



MAKE THINGS HAPPEN



Lead manager & dealer



Manager & dealer

# NEDBANK

Ned 7 & 8 Tier II Bonds February 2007

## ● Nedbank Ltd

- Mike Brown CFO 011 294 9999
- Trevor Adams Head: Group Capital Management & Basel II 011 294 1141
- Markus Borner Head: Strategic Capital Management 011 295 8616

## ● Nedbank Capital

- Bruce Stewart Head Debt Origination 011 535 4027
- Laurence Rosenberg Debt Advisory 011 535 4027
- Thobeka Tubela Debt Origination 011 535 4027

## ● Citigroup

- Jacques Els Head of SA Debt Capital Markets 011 944 0703

## ● Nedbank Group Investor Relations

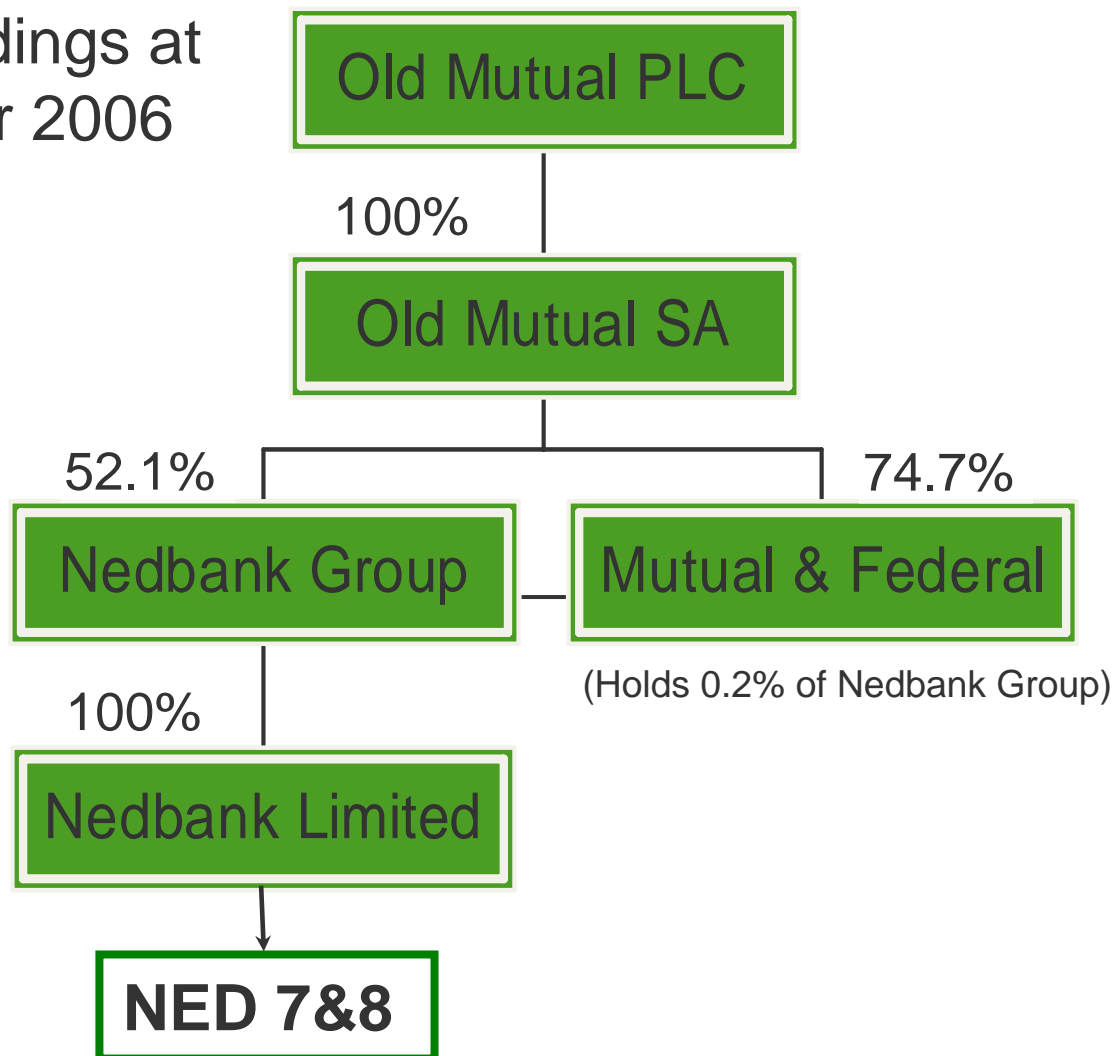
- Don Bowden Tier 1 Investor Relations 021 702 3102

