*–*	**552**	*555*	**328**	*322*	**236**	*154*
Investment income	**492**	*363*	**–**	*–*	**211**	*165*	**191**	*84*	**54**	*89*	**36**	*25*
Insurance underwriting surplus	**90**	*36*	**–**	*–*	**–**	*–*	**–**	*–*	**97**	*58*	**(7)**	*(22)*
Other operating income	**442**	*339*	**–**	*–*	**189**	*100*	**210**	*192*	**36**	*28*	**7**	*19*
Income from normal operations	**4 033**	*3 504*	**(70)**	*(75)*	**393**	*233*	**2 085**	*1 863*	**571**	*546*	**1 054**	*937*
Bad and doubtful debts	**671**	*412*	**–**	*–*	**20**	*(39)*	**198**	*261*	**13**	*5*	**440**	*185*
Operating expenses	**2 018**	*1 893*	**(70)**	*(75)*	**129**	*98*	**990**	*988*	**355**	*333*	**614**	*549*
Profit from normal operations	**1 344**	*1 199*	**–**	*–*	**244**	*174*	**897**	*614*	**203**	*208*	**–**	*203*
Exceptional items	**(860)**	*(40)*	**–**	*–*	**(793)**	*(35)*	**(41)**	*3*	**(11)**	*(8)*	**(15)**	*–*
Profit from operations	**484**	*1 159*	**–**	*–*	**(549)**	*139*	**856**	*617*	**192**	*200*	**(15)**	*203*
Financing costs	**102**	*103*	**–**	*–*	**68**	*96*	**29**	*7*	**5**	*–*	**–**	*–*
Share of earnings of associate companies	**61**	*73*	**–**	*–*	**61**	*73*	**–**	*–*	**–**	*–*	**–**	*–*
Profit before taxation	**443**	*1 129*	**–**	*–*	**(556)**	*116*	**827**	*610*	**187**	*200*	**(15)**	*203*
Taxation	**160**	*159*	**–**	*–*	**(23)**	*(47)*	**175**	*133*	**31**	*17*	**(23)**	*56*
Net profit for the year	**283**	*970*	**–**	*–*	**(533)**	*163*	**652**	*477*	**156**	*183*	**8**	*147*
Exclusions	**909**	*114*	**–**	*–*	**842**	*109*	**41**	*(3)*	**11**	*8*	**15**	*–*
Headline earnings	**1 192**	*1 084*	**–**	*–*	**309**	*272*	**693**	*474*	**167**	*191*	**23**	*147*
Geographical split of headline earnings												
South Africa	**1 126**	*1 024*	**–**	*–*	**309**	*272*	**669**	*474*	**125**	*131*	**23**	*147*
International	**66**	*60*	**–**	*–*	**–**	*–*	**24**	*–*	**42**	*60*	**–**	*–*
	1 192	*1 084*	**–**	*–*	**309**	*272*	**693**	*474*	**167**	*191*	**23**	*147*
Return on Equity (%)	**18.1**	*15.8*			**13.1**	*8.4*	**30.2**	*27.4*	**21.4**	*19.7*	**2.0**	*15.7*
Cost to Income Ratio (%)	**50.0**	*54.0*			**32.8**	*42.1*	**47.5**	*53.0*	**62.2**	*61.0*	**58.3**	*58.6*
Staff numbers	**7 334**	*6 832*			**195**	*116*	**3 372**	*3 594*	**760**	*602*	**3 007**	*2 520*

CORPORATE BANKING – SUMMARY BALANCE SHEET

R'm	Total Corporate Banking 2001	Total Corporate Banking 2000	BoE Bank Business Division 2001	BoE Bank Business Division 2000	BoE Corporate 2001	BoE Corporate 2000	BoE Merchant Bank 2001	BoE Merchant Bank 2000	BoE Treasury Trading 2001	BoE Treasury Trading 2000
ASSETS										
Investments	**557**	450	**3**	53	**325**	262	**229**	135	**–**	–
Advances	**26 995**	23 212	**8 288**	7 916	**14 994**	13 070	**3 191**	2 140	**522**	86
Liquid and trading assets	**475**	242	**–**	–	**140**	119	**52**	23	**283**	100
Other assets	**1 715**	1 409	**538**	528	**226**	236	**869**	487	**82**	158
Total assets	**29 742**	25 313	**8 829**	8 497	**15 685**	13 687	**4 341**	2 785	**887**	344
EQUITY AND LIABILITIES										
Capital and reserves	**2 620**	1 967	**730**	587	**1 400**	1 020	**315**	212	**175**	148
Deposits and other accounts	**25 482**	22 233	**7 856**	7 653	**14 169**	12 453	**2 771**	2 018	**686**	109
Other liabilities	**1 640**	1 113	**243**	257	**116**	214	**1 255**	555	**26**	87
Total equity and liabilities	**29 742**	25 313	**8 829**	8 497	**15 685**	13 687	**4 341**	2 785	**887**	344





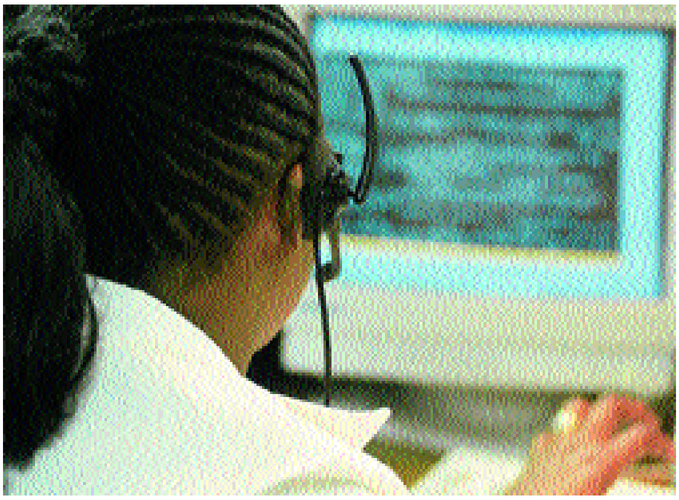
	Total Corporate Banking		BoE Bank Business Division		BoE Corporate		BoE Merchant Bank		BoE Treasury Trading	
R'm	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
Net margin	**1 132**	1 032	**465**	497	**525**	466	**114**	42	**28**	27
Non-margin income	**953**	831	**355**	343	**137**	135	**341**	252	**120**	101
Income from normal operations	**2 085**	1 863	**820**	840	**662**	601	**455**	294	**148**	128
Bad and doubtful debts	**198**	261	**90**	113	**93**	140	**–**	2	**15**	6
Operating expenses	**990**	988	**487**	546	**250**	201	**211**	204	**42**	37
Profit from normal operations	**897**	614	**243**	181	**319**	260	**244**	88	**91**	85
Exceptional items	**(41)**	3	**(39)**	3	**(3)**	–	**1**	–	**–**	–
Financing costs	**29**	7	**6**	6	**1**	1	**22**	–	**–**	–
Profit before taxation	**827**	610	**198**	178	**315**	259	**223**	88	**91**	85
Taxation	**175**	133	**62**	47	**71**	61	**16**	1	**26**	24
Net profit for the year	**652**	477	**136**	131	**244**	198	**207**	87	**65**	61
Exclusions	**41**	(3)	**39**	(3)	**3**	–	**(1)**	–	**–**	–
Headline earnings	**693**	474	**175**	128	**247**	198	**206**	87	**65**	61
Return on equity (%)	**30.2**	27.4	**26.6**	24.5	**20.4**	21.5	**78.2**	51.6	**40.2**	51.9
Cost to income ratio (%)	**47.5**	53.0	**59.4**	65.0	**37.8**	33.4	**46.4**	69.4	**28.4**	28.9
Return on total assets (%)	**2.5**	1.9	**2.0**	1.5	**1.7**	1.5	**5.8**	3.1	**10.6**	3.9
Interest margin (%)	**4.5**	4.5	**5.7**	6.5	**3.7**	3.8	**4.3**	2.0	**9.2**	2.9
Bad debts as a % of advances	**0.8**	1.1	**1.1**	1.5	**0.7**	1.1	**–**	0.1	**4.9**	0.6
Non-performing advances as a % of advances	**2.9**	3.3	**3.7**	4.2	**3.1**	3.3	**–**	–	**0.9**	5.4
Provisions as a % of advances	**1.9**	2.1	**2.3**	2.6	**1.9**	2.2	**0.7**	–	**7.1**	6.5
Staff numbers	**3 372**	3 594	**2 331**	2 500	**602**	606	**322**	380	**117**	108

R'm	Total Investment Management 2001	Total Investment Management 2000	Asset Management and Unit Trusts 2001	Asset Management and Unit Trusts 2000	Private Banking 2001	Private Banking 2000	Investment Administration and Multi-Manager 2001	Investment Administration and Multi-Manager 2000	Life Insurance 2001	Life Insurance 2000
ASSETS										
Investments	**7 584**	6 974	**10**	10	**–**	–	**–**	–	**7 574**	**6 964**
Advances	**1 318**	1 131	**–**	–	**1 318**	1 131	**–**	–	**–**	–
Liquid and trading assets	**89**	32	**89**	32	**–**	–	**–**	–	**–**	–
Other assets	**811**	544	**494**	330	**38**	33	**35**	–	**244**	181
Total assets	**9 802**	8 681	**593**	372	**1 356**	1 164	**35**	–	**7 818**	7 145
EQUITY AND LIABILITIES										
Capital and reserves	**777**	785	**284**	224	**125**	83	**6**	–	**362**	478
Deposits and other accounts	**1 222**	1 062	**27**	–	**1 201**	1 062	**–**	–	**(6)**	–
Other liabilities	**7 803**	6 834	**282**	148	**30**	1 164	**29**	–	**7 462**	6 667
Total equity and liabilities	**9 802**	8 681	**593**	372	**1 356**	13 687	**35**	–	**7 818**	7 145
ASSETS UNDER MANAGEMENT	**65 491**	51 158	**52 232**	44 908	**5 834**	6 250	**7 425**	**–**	**–**	**–**

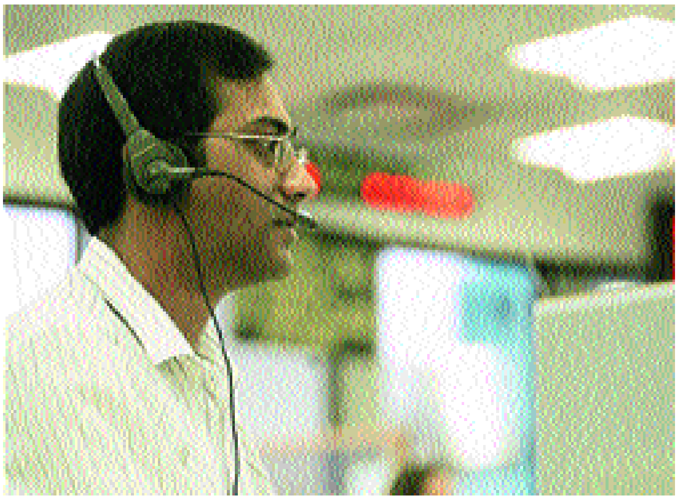
INVESTMENT MANAGEMENT – SUMMARY INCOME STATEMENT

R'm	Total Investment Management 2001	Total Investment Management 2000	Asset Management and Unit Trusts 2001	Asset Management and Unit Trusts 2000	Private Banking 2001	Private Banking 2000	Investment Administration and Multi-Manager 2001	Investment Administration and Multi-Manager 2000	Life Insurance 2001	Life Insurance 2000
Net margin	**56**	49	**–**	–	**56**	49	**–**	–	**–**	–
Non-margin income	**515**	497	**257**	284	**59**	51	**38**	–	**161**	162
Income from normal operations	**571**	546	**257**	284	**115**	100	**38**	–	**161**	162
Bad and doubtful debts	**13**	5	**(1)**	–	**14**	5	**–**	–	**–**	–
Operating expenses	**355**	333	**207**	233	**78**	71	**31**	–	**39**	29
Profit from normal operations	**203**	208	**51**	51	**23**	24	**7**	–	**122**	133
Exceptional items	**(11)**	(8)	**(12)**	(8)	**1**	–	**–**	–	**–**	–
Financing costs	**5**	–	**5**	–	**–**	–	**–**	–	**–**	–
Profit before taxation	**187**	200	**34**	43	**24**	24	**7**	–	**122**	133
Taxation	**31**	17	**9**	10	**5**	5	**2**	–	**15**	2
Net profit for the year	**156**	183	**25**	33	**19**	19	**5**	–	**107**	131
Exclusions	**11**	8	**12**	8	**(1)**	–	**–**	–	**–**	–
Headline earnings	**167**	191	**37**	41	**18**	19	**5**	–	**107**	131
Return on equity (%)	**21.4**	19.7	**14.6**	12.5	**17.3**	25.9	**166.7**	–	**25.5**	23.1
Cost to income ratio (%)	**62.2**	61	**80.5**	82	**67.8**	71	**81.6**	–	**24.2**	17.9
Return on total assets (%)	**1.8**	2.2	**7.7**	9.8	**1.4**	1.7	**28.6**	–	**1.4**	1.8
Interest margin (%)	**4.6**	5.0			**4.6**	5.0				
Bad debts as a % of advances	**1.1**	0.5			**1.1**	0.5				
Non-performing advances as a % of advances	**2.8**	2.7			**2.8**	2.7				
Provisions as a % of advances	**2.0**	1.3			**2.0**	1.3				
Staff numbers	**760**	602	**414**	288	**179**	182	**79**	58	**88**	74

R'm	Total Retail Banking 2001	Total Retail Banking 2000	NBS 2001	NBS 2000	PEP Bank 2001	PEP Bank 2000	Credcor 2001	Credcor 2000	Short-term Insurance 2001	Short-term Insurance 2000
ASSETS										
Investments	–	173	–	–	–	–	–	–	–	**173**
Advances	**17 703**	17 085	**17 254**	17 085	**57**	–	**392**	–	–	–
Liquid and trading assets	–	–	–	–	–	–	–	–	–	–
Other assets	**507**	375	**277**	313	**71**	–	**61**	–	**98**	62
Total assets	**18 210**	17 633	**17 531**	17 398	**128**	–	**453**	–	**98**	235
EQUITY AND LIABILITIES										
Capital and reserves	**1 265**	1 074	**900**	898	**25**	–	**292**	–	**48**	176
Deposits and other accounts	**16 686**	16 206	**16 476**	16 206	**95**	–	**109**	–	**6**	–
Other liabilities	**259**	353	**155**	294	**8**	–	**52**	–	**44**	59
Total equity and liabilities	**18 210**	17 633	**17 531**	17 398	**128**	–	**453**	–	**98**	235




R'm	Total Retail Banking 2001	Total Retail Banking 2000	NBS 2001	NBS 2000	PEP Bank 2001	PEP Bank 2000	Credcor 2001	Credcor 2000	Short-term Insurance 2001	Short-term Insurance 2000
Net margin	**782**	761	**712**	761	**6**	–	**64**	–	**–**	–
Non-margin income	**272**	176	**173**	173	**12**	–	**58**	–	**29**	3
Income from normal operations	**1 054**	937	**885**	934	**18**	–	**122**	–	**29**	3
Bad and doubtful debts	**440**	185	**418**	185	**5**	–	**17**	–	**–**	–
Operating expenses	**614**	549	**539**	549	**24**	–	**51**	–	**–**	–
Profit from normal operations	**–**	203	**(72)**	200	**(11)**	–	**54**	–	**29**	3
Exceptional items	**(15)**	–	**(5)**	–	**–**	–	**–**	–	**(10)**	–
Financing costs	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Profit before taxation	**(15)**	203	**(77)**	200	**(11)**	–	**54**	–	**19**	3
Taxation	**(23)**	56	**(33)**	58	**(4)**	–	**13**	–	**1**	(2)
Net profit for the year	**8**	147	**(44)**	142	**(7)**	–	**41**	–	**18**	5
Exclusions	**15**	–	**5**	–	**–**	–	**–**	–	**10**	–
Headline earnings	**23**	147	**(39)**	142	**(7)**	–	**41**	–	**28**	5
Return on equity (%)	**2.0**	15.7								
Cost to income ratio (%)	**58.3**	58.6								
Return on total assets (%)	**0.1**	0.9								
Interest margin (%)	**4.5**	4.7								
Bad debts as a % of advances	**2.5**	1.1								
Non-performing advances as a % of advances	**9.7**	9.9								
Provisions as a % of advances	**4.1**	2.2								
Staff numbers	**3 007**	2 520								



SEGMENTAL ANALYSIS BY BUSINESS ACTIVITY – CONSOLIDATED BALANCE SHEET

R'm	Total 2001	Total 2000	Consolidation entries 2001	Consolidation entries 2000	Banking Related Activities 2001	Banking Related Activities 2000	Asset Management 2001	Asset Management 2000	Insurance 2001	Insurance 2000
ASSETS										
Property and equipment	**812**	735	**–**	–	**779**	692	**30**	31	**3**	12
Goodwill	**976**	124	**–**	–	**976**	124	**–**	–	**–**	–
Investments										
Associate companies	**31**	1 634	**–**	–	**31**	1 634	**–**	–	**–**	–
Other investments	**2 770**	2 443	**–**	–	**2 606**	2 122	**10**	10	**154**	311
Life funds	**7 420**	6 653	**–**	–	**–**	–	**–**	–	**7 420**	6 653
Short-term insurance fund	**–**	173	**–**	–	**–**	–	**–**	–	**–**	173
Advances	**47 458**	43 366	**–**	–	**47 458**	43 366	**–**	–	**–**	–
Deferred taxation assets	**96**	83	**–**	–	**96**	80	**–**	–	**–**	3
Liquid and trading assets	**3 693**	3 969	**–**	–	**3 604**	3 937	**89**	32	**–**	–
Receivables	**1 937**	1 725	**(124)**	(244)	**1 740**	1 776	**204**	152	**117**	41
Short-term deposits and cash	**2 043**	1 557	**(169)**	(114)	**1 695**	1 337	**295**	147	**222**	187
Total assets	**67 236**	62 462	**(293)**	(358)	**58 985**	55 068	**628**	372	**7 916**	7 380
EQUITY AND LIABILITIES										
Capital and reserves	**6 402**	6 798	**–**	–	**5 702**	5 920	**290**	224	**410**	654
Interest-bearing borrowings	**849**	851	**–**	–	**849**	851	**–**	–	**–**	–
Life funds	**7 420**	6 653	**–**	–	**–**	–	**–**	–	**7 420**	6 653
Short-term insurance fund	**11**	12	**–**	–	**–**	–	**–**	–	**11**	12
Deferred taxation liabilities	**84**	87	**–**	–	**36**	36	**48**	51	**–**	–
Deposits and other accounts	**49 847**	46 253	**(65)**	131	**49 885**	46 122	**27**	–	**–**	–
Payables and other provisions	**2 623**	1 808	**(228)**	(489)	**2 513**	2 139	**263**	97	**75**	61
Total equity and liabilities	**67 236**	62 462	**(293)**	(358)	**58 985**	55 068	**628**	372	**7 916**	7 380

SEGMENTAL ANALYSIS BY BUSINESS ACTIVITY – CONSOLIDATED INCOME STATEMENT

	Total		Consolidation entries		Banking Related Activities		Asset Management		Insurance	
	Actual	*Pro forma*	**Actual**	*Pro forma*	**Actual**	*Pro forma*	**Actual**	*Pro forma*	**Actual**	*Pro forma*
R'm	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
Income from advances	**7 012**	*6 440*	**–**	–	**7 012**	*6 440*	**–**	–	**–**	–
Interest on deposits	**5 056**	*4 614*	**–**	*(16)*	**5 056**	*4 630*	**–**	–	**–**	–
Net margin	**1 956**	*1 826*	**–**	*16*	**1 956**	*1 810*	**–**	–	**–**	–
Fee and commission income	**1 053**	*940*	**(70)**	*(91)*	**854**	*760*	**265**	*263*	**4**	*8*
Investment income	**492**	*363*	**–**	–	**402**	*249*	**2**	*1*	**88**	*113*
Insurance underwriting surplus	**90**	*36*	**–**	–	**–**	–	**–**	–	**90**	*36*
Other operating income	**442**	*339*	**–**	–	**406**	*311*	**29**	*20*	**7**	*8*
Income from normal operations	**4 033**	*3 504*	**(70)**	*(75)*	**3 618**	*3 130*	**296**	*284*	**189**	*165*
Bad and doubtful debts	**671**	*412*	**–**	–	**672**	*412*	**(1)**	–	**–**	–
Operating expenses	**2 018**	*1 893*	**(70)**	*(75)*	**1 811**	*1 706*	**238**	*233*	**39**	*29*
Profit from normal operations	**1 344**	*1 199*	**–**	–	**1 135**	*1 012*	**59**	*51*	**150**	*136*
Exceptional items	**(860)**	*(40)*	**–**	–	**(838)**	*(32)*	**(12)**	*(8)*	**(10)**	–
Profit from operations	**484**	*1 159*	**–**	–	**297**	*980*	**47**	*43*	**140**	*136*
Financing costs	**102**	*103*	**–**	–	**97**	*103*	**5**	–	**–**	–
Share of earnings of associate companies	**61**	*73*	**–**	–	**61**	*73*	**–**	–	**–**	–
Profit before taxation	**443**	*1 129*	**–**	–	**261**	*950*	**42**	*43*	**140**	*136*
Taxation	**160**	*159*	**–**	–	**133**	*149*	**11**	*10*	**16**	–
Net profit for the year	**283**	*970*	**–**	–	**128**	*801*	**31**	*33*	**124**	*136*
Exclusions	**909**	*114*	**–**	–	**887**	*106*	**12**	*8*	**10**	–
Headline earnings	**1 192**	*1 084*	**–**	–	**1 015**	*907*	**43**	*41*	**134**	*136*
Geographical split of headline earnings										
South Africa	**1 126**	*1 024*	**–**	–	**991**	*907*	**35**	*12*	**100**	*105*
International	**66**	*60*	**–**	–	**24**	–	**8**	*29*	**34**	*31*
	1 192	*1 084*	**–**	–	**1 015**	*907*	**43**	*41*	**134**	*136*
Return on equity (%)	**18.1**	*15.8*			**17.5**	*15.2*	**16.7**	*12.5*	**25.2**	*23.1*
Cost to income ratio (%)	**50.0**	*54.0*			**50.1**	*54.5*	**80.4**	*82.0*	**20.6**	*17.6*

The Board of Directors is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Board supports the highest standards of corporate governance and the development of best practice. The Group has strongly demonstrated this over the past year.

In July 2001 a draft of the King Report on Corporate Governance for South Africa 2001 was released for public comment. The report, better known as "King II", represents a substantial update from the original version issued in 1994.

BoE confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("The Code") laid out in King II. The Board of Directors is in the process of finalising an action plan in this respect. This will be monitored, within the Group's Corporate Governance Framework, on an ongoing basis.

On 1 January 2001 the new regulations to the Banks Act (Act No. 94 of 1990) came into operation. Those regulations prescribe certain corporate governance provisions and minimum requirements for the management of risk. These provisions and requirements are substantially embodied in the Code.

The salient features of BoE's adoption of the Code and compliance with the Banks Act regulations are outlined below.

BOARD OF DIRECTORS

The Board:

- retains full control over the company, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the Group;
- sub-committees are supplied with full and timely information to enable them to discharge their responsibilities;
- members have access to the advice of the Company Secretary and independent professional advice is available to directors in appropriate circumstances at the company's expense;
- is of a unitary structure comprising:
  - 11 non-executive directors, a majority of 9 of whom are independent directors as defined in the Code, and
  - 7 executive directors, 4 of whom were appointed on 1 October 2001;
- follows a formal, transparent process in respect of director appointments, assisted by the Nominations Committee; and
- has established a Board directorship continuity programme.

CHAIRMAN, DEPUTY CHAIRMAN AND CHIEF EXECUTIVE

Both the Chairman and his deputy are non-executive directors.

The Chairman does not yet qualify as an independent director (as defined by the Code) by virtue of the fact that it has only been 2 years since he ceased employment from the company in an executive capacity. The deputy chairman is an independent director.

The roles of Chairman and Chief Executive are separate, with responsibilities divided between them, so that no individual has unfettered powers of decision.

The independent deputy chairman is chairman of the Governance and Directors' Affairs Committee. This Committee comprises the non-executive directors of the company who, amongst other matters, annually appraise the performance of both the Chairman and the Chief Executive.

REMUNERATION

A Remuneration Committee, consisting of non-executive directors only, is in place. In addition, the Chairman and two of the other three members are independent directors. The Chief Executive is invited to attend meetings of the Committee but plays no part in decisions regarding his own remuneration.

Executives' total remuneration packages are designed so that a substantial portion is performance related.

Executive directors are on a notice period of thirty days.

Directors' emoluments

For directors in office during the year ended 30 September 2001 (in R'000)

Payments for services during the year:

Executive Directors	Salary	Bonus	Pension contribution	Gain on exercise of share incentives	TOTAL
TA Boardman	1 640	2 200	160	234	4 234
PS Leaf-Wright	1 191	1 750	134	–	3 075
JG Maxwell	1 248	750	252	–	2 250
JAC McGregor *	377	–	27	–	404
TOTAL	**4 456**	**4 700**	**573**	**234**	**9 963**

Non-executive Directors	Board meeting fees	Committee fees	Trustee fees	Gain on exercise of share incentives	TOTAL
CJW Ball	152	115	–	–	267
P Gorvalla	112	–	–	–	112
WJ McAdam	960	–	–	667	1 627
JR McAlpine	112	–	–	–	112
JAC McGregor *	92	82	15	734	923
LA Meyerowitz	112	–	–	–	112
JG Modibane	112	–	–	–	112
E Osrin	112	28	–	–	140
JR Sanders	387	–	–	–	387
CML Savage	112	28	–	–	140
WJ Swain	112	161	60	–	333
	2 375	**414**	**75**	**1 401**	**4 265**

Payment in respect of prior year:

Payment made to WJ McAdam in respect of his services in the 2000 financial year. The final approval and payment was made during the 2001 financial year.	2 000
TOTAL	**6 265**
GRAND TOTAL	**16 228**

* JAC McGregor retired on 31 December 2000 but remained on the Board as a non-executive director.