- Rationale for raising Tier II Capital
- Group organisational structure
- Financial highlights
- Credit portfolio & Basel II update
- Capital management & strategic planning
- Instrument profile & indicative pricing
- Bookbuild details
- Additional information

- Partial pre-financing of R4bn Ned 2
  - Call on 9 July 2007 subject to prior written approval from the Regulator
- Build a smoother maturity profile for debt capital
- Part of capital structure and mix optimisation
- Support growth going forward

*... part of ongoing active capital management*

Effective holdings at  
31 December 2006



*... Old Mutual remains key controlling shareholder*



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## Q3 2006 financial highlights

Mike Brown

# Key features - Nedbank Group (30/09/06 vs. 30/09/05)

7

- Headline earnings up 41,2%
- ROE up from 15,4% to 18,6%
- Efficiency ratio improved from 65,7% to 57,7%
  - Strong revenue growth of 21,6%
  - Expense growth of 6,9%
  - Positive JAWS of 14,7%
- Impairments 0,50% of average advances
- Advances growth of 29,7% to R304bn
- Active capital management
- Strong performance from all clusters

***... outward focus continues to benefit group performance***

# Key financial indicators – Nedbank Group



Nine months ended	% change	Sep 2006	Sep 2005
Headline earnings (Rm)	41,2	<b>3 216</b>	2 277
Headline EPS (cents)	39,1	<b>801</b>	576
Fully diluted HEPS (cents)	36,5	<b>782</b>	573
ROE (%)		<b>18,6</b>	15,4
ROE excluding goodwill (%)		<b>22,2</b>	18,9
ROA (%)		<b>1,12</b>	0,90
Margin (%)		<b>3,94</b>	3,45
Impairments / avg advances (%)		<b>0,50</b>	0,39
Efficiency ratio (%)		<b>57,7</b>	65,7
Total assets (Rbn)	19,1	<b>417</b>	350
Tangible NAV per share (cents)	18,2	<b>4 773</b>	4 038
Group capital adequacy (%)		<b>12,4</b>	12,7



# Income statement – Nedbank Group



Rm – nine months ended	% change	Sep 2006	Sep 2005
Net interest income	28,8	7 928	6 155
Impairments	53,8	(1 055)	(686)
Income from lending activities	25,7	6 873	5 469
Non-interest revenue	14,1	6 786	5 949
Total expenses	6,9	(8 496)	(7 947)
Indirect taxation	(3,9)	(223)	(232)
Associate income	(34,6)	85	130
Headline profit before taxation	49,2	5 025	3 369
Direct taxation	85,0	(1 369)	(740)
Minorities & preference shares	25,0	(440)	(352)
Headline earnings	41,2	3 216	2 277

# Segmental performance



		Headline earnings		ROE	
Rm	% ch	Sep 06	Sep 05	Sep 06	Sep 05
nine months ended					
Nedbank Capital	27,2	771	606	27,1	24,9
Nedbank Corporate	33,3	1 912	1 434	22,4	19,3
Nedbank Retail	64,2	1 194	727	26,0	19,5
Imperial Bank	48,9	140	94	24,7	21,5
Operating units	40,4	4 017	2 861	23,3	19,8
Shared services		(141)	56		
Central management		(660)	(640)		
Total	41,2	3 216	2 277	18,6	15,4



% of daily average interest-earning assets	Q3	H1+Q3	Rm
<b>December 2005</b>		<b>3,55</b>	<b>8 529</b>
<b>June 2006 annualised</b>	<b>3,88</b>		
Quarter ended September 2006 asset growth			864
Net endowment effect	0,01	0,14	458
Current & savings accounts margin compression	0,01	0,01	21
Market margin compression	-	(0,01)	(17)
Foreign capital repatriated	-	0,03	89
Subordinated debt hedge	-	(0,01)	(33)
Tax structured deals impact	-	0,03	91
Inclusion of Zimbabwean business	0,01	0,04	111
Growth in personal loans volumes	0,01	0,08	231
Change in product mix & pricing	0,02	0,08	256
<b>September 2006 annualised</b>	<b>3,94</b>	<b>3,94</b>	<b>10 600</b>