Directors' shareholdings

For directors in office during the year ended 30 September 2001

	Direct		Indirect		TOTAL
	Beneficial	Non-beneficial	Beneficial	Non-beneficial	
TA Boardman	304 207	–	2 328 281	–	2 632 488
PS Leaf-Wright	977 434	–	–	–	977 434
JG Maxwell	457 728	–	–	–	457 728
WJ McAdam	–	–	2 861 730	–	2 861 730
JR McAlpine	–	–	511 015	–	511 015
JAC McGregor	1 400 000	–	5 876 715	–	7 276 715
LA Meyerowitz	44 000	–	–	126 000	170 000
E Osrin	36 000	–	–	21 798	57 798
CML Savage	177 784	–	–	–	177 784
WJ Swain	41 620	–	–	–	41 620
TOTAL	**3 438 773**	**–**	**11 577 741**	**147 798**	**15 164 312**

There have been no changes to these holdings since year end.

Share incentives

For directors in office during the year ended 30 September 2001

	Convertible debentures allocated in 2001				
	Number of convertible debentures	Issue date	Issue price	Expiry date	Total options/ debentures at year end
TA Boardman	200 000	01/04/2001	R4.10	01/04/2011	2 363 699
PS Leaf-Wright	1 650 000	01/01/2001	R3.67	01/01/2011	
	350 000	01/04/2001	R4.10	01/04/2011	2 000 000
JG Maxwell	100 000	01/04/2001	R4.10	01/04/2011	2 150 000
WJ McAdam	–	–	–	–	3 866 592
JAC McGregor	–	–	–	–	854 000
TOTAL					**11 234 291**

Gain on exercise of share incentives

For directors in office during the year ended 30 September 2001

	Number of options/ debentures	Issue date	Issue price	Exercise/ conversion date	Market price	Gain (R'000)
TA Boardman	122 508	01/10/1995	R3.13	05/12/2000	R3.65	64
	48 699	01/10/1966	R3.50	05/12/2000	R3.65	7
	133 000	01/03/1997	R3.12	12/06/2001	R4.35	163
						234
WJ McAdam	220 000	01/05/1996	R1.32	12/06/2001	R4.35	667
JAC McGregor	400 000	01/03/1997	R3.12	12/06/2001	R4.35	492
	80 000	01/05/1996	R1.32	12/06/2001	R4.35	242
						734
TOTAL						**1 635**

STATEMENT OF REMUNERATION POLICY

The Group Remuneration Policy is currently being updated by the Remuneration Committee. It is an umbrella policy that sets out the guidelines for the business units. The main principle of this policy is to align the remuneration structures with the interests of shareholders. Each business unit will be required to develop its own remuneration policy for its particular needs and requirements. These policies must, however, be in line with the principles and guidelines set out in the Group 75 policy.

DETAILS OF REMUNERATION POLICY AND INCENTIVES STRUCTURES

All reward schemes within the Group will reflect a balancing of the interest of the shareholders with the objectives of management. Reward schemes for each business unit will differ according to business unit and market needs, but there should be equity across the Group with comparable units, levels and job functions. Rewards will be determined with respect to performance measures on three levels, namely Group, Business Unit and Individual. Performance measures will be reviewed, revised and agreed annually.

BOARD MEETINGS

The Board has met on eight separate occasions during the financial year. The Board schedules to meet at least six times per annum.

Attendance of directors at Board meetings for the year were as follows:

	2000				2001			
	14 Nov	29 Jan *	8 Feb	10 April *	7 May *	17 May	2 August	20 Sep
Executive Directors								
TA Boardman	✓	✓	✓	✓	✓	✓	✓	✓
JG Maxwell	✓	✓	✓	✓	✓	✓	✓	✓
PS Leaf-Wright	✓	✓	✓	✓	✓	✓	✓	✓
Non-Executive Directors								
WJ McAdam	✓	✓	✓	✓	✓	✓	✓	✓
CJW Ball	–	✓	✓	✓	–	✓	✓	–
P Gorvalla	✓	✓	✓	✓	✓	✓	✓	✓
JR McAlpine	–	✓	✓	✓	✓	✓	✓	✓
JAC McGregor	✓	✓	✓	–	✓	✓	✓	✓
LA Meyerowitz	✓	✓	✓	–	✓	✓	✓	✓
JG Modibane	✓	✓	✓	✓	✓	✓	✓	✓
E Osrin	–	✓	✓	✓	✓	✓	✓	✓
JR Sanders	✓	✓	✓	–	–	✓	✓	✓
CML Savage	✓	–	✓	–	–	✓	✓	✓
WJ Swain	✓	✓	✓	✓	–	✓	✓	✓

* Unscheduled meetings

Non-executive directors have access to all members of management of the Group.

The Board, through the Audit, Risk and Compliance Committee, regularly reviews the systems of internal control to ensure the standard and integrity of information and financial results.

Relevant non-financial information is incorporated in the Board's agenda for meetings.

Board of Directors
Ultimately responsible for Corporate Governance of the Group

Governance and Directors' Affairs Committee

Comprises all the non-executive directors

Chairman: CJW Ball (INED)

2 Meetings in 2000/1

Primary focus is on the corporate governance process and related ad hoc matters, including an annual assessment of whether the process of corporate governance successfully achieves the objectives set by the Board.

Nominations Committee

Composition: WJ McAdam (NED) - Chairman, CJW Ball (INED), JR McAlpine (INED)

2 Meetings in 2000/1

Assess, at least annually, conduct and competence of directors and Board Committees, overall effectiveness of the Board and direct process of reviewing/ replacing Board members.

SPECIALIST EXECUTIVE RISK MANAGEMENT COMMITTEES

Group Credit Committee	Group Asset & Liability Committee (ALCO)	Group Market Risk Committee	Group Operational Risk Committee	Triple Bottom Line Committee (non-financial matters)

At least one member of the Audit, Risk and Compliance Committee attends these executive committee meetings.

Selected non-executive directors attend all strategic planning sessions of the Group Executive Committee.

Audit, Risk and Compliance Committee

Composition: WJ Swain (INED) - Chairman, CJW Ball (INED), JAC McGregor (NED)

4 Meetings in 2000/1

Assess and monitor effectiveness of the Group's accounting, financial and non-financial controls, internal and external audit functions, senior management's activities in managing credit, market, liquidity, operational, legal and other risks, compliance with internal policies and external laws and regulations, and approval of the Group Risk Management Framework and Policies and Authority Levels.

Remuneration Committee

Composition: CJW Ball (INED) - Chairman, E Osrin (INED), CML Savage (INED), WJ McAdam (NED)

4 Meetings in 2000/1

To assess and approve remunerations and directors fees, profit sharing arrangements and bonuses, share incentive allocations, and to ensure remuneration is sufficient to attract, retain and motivate executives of the quality required by the Board and to ensure that adequate succession planning is in place.

INED - Independent Non-executive Director
NED - Non-executive Director

BOARD COMMITTEES

Board committees are formally established through written terms of reference (charters) that include roles, duties, reporting and authorities. A report to the full Board at the next meeting, or sooner if considered necessary, is made by the chairperson of each board committee.

BoE's board committees form an integral part of the Group's governance framework. In addition, at least one member of the Audit, Risk and Compliance Committee attends the key specialist executive risk management committees of the Group (refer adjacent previous page).

All the board sub-committees have reported to the Board that they complied with their responsibilities in accordance with their terms of reference.

Board committees are free to take independent professional advice as and when necessary.

The Nominations Committee is responsible for evaluations of the Board, board committees and directors. This is formally addressed annually.

The Group Company Secretary is responsible for monitoring adherence to Board procedures and applicable legislation. The Group Company Secretary, in addition to his extensive statutory duties, plays a vital role in providing guidance on directors' responsibilities and sound governance. All directors of the company have access to the Group Company Secretary.

The Group Company Secretary is also subjected annually to a "fit and proper" test by the Nominations Committee.

DIRECTORS' AND EMPLOYEES' PERSONAL SHARE DEALINGS

BoE has adopted a formal policy and set of rules for "Personal Account Dealing" which is based on current legislation and international best practice.

These rules prohibit directors and employees from dealing in BoE shares during defined closed periods prior to the announcement of interim and final results, or in any other period considered sensitive.

All personal account dealings have to be transacted through the Group's stockbroker and are subject to the authorisation of its Compliance Officer. Such dealings also require the prior approval of an individual's manager.

Any non-compliance with policy is reported to the Audit, Risk and Compliance Committee by the Group Compliance Officer, and disciplinary action is taken.

All dealings by directors in BoE shares are advised to the Listings Division of the JSE as is required in terms of the JSE Listing Requirements and such information is published through SENS. These dealings are also reported at the quarterly Board meetings.

INTERNAL AUDIT

Internal Audit in BoE is an effective independent appraisal function which examines and evaluates the Group's activities. The purpose, authority and responsibility of the function is formally defined in line with the Institute of Internal Auditors' definition of internal auditing in a charter approved by the Board.

Internal Audit reports at Audit, Risk and Compliance Committee meetings and has unrestricted access to the chairman of that Committee and the Group. On a day to day basis, Internal Audit reports to the Chief Risk Officer, who in turn reports directly to the Chief Executive.

A major thrust of Internal Audit is to co-ordinate throughout the Group the Business Risk Management and Control Self Assessment processes.

These processes greatly assist with the risk assessment based audit approach adopted by Internal Audit.

The scope of the internal audit function is to review the reliability and integrity of financial and operating information, the systems of internal control, the means of safeguarding assets, the efficient management of the Group's resources and the effective conduct of its operations.

Extensive interaction occurs between the internal and external auditors to ensure completeness and proper audit coverage while minimising duplication of effort.

Graham Smith

RISK MANAGEMENT

The BoE Board acknowledges its responsibility for the entire process of risk management, as well as forming an opinion on the effectiveness of the process. Management is accountable to the Board for designing, implementing and monitoring the process of risk management and integrating it with the day to day activities of the Group.

A comprehensive, Board approved, Group Risk Management Framework is in place which formalises the management of risk throughout the Group.

This, and the application and reporting on risk management, is detailed in the separate Risk Management section of this Annual Report.

The Audit, Risk and Compliance Committee is responsible for assisting the Board in reviewing the risk management process and the significant risks facing the Group.

A formal risk assessment of the Group is undertaken annually, including a Risk Profile and Risk Appetite Analysis. This is in addition to the ongoing Business Risk Management and Control Self Assessment processes which are firmly entrenched throughout the Group and enforced by the Audit, Risk and Compliance Committee on behalf of the Board.

INTERNAL CONTROL AND GOING CONCERN

The directors have responsibility for maintaining a system of internal control which provides reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations. In this context, the directors have regard to what, in their judgement, is appropriate to the Group's business, to the materiality of the financial risks inherent in the business and to the relative costs and benefits of implementing specific controls.

The Group's business involves the acceptance and management of a range of risks and the nature of these risks means that events may occur which give rise to unanticipated losses.

The Group's system of internal control is designed to provide reasonable, but not absolute, assurance against the risk of material errors, fraud or losses occurring. It is possible that internal controls can be circumvented or overridden. Further, because of changes in conditions, the effectiveness of an internal control system may vary over time.

The following diagram summarises the process and hierarchy for the reporting on internal control throughout the BoE Group:

REPORTING ON INTERNAL CONTROL – THE PROCESS AND HIERARCHY

SHAREHOLDERS | REGULATORS | OTHER STAKEHOLDERS

BOARD OF DIRECTORS

Ultimate responsibility

- Report annually on internal control systems and corporate governance, including the management of risk
- Review and consider Audit, Risk & Compliance Committee's recommendation
- Agree wording of disclosure report in Annual Report and report to South African Reserve Bank

High level monitoring

Audit, Risk & Compliance Committee

- Agree Board papers summarising findings and recommend reporting
- Consider reported malfunctions (if any) for materiality
- Review reports from Group Risk Management division and Compliance
- Review Internal and External Audit Reports

Expert level monitoring

Group EXCO & Group Risk Management Division

- Provide a basis for Audit, Risk & Compliance Committee recommendations
- Review letters of representation from business units
- Consider BRM project reporting and Ongoing Concerns reports
- Evaluate completeness of coverage
- Develop a report practice and structure

Detail level monitoring

Business Unit Management Structures and Committees

- Establish accountability relationships
- BRM & Control Self Assessment processes
- Compliance Officers
- Implement and maintain policies, procedures and authority levels

BUSINESS RISK MANAGEMENT (BRM)

Set business objectives	Identify and evaluate risks	Set and enforce control standards and procedures, and risk management processes

INTERNAL & EXTERNAL AUDIT

- Report on directors' attestation
- Submit reports to Audit, Risk & Compliance Committee
- Test management's representations
- Identify any gaps

The Directors have established an organisational structure with defined responsibility for internal control in each of the Group's businesses. This, together with the associated responsibility for reviewing periodically the effectiveness of such internal control, is formally confirmed by the head of each business unit once a year. There are established procedures and information systems in place for regular budgeting and reporting of financial information and for risk management. Further details of risk management procedures are given in the Risk Management Report.

Regulation 39(4) of the Banks Act requires that the Board of Directors reports annually to the Registrar of Banks on the adequacy of internal controls, adherence thereto, maintenance of ethical standards, any material malfunctions and whether the Bank will continue as a going concern.

The heads of each business unit throughout the Group (including the non-bank operations) are required to sign a representation letter based on Regulation 39(4). These are presented to the Audit, Risk & Compliance Committee together with consolidated BoE Bank Limited and BoE Limited representation letters. They are in turn presented to the Board for review and endorsement. Internal and External Audit are required to formally comment on these letters as to whether they concur, based on their audit procedures and investigations, on the representations made by senior management.

The Business Risk Management and Control Self Assessment processes in the Group acts as a sound basis for the representations made by senior management.

The Board reports that:

- No material malfunction in the Group's internal control system has occurred during the period under review;
- It is satisfied with the effectiveness of the Group's internal controls and risk management;
- It has no reason to believe that the Group will not operate as a going concern for the year ahead;
- It has no reason to believe that the Group's Code of Ethics has been transgressed in any material respect;
- It has no reason to believe that the Group's Policies and Authority Levels have not been enforced and adhered to in any material respect; and
- No material breaches have occurred during the period under review of compliance with any laws and regulations applicable to the Group.

COMPLIANCE

Compliance is a fully established independent function within the BoE Group. It is an essential part of the structure of internal control needed to manage regulatory and reputational risk.

BoE operates within a framework created by legislation and the regulatory authorities. This is far reaching and complex, and thus requires the specific attention and skills of the Group's Compliance Officers. It is their role to assess, monitor and report on the following:

- Material breaches of the regulatory and internal control environment;
- Any breach of a fiduciary duty, an act adversely impacting the reputation of the Group or an act contravening the code of conduct by senior management;
- All ongoing legislation covering the Group's operations;
- The impact of new legislation/regulation and the implementation of appropriate policies and procedures;
- The requirements of the regulatory authorities, both statutory and voluntary;
- The terms set out in all mandates signed by clients;
- The Group's personal account dealing rules;
- The Group's Code of Ethics and its enforcement;
- Complaints;
- Material business errors;
- The compliance culture;
- Relationships and communication with regulators; and
- Policies and procedures established to protect the Group against:
  - Financial fraud,
  - Insider trading,
  - Market abuse, and
  - Money laundering.

An effective compliance framework is a necessary pre-requisite for ensuring BoE's financial success.

CODE OF ETHICS

A Code of Ethics is well entrenched throughout the Group, driven strongly by the Chief Executive. Details of this and disclosure on key non-financial matters are contained in the Corporate Citizenship booklet.

INVESTOR RELATIONS AND COMMUNICATIONS

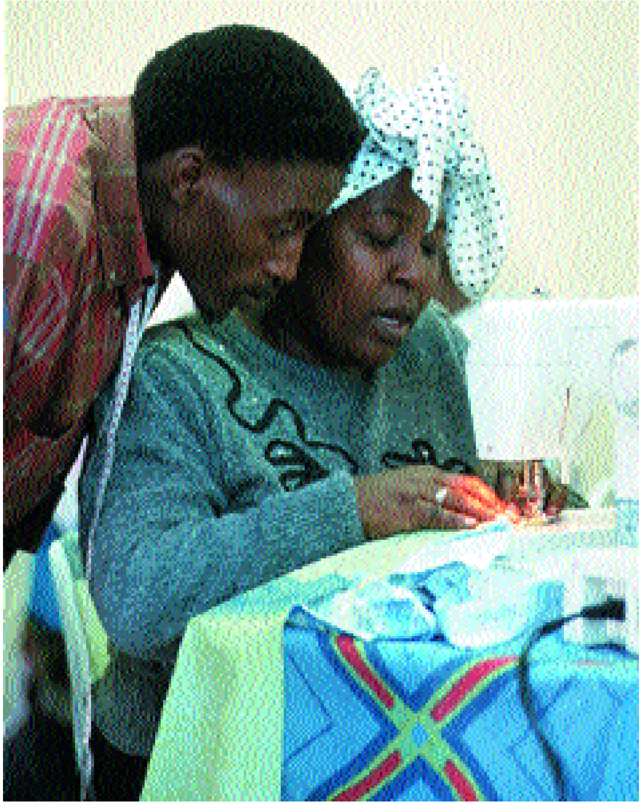
The Group strives to maximise its relationships with all stakeholders and manages these through its Investor Relations and Communications Programme.

This comprises an integral component of the Group's commitment to enhancing public disclosure and transparency of the Group's activities and financial position.

The Investor Relations department has a program of regular contact with current and potential investors and sell-side analysts, both locally and overseas, is available for any enquiries by private shareholders, and works together with the Group Finance and Company Secretarial functions in providing information to shareholders. The Communications team liaises with the media to ensure that the public is fully informed, reports back to the operations and to employees; and manages the Corporate Social Responsibility function to ensure that it is aligned to the strategic initiatives within the Group.

Listening to the market forms a key element in the Investor Relations program. Information and comments gleaned from discussions with stakeholders are fed back to the operating divisions, the Group Executive Committee and the Board of Directors.

The Group endeavours to follow the recommendations of King II regarding reporting to stakeholders, by presenting a balanced and understandable assessment of the Group's position, addressing material matters of significant interest and concern, and showing a balance between the positive and negative aspects of the activities of the Group, in order to achieve a full, fair and honest account of its performance.



RISK CULTURE AND PHILOSOPHY

Risk is an inherent part of our business. BoE does not seek to avoid risk, but to manage it in a controlled manner and in the context of the reward that is being earned.

The emphasis is on producing high quality earnings which can ultimately attract a premium rating for the BoE Group. This is achievable through excellent relationships and innovation, but only within a sound risk management framework.

BoE recognises that successful risk management lies in recognising all three elements of risk, namely opportunity, threat and uncertainty, and then developing an integrated framework to address each.

BoE enforces a relatively conservative culture with respect to its overall appetite for risk, and fully endorses and supports the efforts within the organisation to attain international best practice in risk management.

The Group's risk management strategy and philosophies are implemented and communicated through a dynamic and comprehensive Group Risk Management Framework, approved by the Board of Directors. This includes a comprehensive set of policies and authority levels.

On 1 January 2001 the new regulations to the Banks Act (Act No. 94 of 1990) came into operation. These regulations prescribe certain minimum requirements for the management of risk and compliance. BoE has, since the regulations were introduced in Bill form some years ago, been proactive in the implementation of the corporate governance and risk management regulations. BoE regards the statutory and regulatory provisions as critically important in the administration of risk management but also seeks to perform over and above those requirements within its risk management framework.

The Board of Directors and Group Risk Management division have ensured that all risks, processes and procedures referred to in the regulations have been taken into account and comprehensively built into the Group Risk Management

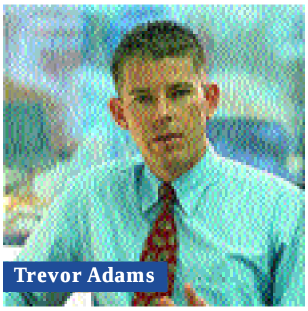
John Smale
Group Risk

Framework. This is to ensure that there is always full compliance with the minimum standards required by the regulations.

GROUP RISK MANAGEMENT FRAMEWORK

The Board of Directors is ultimately responsible for any financial loss or reduction in shareholder value suffered by the Group. It is therefore responsible for the total process of risk management, recognising all the risks to which the Group is exposed and ensuring that the proper mandates, policies, authority levels, risk frameworks, internal controls and systems are put in place by management, and are functioning effectively.

Lionel Burger



Trevor Adams

The Board delegates the responsibility and authority for the day to day risk management of the Group to senior management and various specialist committees.

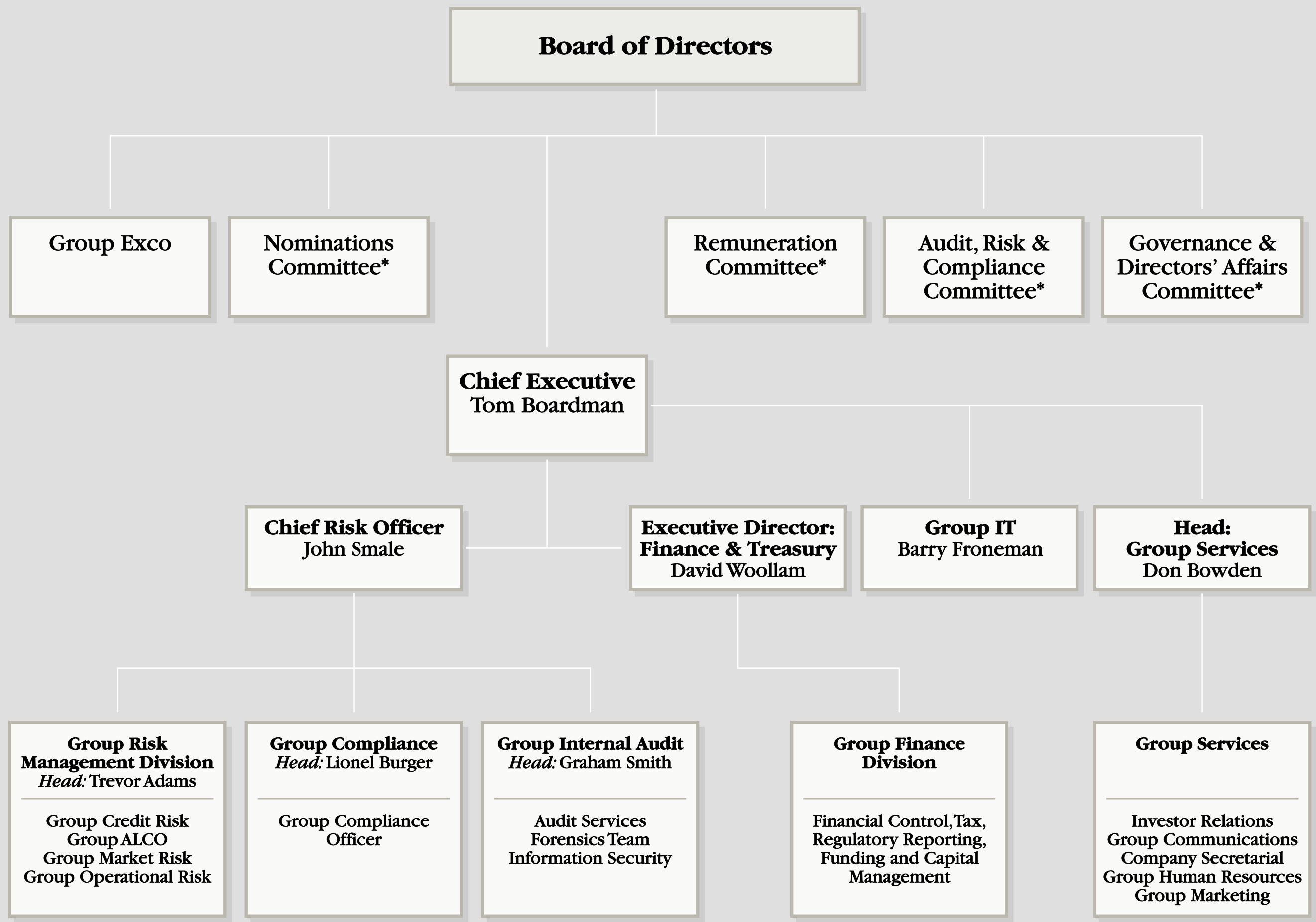
In line with international best practice, where boards of directors have established a specialist risk management committee, the role and scope of the Audit, Risk & Compliance ("ARC") Committee includes risk management.

Specific risk management responsibilities of the ARC Committee are:

- To oversee senior management's activities in managing credit, interest rate, market, capital, liquidity, operational, legal, reputational and other risks of the Group;
- To approve the Group Risk Management Framework, and policies and authority levels, including any changes thereto;
- To ensure that there are effective processes and structures in place in order that risk is properly identified, managed and monitored throughout the Group;
- To formally review and assess risk management on an ongoing basis; and
- To monitor the compliance of the organisation with legal and regulatory requirements, and BoE's Code of Ethics.