- Interest rate risk managed at net income level not only at margin level
- Advances in ALCO risk measures & methodologies implemented during 2006 (including Economic Value of Equity)
- Group ALCO & Executive Risk Committee strategies:
  - Capital invested in short end exposing NII to rate increases
  - Hedging strategies on deposits proactively revised for upside potential
  - Maintaining interest rate risk within board-approved limits & defined risk appetite
- Impact of 1% parallel upward move in rates (assuming full annual impact & no management intervention):
  - approximately R533m margin pickup

# Impairment charge – Nedbank Group



Nine months ended	% of average advances	Sep 2006	Jun 2006	Dec 2005	Sep 2005
Impairment charge (Rm)		1 055	806	1189	686
Simple monthly average (Rm)		117	134	99	76
As % of NII		13,3	16,0	13,9	11,1
As % of average advances	100,0	0,50	0,61	0,49	0,39
Nedbank Capital	15,7	0,48	0,90	0,43	0,35
Nedbank Corporate	41,5	0,13	0,07	0,23	0,18
Nedbank Retail	34,4	1,02	1,12	1,14	0,94
Imperial Bank	8,4	0,79	0,92	0,63	0,60

# Non-interest revenue – Nedbank Group



Rm - nine months ended	% change	Sep 2006	Sep 2005
Commission & fees	14,5	4 707	4 111
Net trading income	6,8	1 238	1 159
Exchange & non-interest dealings	80,0	225	125
Investment income	202,8	218	72
Rental income	(41,7)	35	60
Foreign currency translation gains	(96,1)	5	128
Sundry income	21,8	358	294
Non-banking subsidiaries	46,1	206	141
Other	(0,7)	152	153
<b>Total NIR</b>	<b>14,1</b>	<b>6 786</b>	<b>5 949</b>

Rm - nine months ended	% change	Sep 2006	Sep 2005
Staff costs	11,6	4 372	3 917
Computer processing	10,6	1 068	966
Accommodation	1,8	664	652
Marketing & PR	37,5	506	368
Fees & insurance	3,2	1 028	996
Other	(10,7)	749	839
<b>Operating expenses</b>	8,4	<b>8 387</b>	<b>7 738</b>
BEE		109	139
Merger & recovery		-	70
<b>Total expenses</b>	6,9	<b>8 496</b>	<b>7 947</b>