GROUP RISK MANAGEMENT FRAMEWORK

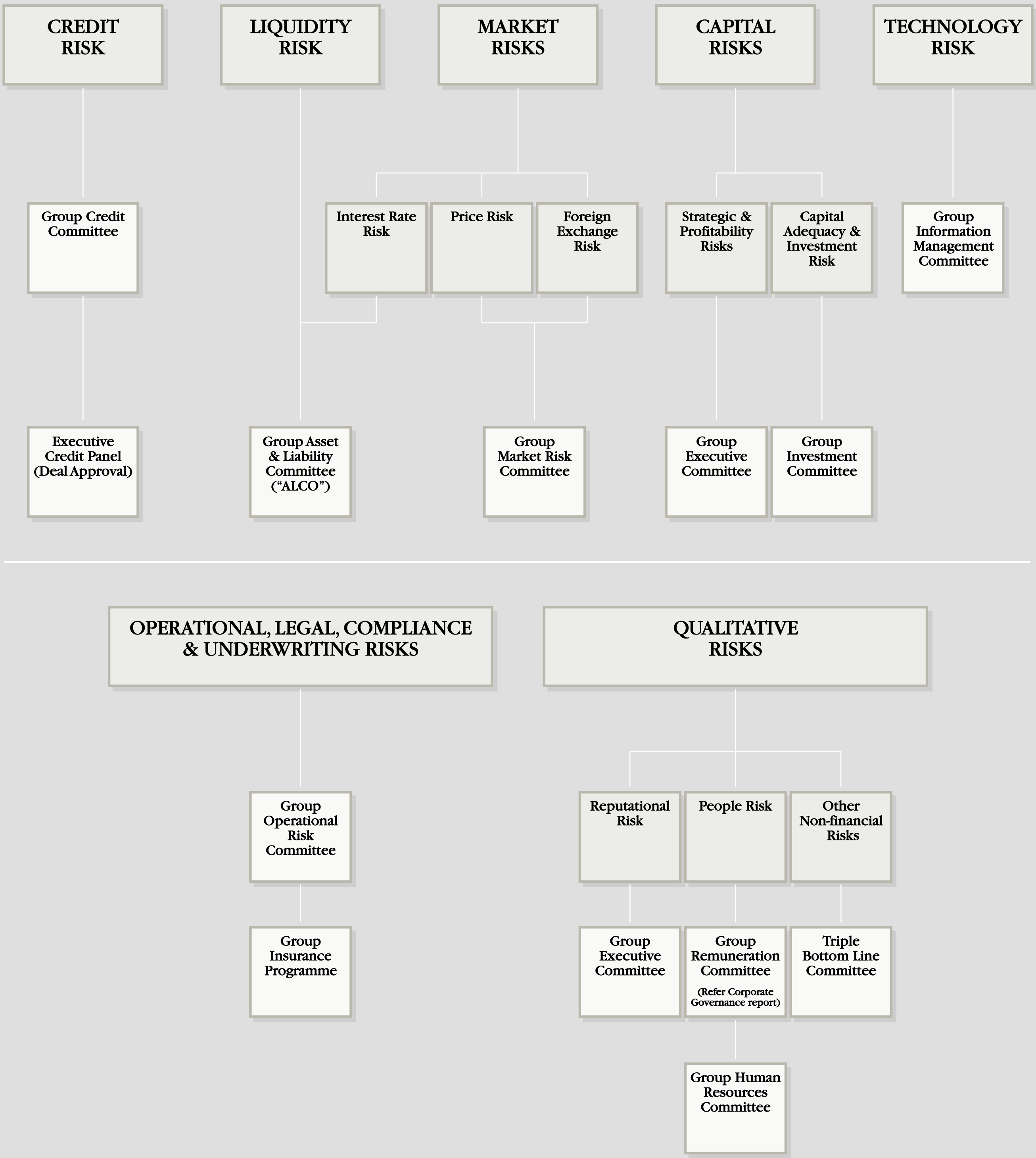
Layer 1: The Group Wide Risk Management Forums



* Sub Committee of the Board including non-executive directors (discussed under the Corporate Governance report).

GROUP RISK MANAGEMENT FRAMEWORK

Layer 2: The Major Risks and Specialist Risk Management Forums



The ARC Committee and senior management continue to enforce the Business Risk Management ("BRM") initiative. The BRM process is the leading process in the Group focusing on the identification and measurement of risk. The BRM risks are regularly updated and the control processes reviewed to ensure that they are in place and operating as intended. Core to the BRM process is the philosophy that risk management does not equate to risk avoidance, but that to create and enhance shareholder value, risk must be taken in a well controlled manner.

The BRM process ensures the risks in the organisation are clearly understood, enabling a successful translation of the management of risk into profitable long-term business on a sustainable basis. Results are reviewed by the ARC Committee on a quarterly basis.

This process has been extended to include the process of Control Self Assessment ("CSA"). This is a natural development from the BRM initiative, which enables business unit managers throughout the Group to monitor their control environment with independent review by Group Internal Audit. This also greatly improves the risk awareness of staff and their understanding of control and risk concepts.

The Group Executive Committee ("Group Exco") is the highest management decision-making and policy formulation body in the Group.

Group Exco has executive responsibility for implementing risk management, and this involves:

- identifying the risks to which capital is exposed;
- proposing the total financial amount the Group is prepared to place at risk of loss over a specified time;
- developing and maintaining a strong control and risk management environment;
- developing the risk strategy for the Group by clearly articulating the acceptable levels of exposure to specific risk types, counterparties and business activities;
- ensuring that the key policies and procedures for conducting business activities on both a long-term and day to day basis are adequate and up to date;
- ensuring appropriate internal controls are in place;
- ensuring that the risk implications of all new significant business initiatives and strategies are properly assessed in order that no business unit of the Group ever operates outside the limits of tolerable risk;
- ensuring that risk is taken into account on long-term plans and investments;
- reporting of risk management issues to the Board of Directors on a regular basis;
- defining and recommending the risk profile and appetite of the Group for Board review and approval;
- monitoring the successful implementation and ongoing enforcement throughout the Group of the Business Risk Management and Control Self Assessment processes; and
- raising risk related concerns and recommending risk policies, strategies, controls and limits to the Board.

In respect of its risk management responsibilities, Group Exco is assisted by the Group Risk Management Division ("Group Risk").

Group Risk is fully independent of the operational business units, which have primary responsibility for the management of risk arising from their business activities and services.

The key roles of Group Risk are to proactively assist and promote the identification, evaluation and management of business risks throughout the Group, development of an integrated risk management framework, promote risk awareness across the Group and provide consolidated portfolio risk management analysis and strategy.

Group Internal Audit, aside from its corporate governance audit assurance responsibilities, includes a Forensics Department to assist proactively with the management and containment of the high levels of white collar crime in South Africa and the effective application of the pending Money Laundering regulations. It also includes an Information Security Department specialising in the independent audit and risk management of the significant technological risks to which any major financial institution is exposed.

Group Compliance is managed across the Group with compliance officers in each of the major business units reporting into the Group Compliance Officer at the centre. Details on the role of compliance are provided in the Corporate Governance report.

GROUP RISK MANAGEMENT FRAMEWORK
Layer 3: The Operating Business Units of the Group

DIVISIONAL EXECUTIVE COMMITTEES OR SUBSIDIARY COMPANY BOARD OF DIRECTORS

FORMALISED BUSINESS UNIT RISK MANAGEMENT FRAMEWORKS

- Formalised Risk Management responsibilities of key individuals
- Risk and Compliance functions
- Risk Management Committees and Forums

The Group adopts a decentralised business model, in recognition of the different financial services offered and market segments served. Varying risk exposures and profiles are therefore accepted by each operating business unit.

The risks of the Group are aggregated, analysed and monitored centrally (refer Layers 1 and 2 of the Group Risk Management Framework), within established policy and authority levels. The operating business units are fully accountable for the management of their own risks and have their own risk management frameworks in place (refer Layer 3 of the Group Risk Management Framework). It is the responsibility of Group Risk to ensure that these frameworks are appropriate and functioning as intended by the Board of Directors.

CREDIT RISK MANAGEMENT

Credit Risk Definition

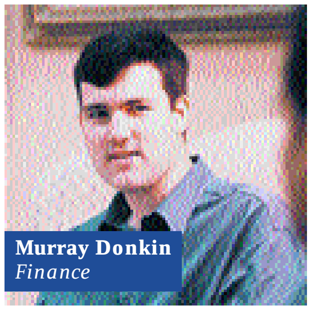
Credit risk is the risk that an asset, in the form of a monetary claim against a counterparty, may not result in a cash receipt (or equivalent) in accordance with the terms of the contract.

Source of Credit Risk

Although typically it arises primarily from the Bank's advances portfolio, credit risk also exists in the investment and trading portfolios and in other banking activities such as interbank lending and overnight deposits.

Credit risk is one of the most significant risk exposures of the Group and predominantly arises out of the operating business units in the Bank.

Lance Blumeris
Finance



Murray Donkin
Finance

Dave Hammond
Tax

Craig Davidson
Finance

Credit Risk Management Framework

A Credit Risk Management Framework, approved by the Board of Directors, sets out on a macro basis how the Bank manages its credit risk. This is outlined below.

Credit Risk Monitoring Process

Board of Directors

The Board of Directors is ultimately responsible for credit risk and is specifically responsible for an appropriate mandate structure, the Credit Risk Management Framework, composition of the Group Credit Committee and final approval of new or revised credit policies as well as the annual review of the Group's overall credit policy document.

The Board of Directors delegates the responsibility and authority for credit risk management to the Group Credit Committee but not the accountability thereof.

Group Credit Committee

The primary roles of the Group Credit Committee are to establish credit policies and philosophy, set credit limits and guidelines, confirm that procedures are in place to manage and control credit risk, approve the adequacy of interim and year end provisions and ensure the quality of the Bank's credit portfolio is in accordance with these requirements by analysing and monitoring various credit risk information (e.g. portfolio concentration) and disclosures.

Group Risk Management Division

Group Risk's credit function primarily includes:

- the review of business units' credit policies, methodologies and philosophies;
- credit risk measurement and the business units' reporting processes;
- the management and monitoring of large exposures, portfolio concentrations and other credit risk management information;
- the establishment of an appropriate credit authority structure;
- the co-ordination of credit where interdivisional conflicts arise;
- the standardisation of credit risk management across business units where appropriate;
- co-ordination of the Group Credit Committee meetings and ongoing enhancement of credit risk reporting of the Bank; and
- reporting on credit risk to the Board of Directors.

Business Units' Credit Committees

[Group Treasury • NBS • BoE Merchant Bank • BoE Corporate • BoE Bank • BoE Private Bank • Credcor • BoE Asset Management]

The Business Units' Credit Committees comprise the Head of Credit Risk (Chair) and Managing Director of the business unit, other selected executives and at least one member of the Group Credit Committee.

The role of the Business Unit Credit Committees is to set credit limits and guidelines within their mandates, ensure that policies and procedures are in place to manage and control credit risk within the business unit, ensure that the quality of the business unit credit portfolio is in accordance with the credit policies and philosophies of the Group and to monitor and review monthly credit information and disclosures.

Business units are responsible for proposing and maintaining a credit mandate structure for the approval of facilities up to the divisional mandate as proposed by the Group Credit Committee and approved by the Board of Directors.

Credit Exposure Management

The Bank has an integrated Group Exposures System ("GES") which enables business units throughout the Bank to determine any existing exposure to a prospective client. This system is also being used to monitor large exposures and for reporting thereon to the Group Credit Committee and the Board of Directors.

Credit Approval Process

Mandate Structure:

Board of Directors

Applications above R500 million (Tier 5)

The Board of Directors approves the credit facilities greater than R500 million in addition to the Executive Credit Panel.

Board's Credit Panel

Applications between R250 million and R500 million (Tier 4)

Any 3 members of the Board's Credit Panel, 2 of which must be non-executive directors, in addition to the Executive Credit Panel.

Applications between R150 million and R250 million (Tier 3)

Any 2 members of the Board's Credit Panel in addition to the Executive Credit Panel.

Executive Credit Panel

Applications between the divisional mandate level and R150 million (Tier 2)

Any 3 members of the Executive Credit Panel (excluding the divisional executive from whose division the application was made), at least one of which must be member of the Group Credit Committee.

All applications in excess of the divisional mandates must be signed by the business unit's Managing Director or his duly appointed alternate in his absence, in addition to the normal divisional mandate structure and approval process.

Applications exceed a division mandate where the Group's aggregate exposure to a client or group of related parties will go, or further increase, beyond the limits specified, assuming the application is approved.

All mandate structures apply to both lending and equity transactions, individually and in the aggregate.

Business Units

Applications up to business unit mandate levels (Tier 1)

Business unit credit mandates below R100 million apply at varying levels.

Centralisation of credit risk expertise applies at business unit and Group levels.

Separation of lending officers' and credit risk management officers' roles are enforced in the operations.

Key Credit Risk Policies and Philosophies of the Group

- No speculative loans allowed.
- Strong emphasis placed on client's loan serviceability and cash flow.
- Strong preference for tangible security.
- Integrity of the borrower is paramount.
- Avoidance of undue portfolio concentrations.
- Provide full disclosure and reporting to the directors, regulators and other shareholders.
- No cross border lending unless following a local client's international expansion.
- Each operating business unit in the Bank is required to maintain a credit control policy document suitable for its sphere of lending and approved strategy, and which takes due cognisance of the Group's overall credit policy and other directives which may be issued from time to time. These documents are required to be ratified by the Group Credit Committee and are subject to an annual review.

Asset Quality

Credit Risk Classification System

To enhance the prudent assessment of advances and determination of appropriate provisioning, the Bank has implemented a credit risk classification system. This is in line with the revised regulations relating to banks which came into effect on 1 January 2001.

In line with standard international practice and the revised Banking Regulations, each advance is classified into one of the following categories below:

The classification of advances takes, at a minimum, the following into account:

- borrower's current financial condition and repayment capacity;
- borrower's payment history;
- current value of security;
- days overdue on repayment terms; and
- other factors impacting prospects of collection of principal and interest.

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) Sub-standard	Items that show weaknesses that could lead to probable loss if not corrected or 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 sub-standard, with the added characteristic that the items are not adequately secured.
(v) Loss	Items that are considered uncollectible and of such little value that the said items should no longer be included.

Advances type	Classification category						
(All amounts in R'm) 30 September 2001	Standard	Special mention	Sub-standard	Doubtful	Loss	Properties in possession (PiPs)	Total
Mortgage advances	30 654	1 163	594	606	361		33 378
Instalment sales and leases	2 392	48	42	41	75		2 598
Credit cards	189	28	9	5	–		231
Other loans and advances	10 579	215	391	199	142		11 526
Properties in possession (PiPs)						1 115	1 115
TOTAL GROSS BALANCE	43 814	1 454	1 036	851	578	1 115	48 848
% of total advances	89.7%	3.0%	2.1%	1.7%	1.2%	2.3%	100%

Advances type	Classification category						
(All amounts in R'm) 30 September 2000	Standard	Special mention	Sub-standard	Doubtful	Loss	Properties in possession (PiPs)	Total
Mortgage advances	26 679	1 152	549	708	287		29 375
Instalment sales and leases	2 411	75	49	78	55		2 668
Credit cards	163	21	10	6	–		200
Other loans and advances	10 490	96	224	178	14		11 002
Properties in possession (PiPs)						1 167	1 167
TOTAL GROSS BALANCE	39 743	1 344	832	970	356	1 167	44 412
% of total advances	89.5%	3.0%	1.9%	2.2%	0.8%	2.6%	100%

The Bank, in line with the above classification system, adopted a new definition for non-performing advances last year. This comprises discounts, loans and advances which are no longer considered prudent to credit interest receivable to the income statement. In line with this definition, which is based on international guidance, non-performing loans comprise those advances classified as "DOUBTFUL" and "LOSS", and total R1 429 million or 3.0% of total advances excluding PiPs (2000: R1 326 million or 3.1% of total advances excluding PiPs). Non-performing advances are non-performing loans plus properties in possession.

Analysis of Non-Performing Loans

	2001 R'm	2000 R'm
Mortgage advances	**967**	995
Instalment sales and leasing	**116**	133
Other loans and advances (incl. credit cards)	**346**	198
GROSS NON-PERFORMING ADVANCES	**1 429**	1 326
Less: Interest suspended	**89**	97
Specific provisions	**549**	277
Value of security held	**725**	1 001
NET VALUE AT RISK/(SURPLUS)	**66**	(49)

Analysis of Properties in Possession

Properties bought in as a result of mortgage advances that have been foreclosed due to non-payment are not classified with non-performing advances. Details of these properties in possession (PiPs) are as follows:

	2001	2000
	R'm	R'm
NBS Division	**984**	1 058
Residential	**639**	685
Commercial	**212**	180
Residential Development	**133**	193
BoE Corporate	**55**	29
BoE Bank Business Division	**76**	80
TOTAL PiPs	**1 115**	1 167
Less: Specific Provisions	**299**	195
Less: Value of Security held	**816**	972
NET VALUE AT RISK/(SURPLUS)	**–**	–

Details on the composition of advances, and maturity and sectoral analyses are provided in the notes to the Annual Financial Statements.

Related Parties

Facilities made available to related parties have declined to R521 million or 1.1% of total advances (2000: R1 941 million or 4.4% of total advances). This is due to the Group restructuring and sale of non-core investments. All related party exposures are monitored closely and reported to the Board of Directors each quarter.

Provisions for Bad and Doubtful Debts

Provisioning Policy

It is BoE's policy to establish, through charges against profit, a provision in respect of the estimated loss inherent in the advances book. The provision raised consists of an element which is specific to individual counterparties and also a general element which, while determined as reflecting losses already within the advances book, cannot be specifically identified.

Risk managers conduct a continuous review of the quality of exposures for which they are responsible based on a knowledge of the counterparty and, where applicable, the relevant industry. A specific charge is raised when the Bank considers that the creditworthiness of a borrower has deteriorated to such an extent that the recovery of the whole outstanding advance is in doubt. Typically this is done on an individual basis although scope exists to raise specific provisions on a portfolio basis where statistical techniques permit and the portfolio comprises homogeneous assets.

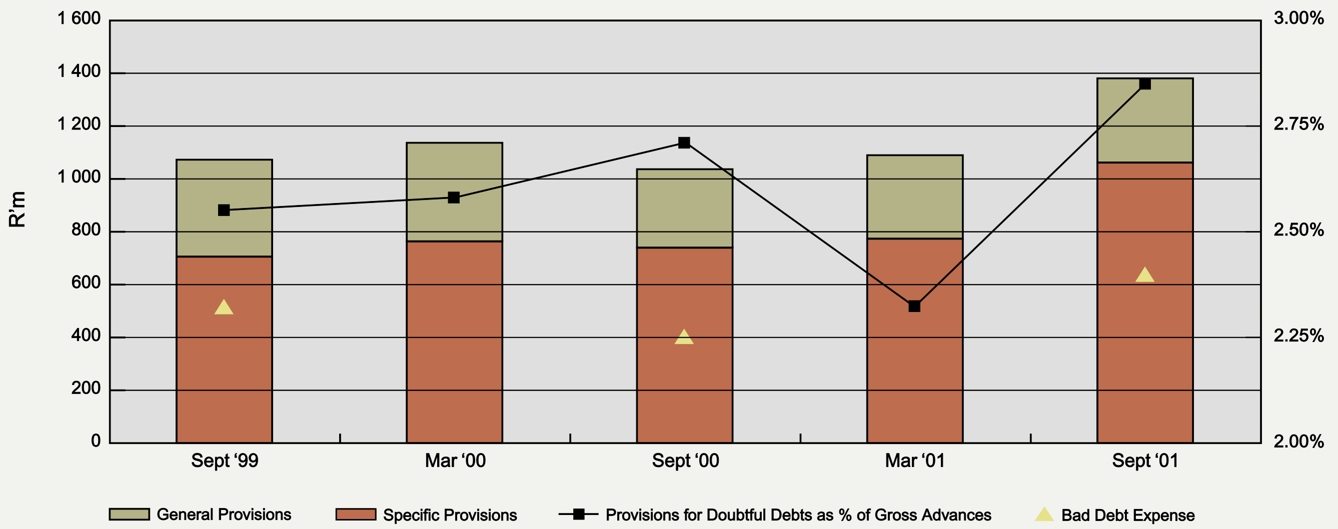
General provisions are raised against losses on debts that are reasonably expected to exist in the book but have not yet been separately identified. These provisions are adjusted monthly by an appropriate charge to or release from general provisions. Gradings are now being introduced to rate the credit quality of borrowers. Each grade corresponds to an expected default frequency. The general provision also takes into account the economic climate of the country, status of financial markets, and the extent of security held in relation to each category of advances.

The aggregate specific and general provisions which are made during the year, less amounts released and recoveries of bad debts previously written off, are charged against income from normal operations. An advance, or portion thereof, is written off when there is no realistic prospect of recovery, it is considered irrecoverable and classified as "LOSS" in line with the Bank's credit risk classification system.

Analysis of Asset Quality and Provisions for Doubtful Debts

	2001		2000	
	R'm	**% of Gross advances**	R'm	% of Gross advances
Gross advances	**48 848**		44 412	
Non-performing advances	**2 543**	**5.2**	2 493	5.6
Non-performing loans	**1 428**	**2.9**	1 326	3.0
Properties in possession	**1 115**	**2.3**	1 167	2.6
Total doubtful debt provisions	**1 390**	**2.9**	1 046	2.4
Specific	**1 071**	**2.2**	749	1.7
General	**319**	**0.7**	297	0.7
Bad debts charge to the income statement	**671**	**1.4**	412	0.9

PROVISIONS FOR DOUBTFUL DEBTS AND BAD DEBTS CHARGE



ASSET AND LIABILITY MANAGEMENT ("ALM")

Definition of ALM

Asset and liability management involves the management of liquidity, funding, interest rate and exchange rate risk arising from non-trading positions through the use of both on- and off-balance sheet instruments. The Group policy is to manage the earnings volatility arising from the effects of movements in interest rates and exchange rates on the non-trading positions inherent in the Group's balance sheet. The policies for asset and liability management are set by the Group Asset and Liability Committee ("ALCO").

The ALCO Process

Responsibility for management of both the Bank's liquidity and interest rate (non-trading) risks specifically rests with ALCO.

The main role of ALCO is to maximise the interest margin of the Bank through effective management of its interest rate risk integrating the impact of other risks which include liquidity risk, foreign exchange risk and capital risk.

The daily ALCO and ALM function is championed within the Group Risk Management division working closely with Group Treasury, Group Finance and the other Bank operating divisions.

Liquidity Risk Management

Definition of Liquidity Risk

Liquidity risk arises from the inability of a bank to accommodate decreases in liabilities or to fund increases in assets in full, at the right time and place, and in the right currency. If a bank is seen to be illiquid it cannot obtain sufficient funds either by increasing liabilities or by converting assets promptly and at a reasonable cost.

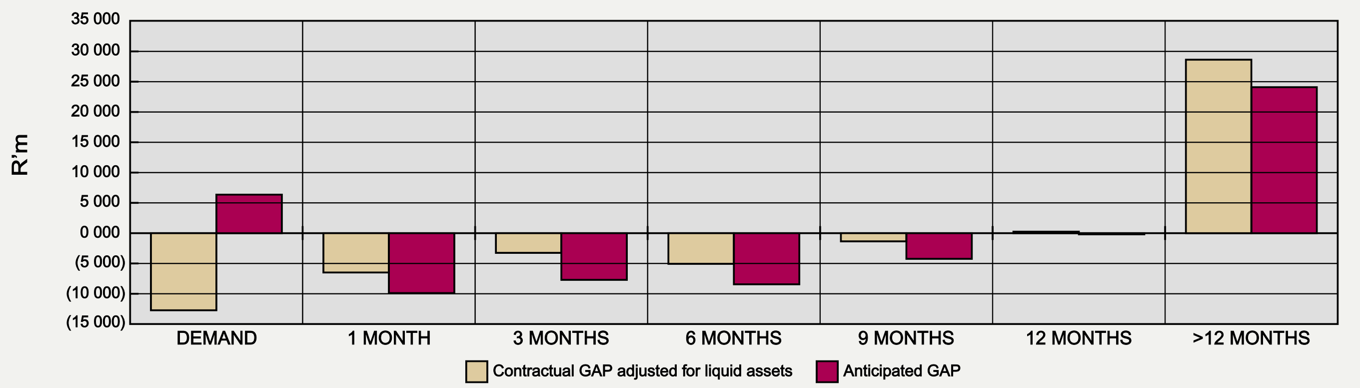
Liquidity Risk – Source and Initiatives

As a significant inherent risk of banking in South Africa, liquidity risk continues to receive strong focus from ALCO and executive management. The following summarises some of the initiatives to comfortably provide the funding for the anticipated future growth of the Bank:

- roll-over of a dollar syndicated loan;
- secondary debt issues;
- bond issues;
- the roll-out and monitoring of a new dynamic transfer pricing mechanism which is used to appropriately compensate areas of the business that bring liquidity to the Bank;
- growth in wholesale deposit base; and
- various retail and wholesale deposit growth strategies.

The Bank has a large maturity mismatch due to the long-term nature of its mortgage book and short-term nature of its funding. 23% of the Bank's loans mature within the first year, while approximately 90% of the Bank's funding matures within the same period. Within the constraints of the South African banking system, liquidity risk is managed by a relatively stable

BoE BANK LIQUIDITY GAP ANALYSIS



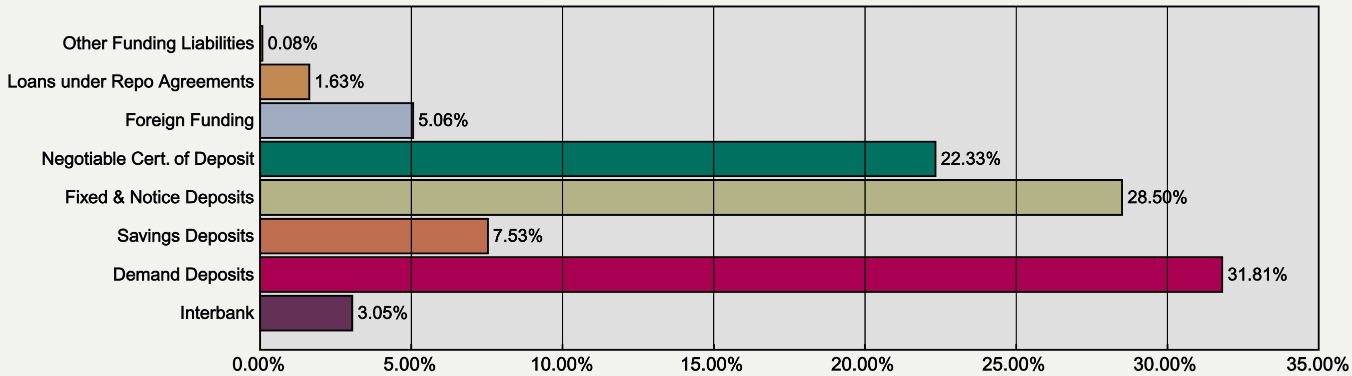
retail and wholesale deposit base, holding surplus cash and liquid assets when the need arises, avoiding funding concentrations, maintaining a diversified funding distribution and by placing reliance on the South African Reserve Bank as the lender of last resort.

The Bank's anticipated maturity mismatch significantly lengthens the roll-off of liabilities. The expected behaviour of these liabilities has been determined statistically based on the historical behaviour of these products.

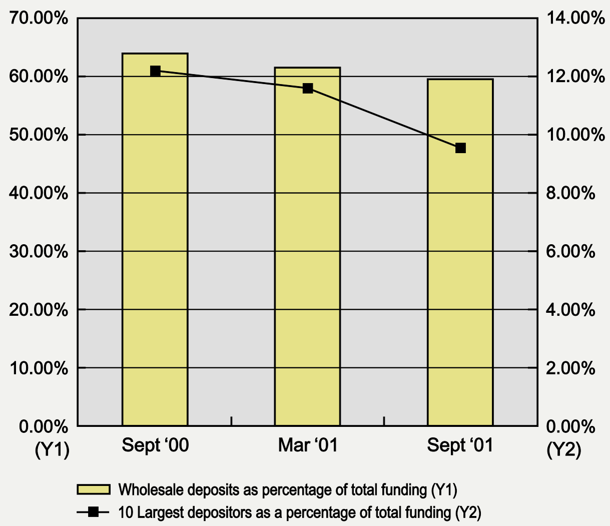
Various liquidity risk policies, limits and procedures are enforced in the Bank to actively manage liquidity risk, and some of these include:

- Daily cash management procedures;
- Structuring of the funding maturity profile;
- Maintenance of a daily average surplus of statutory liquid assets as determined by ALCO; and
- Liquidity contingency planning.

FUNDING DISTRIBUTION



WHOLESALE DEPOSITS AND LARGE DEPOSITORS



Detail on the composition of deposits and other liabilities, and maturity and sectoral analysis are provided in the notes to the Annual Financial Statements.

Interest Rate Risk Management

Definition of Interest Rate Risk

Interest rate risk is the potential adverse impact on earnings and economic value due to changes in interest rates. The main source of interest rate risk is repricing mismatch risk. This arises when there are mismatches or gaps in the amount of assets, liabilities and off-balance sheet instruments that mature or reprice in different time periods primarily due to customers' differing term preferences.

Interest Rate Risk – Source and Strategy

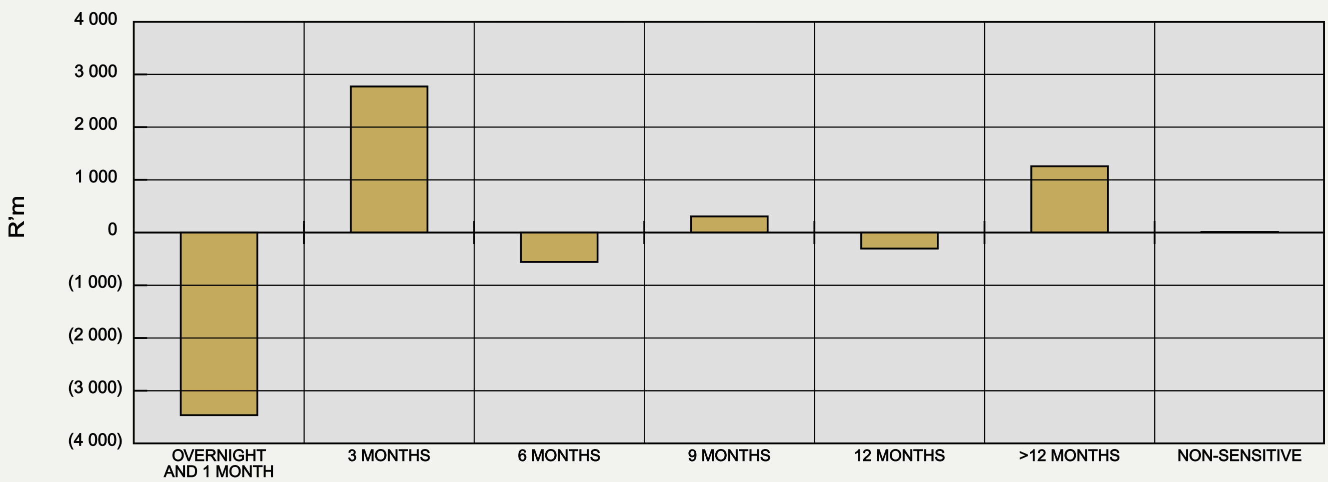
The interest rate risk arises from the banking operations. All interest rate risk outside of the 3-month area is transferred to Group Treasury where it is managed centrally on a daily basis in conjunction with the Group ALCO function. Supervision is by the Group ALCO committee which also sets the interest rate risk appetite, interest rate strategy and policies.

The total Bank exposure is summarised in the form of an interest rate repricing graph and table which are depicted below. These summarise the repricing profile of the Bank's assets, liabilities and off-balance sheet exposures at 30 September 2001 and also reflect the hedging discussed opposite.

The graph can be used as the basis for the assessment of the sensitivity of the Bank's earnings to interest rate movements, although allowance is also made for other factors such as anticipated early repayment profiles of the advances portfolio.

In view of the ongoing volatility and uncertainty in financial markets, the Group's interest rate risk strategy in 2001 has been to neutralise substantially its interest rate exposure on the banking book through the use of derivative instruments. This is evident, as at 30 September 2001, from the graph and table below. The Bank neutralises interest rate risk through the use of BA-linked swaps and Rand Overnight Deposit Swaps. The Bank's capital, however, is managed on a yield basis and is invested in fixed-rate yielding assets ranging from treasury bills to longer-dated government bonds. The longer-dated government bonds are included in the positive mismatch in the greater than 12 month area.

BoE BANK REPRICING GAP ANALYSIS



REPRICING MATURITY PERIOD:	Call – 1 month	3 months	6 months	9 months	12 months	>12 months	Non-rate sensitve
Interest rate sensitivity gap	(3 463)	2,771	(557)	307	(304)	1 257	(11)
Cumulative interest rate sensitivity gap	(3 463)	(692)	(1 249)	(942)	(1 246)	11	0

Hedging

Risk management activities employ interest rate swaps (BA-linked and Rand Overnight Deposit swaps), currency and other derivatives that are designated as hedges.

The table below provides examples of certain activities undertaken by the Bank, together with the related market risks and the types of derivatives that may be used in managing such risks.

Activity	Risk	Type of hedge
Fixed rate lending and fixed rate investments.	Reduced earnings due to an increase in funding rates.	Pay fixed interest rate swaps and buy interest rate caps.
Fixed rate funding.	Reduced earnings due to a fall in lending rates.	Receive fixed interest rate swaps and buy interest rate floors.
Firm foreign currency commitments (e.g. asset purchases and sales).	Reduced earnings due to changes in exchange rates between arranging a transaction and completion.	Foreign currency transactions.

The hedge transactions which are linked to the above activities are centralised within Group Treasury and the exposure is transferred to the market principally via independently managed dealing desks, which treat these transactions as part of their normal trading activities, and also via third parties.

TRADING ACTIVITIES

Market risk associated with trading activities is a result of proprietary trading in the capital, interest rate, foreign exchange and equity markets.

Price Risk

Price risk is the risk of a decline in the net realisable value of on- or off-balance sheet positions in marketable securities and derivatives arising from adverse movements in market prices. Market prices are independent variables which include interest rates, exchange rates, equity and commodity prices.

Foreign Exchange Rate Risk

Foreign exchange rate risk is the potential adverse impact on earnings and economic value due to currency rate movements. Trading portfolios are exposed to foreign exchange rate risk in both the spot and forward foreign exchange markets. Spot foreign exchange rate risk arises when the total present value of assets in any currency does not equal the total present value of liabilities in that currency. Forward foreign exchange rate risk arises when, for a given currency, the maturity profile of forward purchases differs from the maturity profile of forward sales.

Equity Risk

Equity risk is the potential adverse impact on earnings due to movements in individual equity prices or general movements in the value of the stock market. The Group is engaged in buying and selling stocks as principal in its stockbroking businesses, BoE Securities and BoE Personal Stockbrokers, and its hedge fund management division of BoE Asset Management.

Speculative trading in the equity market for the Group's own account is limited to these two divisions and is subject to the limitations of specific authority levels.

Private equity deals are entertained but with a conservative risk appetite. Investment banking activities are a key feature of the BoE Merchant Bank division.

Market Risk Management

Risk management policies and limits, within which exposure to market risk is monitored and controlled, are established. Market risk in the Bank's trading portfolios is managed primarily through a Capital-at-Risk methodology with a major emphasis on scenario and "What-If" analysis. Market risk relating to the Bank's non-proprietary trading activities is monitored and managed as an integral part of the ALCO process, including the use of various risk management tools such as scenario and gap analysis.

The Market Risk Management function within the Group Risk Management division, which is completely independent of the trading function, oversees trading risks and develops and implements comprehensive risk measures, policies and limits that are observed by each trading desk. This function is also responsible for the daily monitoring of trading risk exposures against actual limits using a Capital-at-Risk methodology, and alerting senior management to adverse trends or positions.

Risk Profile

Trading activities constitute a small portion of the Group's business activities. BoE is not a large trading institution and as such the limits approved are small and very conservative in relation to BoE's total capital.

In line with the banking regulations' Capital Adequacy Directive, an amount of R100 million has been formally allocated by the Board of Directors as capital to the proprietary trading activities, specifically defined as Treasury's capital market and interest rate derivatives activities. A further R53 million has been allocated to the hedge fund management division.

The Group Market Risk Committee is mandated to amend the amount of capital allocated to the trading activities of the Bank should such a need arise, such allocation being presented for ratification at the Board of Directors' meeting which follows such allocation.

Daily reporting of the Bank's trading exposures is made to the South African Reserve Bank in terms of banking regulations. This reporting is made by the independent market risk management function. Reporting is made to the Group Market Risk Committee and quarterly to the Board of Directors.

Value-at-Risk ("VAR")

The Bank has implemented a sophisticated Value-at-Risk model but has extended its period of back testing before final adoption to ensure full compliance with the South African Reserve Bank requirements. Full use is expected early in the new calendar year. This will ultimately replace the Capital-at-Risk methodology discussed above.

VAR is an estimate of the loss that can occur on a portfolio based on historical market movements. The value will vary with the level of confidence chosen, the holding period, the number of historical data points used, and the way in which this historical data is included in the calculation. VAR gives both a monetary risk value and an associated probability of realising the loss. It is currently considered the best way to aggregate risk exposures across markets.

VAR is not only useful for estimating potential losses. It is also used to estimate the efficiency of risk-taking to better allocate resources. Efficiency is measured by the return on a portfolio relative to the risk taken. Measures such as incremental VAR also indicate a trader's or desk's contribution to the overall VAR. Thus VAR allows more informed decision making, more refined risk limits and better capital allocation.

Details on the nominal value and contractual maturities of derivative financial instruments and the components of foreign currency exposure by major currency are provided in the notes to the Annual Financial Statements.

UNDERWRITING RISK MANAGEMENT

Underwriting risk refers to events that result in unpredicted or unexpected losses. Underwriting risk relates to BoE's short-term insurance and life assurance activities. Short-term insurance risk is the risk associated with fixed or moveable assets, accidents, guarantees and liabilities. Life assurance risk is the risk associated with insuring the life or health of an individual or group of individuals.

Risk processes for managing acceptable levels of underwriting risk include:

- reviewing underwriting criteria;
- ensuring that products are priced in accordance with the underwriting criteria;
- the extensive use of reinsurance to manage risks within acceptable norms and BoE's conservative risk appetite; and
- a strong emphasis on AIDS.

CAPITAL MANAGEMENT

Definition of Capital Management

Capital management requires balancing the desires for stronger, competitive capital ratios and maintaining high credit ratings with the need to provide competitive returns to shareholders.

Capital management includes the management of capital risk, being the risk that the Group will become unable to absorb losses, maintain public confidence and support the competitive growth of the business. This entails ensuring that opportunities can be acted upon timeously while solvency is never threatened.

The primary role of the Group Investment Committee is to manage the investment returns from the capital of the Group and the Bank in a manner which achieves a consistent and appropriate yield over a specified period of time (i.e. the financial year), adopting a conservative risk appetite and thereby eliminating undue volatility in such returns.

Capital Ratios

Capital adequacy and the use of regulatory capital are monitored by the Group Finance division, employing techniques based on guidelines developed by the Basel Committee on Banking Supervision ("the Basel Committee") as implemented by the South African Reserve Bank for supervisory purposes.

The Basel Committee has issued a proposed new capital adequacy framework ("Basel II") in an effort to strengthen bank regulation in light of recent developments in global financial markets. Implementation is expected in 2005 and the proposed regulations would materially improve the risk-adjustment process for calculating regulatory minimum capital levels, strengthen regulatory processes, and more effectively incorporate market discipline into bank monitoring. The proposed risk-adjustment mechanisms would require more capital for some riskier exposures and less for lower-risk business. Thus, they might shift capital from some asset classes to others and change the capital adequacy ratios at particular banks.

Presently the primary measures of regulatory capital strength for South African Banks are the risk-weighted capital adequacy ratios developed pursuant to the regulations laid down by the Registrar of Banks.

Consistent with these regulations, total regulatory capital, which differs from capital recorded on the balance sheet, is allocated into three tiers. Tier 1 or primary capital comprises the more permanent form of capital. The components of Tier 1 and Tier 2 (secondary) capital are shown in tabular form overleaf. Tier 3 or tertiary capital may only be applied to trading activities and is not material in amount to the Bank.

Regulatory capital ratios are calculated by dividing Tier 1 and total capital by 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.

The Bank's capital policy is to remain well capitalised so as to provide a safety net for the variety of risks that the Bank is exposed to in the conduct of its business. To be classified as well capitalised, international trends indicate that a bank's Tier 1 and total capital ratios should approximate 8% and 12% respectively.

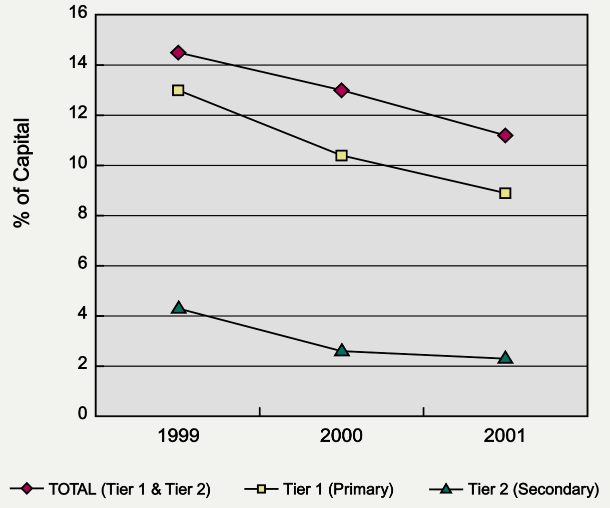
The minimum South African total capital adequacy ratio for banks has been revised with effect from 1 October 2001 up to 10% of risk-weighted assets. BoE Bank's ratio at 30 September 2001 was 11.2% (2000: 13%). The Bank believes the optimal capital adequacy ratio to be 11.5% to 12% and is focused on achieving this.

The capital and reserves of BoE Bank reflect the Group's commitment to ensuring that opportunities can be acted upon timeously while solvency is never threatened.

BoE Bank Credit Ratings

BoE Bank employs international rating agencies FITCH IBCA and CA-Ratings (an affiliate of Standard & Poor's) to annually conduct formal domestic ratings.

BoE BANK LTD - CAPITAL ADEQUACY RATIO



The recent annual rating review by FITCH IBCA left the Bank's ratings unchanged as follows:
Short term A1; Long term A+
The initial rating by CA-Ratings was as follows:
Short term A1; Long -term A (outlook positive).

Capital Adequacy Ratios Based on Regulatory Capital

	BoE Bank 2001 R'm	BoE Bank 2000 R'm
TIER 1 (PRIMARY) CAPITAL	**4 031**	4 235
Share capital and share premium	**964**	813
Reserves at beginning of the year	**3 507**	2 987
Retained income for the year	**83**	520
Less: impairments	**(438)**	-
Less: allocated to trading activities	**(85)**	(85)
TIER 2 (SECONDARY) CAPITAL	**1 070**	1 044
Compulsory convertible loans and debentures	**937**	1 038
General provisions	**319**	297
Less: impairments	**(186)**	(291)
TOTAL QUALIFYING CAPITAL	**5 101**	5 279
TOTAL RISK-WEIGHTED ASSETS	**45 379**	40 586
	%	%
Tier 1 (Primary) ratio	**8.9**	10.4
Tier 2 (Secondary) ratio	**2.3**	2.6
Total capital adequacy ratio	**11.2**	13.0

OPERATIONAL RISK MANAGEMENT

Definitions and Types of Risks

Operational and technological risk is the risk of loss as a result of error, fraud, systems breakdown or sabotage by internal or external parties. Technological risk is also a result of an uncoordinated, inefficient and/or under-resourced technology strategy which makes an organisation less competitive.

While operational risk can never be fully eliminated, BoE endeavours to minimise it by ensuring that the appropriate infrastructure, controls, systems, and trained and competent people are in place throughout the Group. Segregation of duties, delegation of authorities, effective training, performance measurement, communication of risk tolerance, risk monitoring, financial management and reporting are amongst the procedures used to manage operational risk. The Group also possesses significant back-up capabilities within its disaster recovery planning and business continuity plans to support business operations in the event of a disaster.

Significant technology risks facing the financial services industry, of which BoE is no exception, include risks from E-commerce, high technological dependence and the arrival of new competitors.

Qualitative risks are those risks that do not readily lend themselves to measurement or quantitative analysis but could ultimately result in a loss to BoE through negative reputation, loss of key personnel, poor ethics and culture.

Two more significant qualitative risks given considerable attention by BoE are people and reputation.

People risk is defined as possible inadequacies in the management of our staff. This may stem from lack of adequate skills or knowledge, lack of clear consequences of not meeting performance standards, lack of alignment with strategy or a reward system that fails to motivate properly.

Reputational risk is the risk that an activity by BoE or its officials will impair its image in the community, resulting in the loss of business and/or legal action.

Effective management of all the risks addressed in this report minimises the potential negative impact of reputational risk.

Internal Audit

A comprehensive Group Internal Audit division is in place together with the Group Operational Risk Management function to identify and leverage best industry practices in the identification, assessment and management of operational risk.

Compliance

Group Compliance aims to address and co-ordinate best practice from both an industry and Group perspective. Designed as a means of enhancing management control, the Group Compliance function addresses the pervasive regulations associated with the financial services industry in which the Group operates and monitors the specific regulations and rules necessary for Group compliance.

The major operations are staffed with appropriately qualified legal professionals in addition to compliance personnel who report into the Group Compliance Officer. These individuals retain primary responsibility for management of the Group's legal and regulatory compliance risks.

Crime Control And Money Laundering Initiatives

In line with the continuing high level of white collar crime in South Africa, together with new and pending Money Laundering legislation, the Group continues to strengthen its successful Forensic Investigation Department. Other initiatives include the implementation of a sophisticated fraud hot line, "Tip Offs Anonymous".

Group Insurance Programme

BoE maintains a dynamic and comprehensive Group insurance programme. The day to day responsibility for this rests with the head of Group Risk Management who reports thereon to both Group Exco and the Group Audit, Risk and Compliance Committee.

NON-FINANCIAL RISK MANAGEMENT

The draft Code of Corporate Practices and Conduct laid out by King II emphasises the need for reporting on a group's "triple bottom line". To manage this process and ensure all non-financial decisions taken are in line with the strategic direction of the Group, a separate Triple Bottom Line Committee has been established.

AFTER TAX RETURN ON EQUITY

Headline return on equity

Headline earnings as a percentage of average share capital, share premium and reserves.

CAPITAL ADEQUACY RATIO

The capital adequacy of banks is measured in terms of the South African Banks Act requirements. The ratio is calculated by dividing the Tier 1 and Tier 2 capital by the risk-weighted assets. The minimum South African total capital adequacy ratio for banks is now 10% of risk-weighted assets.

Tier 1 (Primary) Capital

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

Tier 2 (Secondary) Capital

Secondary capital is made up of the compulsorily convertible loans, the general bad debt provision and 50% of any revaluation reserves.

CASH FLOW

Financing activities

Activities which result in changes to the capital structure of the Group.

Investing activities

Activities relating to the acquisition, holding and disposal of fixed assets and long-term investments.

Operating activities

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

COST TO TOTAL INCOME

Operating expenses as a percentage of income from normal operations.

CROSS HOLDING

The cross holding arises from the fact that various consolidated entities in the Group hold shares in BoE Ltd. These shares held and the income accrued therefrom are eliminated on consolidation. The consolidated entities' holdings are eliminated in determining the weighted average number of shares.

DEFERRED TAXATION ASSETS

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

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

DEFERRED TAXATION LIABILITIES

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

DOUBTFUL DEBTS PROVISIONS

The specific and general provisions for doubtful debts made in the annual financial statements for the possible losses to be incurred on advances. It is generally accepted practice in the financial services industry to refer to these impairment loss provisions as provisions for doubtful debts.

DIVIDEND COVER

Headline earnings per share divided by dividends per share.

DIVIDEND PER SHARE

Dividend per share is the actual interim dividend paid and the final dividend declared expressed as cents per share.

DIVIDEND YIELD

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

EARNINGS PER SHARE

Basic earnings basis

Net profit less preference dividends (preference dividends only apply to years up to and including the 1999 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

Net profit is adjusted for an assumed income that would have been earned on the issue of shares issued from dilutive instruments. The resultant earnings are divided by the weighted average number of shares and other convertible instruments outstanding at the year end, assuming they had been in issue for the year.

Fully converted basis

Earnings per share calculated using the weighted average number of ordinary shares, preference shares and loan stock units in issue during the year. This basis only applies to years up to and including the 1999 year, when the Group had more than one issued listed instrument.

EARNINGS YIELD

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

EFFECTIVE TAX RATE, EXCLUDING ASSOCIATE INCOME AND EXCEPTIONAL ITEMS

The taxation charge in the income statement excluding taxation relating to exceptional items as a percentage of headline earnings excluding the share of earnings of associate companies.

EMPLOYEE BENEFITS

Employee benefits include all forms of consideration given by the Group in exchange for services rendered by employees.

EXCEPTIONAL ITEMS

Comprise the following:

- Surpluses and losses on disposal of long term investments, subsidiaries, joint ventures and associates;
- Amortisation of goodwill arising on acquisition of subsidiaries, joint ventures and associates;
- Litigation settlements;
- Provisions in respect of:
  - surpluses and losses on the sale or termination of an operation;
  - cost of fundamental reorganisation or restructuring having a material effect on the nature and focus of the reporting entities operations;
- Capital payments to the following:
  - BoE Educational Foundation,
  - BoE Charitable Trust, and
  - NBS Centenary Fund; and
- Other items of a capital nature.

FINANCING COSTS

Interest and other related costs incurred in connection with the borrowing of funds outside of normal banking activities.

HEADLINE EARNINGS

Headline earnings is a measure of the Group's trading performance for the period and not a measure of maintainable earnings.

For purposes of the definition and calculation, the opinion on "Headlines Earnings" as issued by the Institute of Investment Management and Research in the UK has been used.

Headline earnings consist of the earnings attributable to ordinary shareholders excluding exceptional items.

HEADLINE EARNINGS PER EMPLOYEE

Headline earnings divided by the number of employees in service at the year end.

INTEREST MARGIN

Net margin expressed as a percentage of average net advances. Net advances are used as this closely resembles the quantum of interest-bearing assets that earn income which is included in net margin.

MARKET PRICE PREMIUM TO NET ASSET VALUE

The extent to which the closing price of ordinary shares exceeds the net asset value per share (with investments at market value) expressed as a percentage.

NET ASSET VALUE PER SHARE

Share capital and reserves adjusted by the difference between the book and market values of investments divided by the number of shares in issue, less cross holding shares.

NON-INTEREST REVENUE TO TOTAL INCOME

Income from normal operations excluding net margin as a percentage of 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-PERFORMING LOANS

Non-performing advances excluding properties in possession.

ORDINARY SHAREHOLDERS' FUNDS

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 of 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.

RETURN ON TOTAL ASSETS

Headline earnings expressed as a percentage of average total assets.

RETURN ON RISK-WEIGHTED ASSETS

Headline earnings expressed as a percentage of average risk-weighted assets.

SEGMENTAL REPORTING

Market Focus Segment

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

Business Activity Segment

A distinguishable component of the Group that provides related services, and that is subject to risks and returns that are different from those of other business segments.

Geographical Segment

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

TOPLINE REVENUE

Income from normal operations.

TRIPLE BOTTOM LINE

Triple bottom line refers to sustainability in three dimensions: the economic, environmental, and social aspects of a company's activities. This is an approach which has been brought to the forefront by the second King Report of Corporate Governance.

TOTAL INCOME

Income from operations.

WEIGHTED AVERAGE NUMBER OF SHARES

The number of shares in issue, assuming full conversion of preference shares and loan stock units in issue at the beginning of the year, increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the income of the Group, less shares held by entities in the Group as part of the cross holding, weighted on a time basis for the period during which the entities held these shares.

Term used in this Annual Report	International (UK or US) equivalent or brief description
Business segment	Industry segment or Class of business
Capital allowances	Tax term equivalent to US tax depreciation allowances
Fair value (if listed security)	Market value
Fee and commission expense	Fee and commission payables
Fee and commission income	Fee and commission receivables
Financial statements	Accounts
Finance lease	Capital lease
Freehold	Ownership with absolute rights in perpetuity
Gain	Surplus or profit
Income	Profit
Income statement	Profit and loss account
Interest expense	Interest payable
Interest income	Interest receivable
Interest-bearing borrowings	Long-term debt or loan capital
Issued	Allotted
Loans and advances	Lendings
Net asset value	Book value
Net income	Attributable profit
Ordinary shares, issued and fully paid	Called-up share capital
Provisions	Allowances
Retained earnings	Profit and loss account reserve
Secondary tax on companies	No direct international equivalent. Tax paid on net difference between dividends received and paid
Share capital	Ordinary shares, capital stock or common stock issued and fully paid
Share premium account	Additional paid-up capital or paid-in surplus
Shareholders' funds	Shareholders' equity
Shares in issue	Shares outstanding
Short-term deposits and cash	Cash
Write-offs	Charge-offs

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