# Balance sheet – Nedbank Group



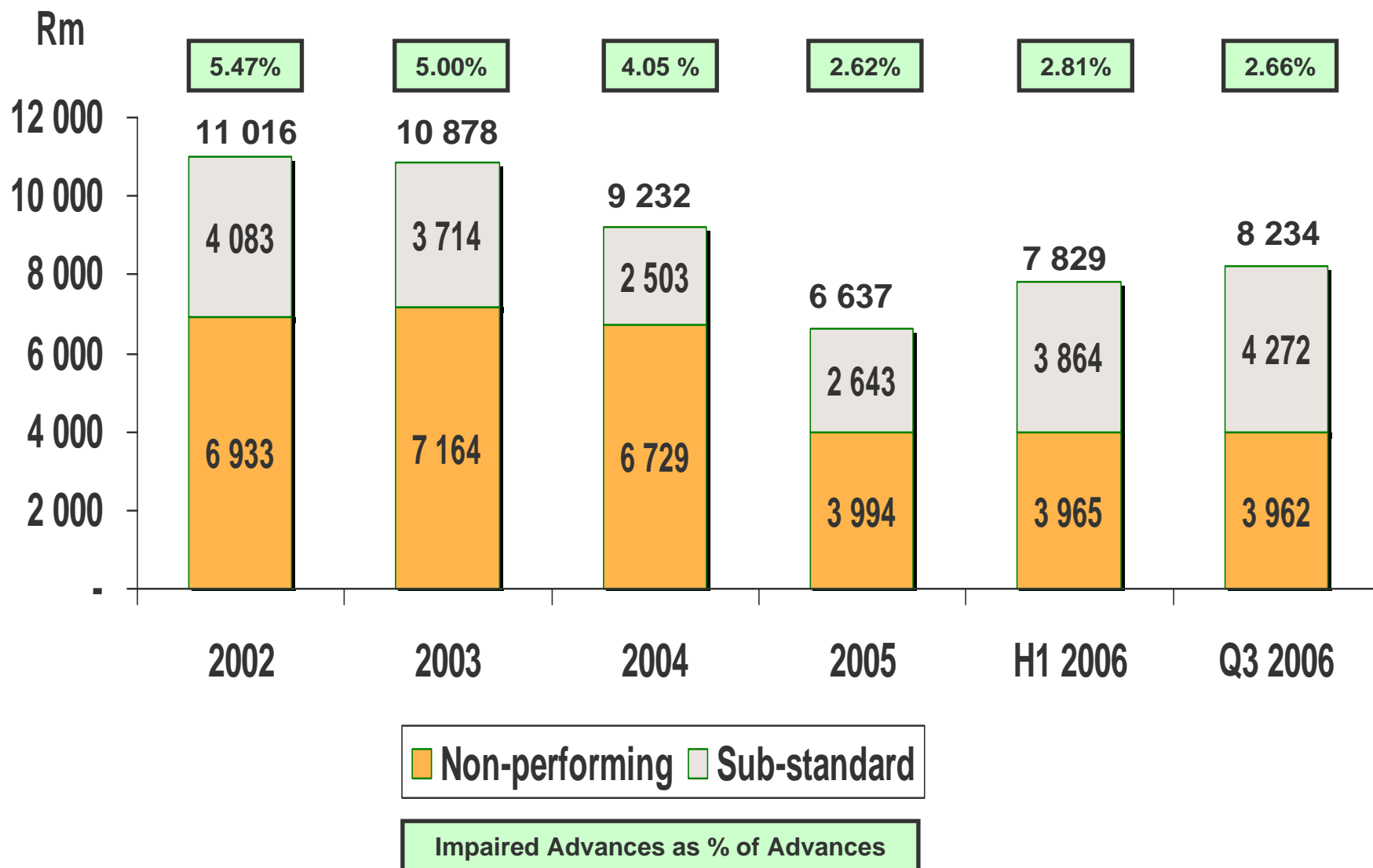
Rm	Annualised % change	Sep 2006	Dec 2005
Cash & securities	20,3	65 139	56 561
Advances	29,7	303 607	248 408
Investments		7 264	7 532
Property & equipment		3 386	3 258
Computer software	(11,1)	1 210	1 320
Goodwill		3 787	3 687
Derivatives		15 713	16 176
Other		17 198	15 316
<b>Total assets</b>	<b>24,7</b>	<b>417 304</b>	<b>352 258</b>
Ordinary shareholders' equity	7,7	23 790	22 490
Minorities & preference shareholders	13,3	4 199	3 819
Deposits	25,7	311 461	261 311
Derivatives		17 687	17 055
Long-term debt instruments	24,9	8 625	7 273
Other	37,3	51 542	40 310
<b>Total equity &amp; liabilities</b>	<b>24,7</b>	<b>417 304</b>	<b>352 258</b>



Rm	Annualised % change	Sep 2006	Dec 2005
Home loans	27,3	90 736	75 333
Commercial mortgages	19,6	43 561	37 993
Properties in possession	(71,4)	144	309
Term loans	29,9	30 971	25 314
Credit cards	18,1	4 627	4 074
Foreign correspondents	88,9	28 917	17 370
Overdrafts	15,3	12 931	11 604
Other loans to clients	17,6	38 310	33 856
Leases & instalment	21,4	40 533	34 935
Preference shares & debentures	12,0	6 448	5 918
Trade & other bills	(68,1)	1 888	3 850
Reverse repurchase agreements	299,8	9 942	3 066
Impairment of advances	4,8	(5 401)	(5 214)
	29,7	303 607	248 408

- Residential mortgages market share stabilised
- Maintained dominant position in commercial mortgages
- Instalment credit market share stable
- Card receivables market share down, although improved growth in Q4 2006 – targeting 25% year-on-year growth
- Nedbank Corporate - domestic private sector loans & advances market share maintained at 24%
- Nedbank Capital growth encouraging with good pipeline conversion

# Impaired advances – Nedbank Group



Rm	Annualised % change	Sep 2006	Dec 2005
Current accounts	18,2	<b>40 716</b>	35 830
Savings accounts	22,6	<b>13 081</b>	11 188
Term deposits	28,3	<b>203 275</b>	167 723
Credit card balances	(1,9)	<b>812</b>	824
Foreign currency liabilities	43,5	<b>11 705</b>	8 832
NCDs	7,4	<b>35 539</b>	33 682
Deposit repurchase agreements	128,3	<b>6 333</b>	3 232
	25,7	<b>311 461</b>	261 311

*... liquidity remains strong*

**Full year  
forecasts  
unchanged**

**Headline earnings up by 22% to 42%**

**Headline EPS up by 20% to 40%**

**Basic EPS up by 5% to 22%**



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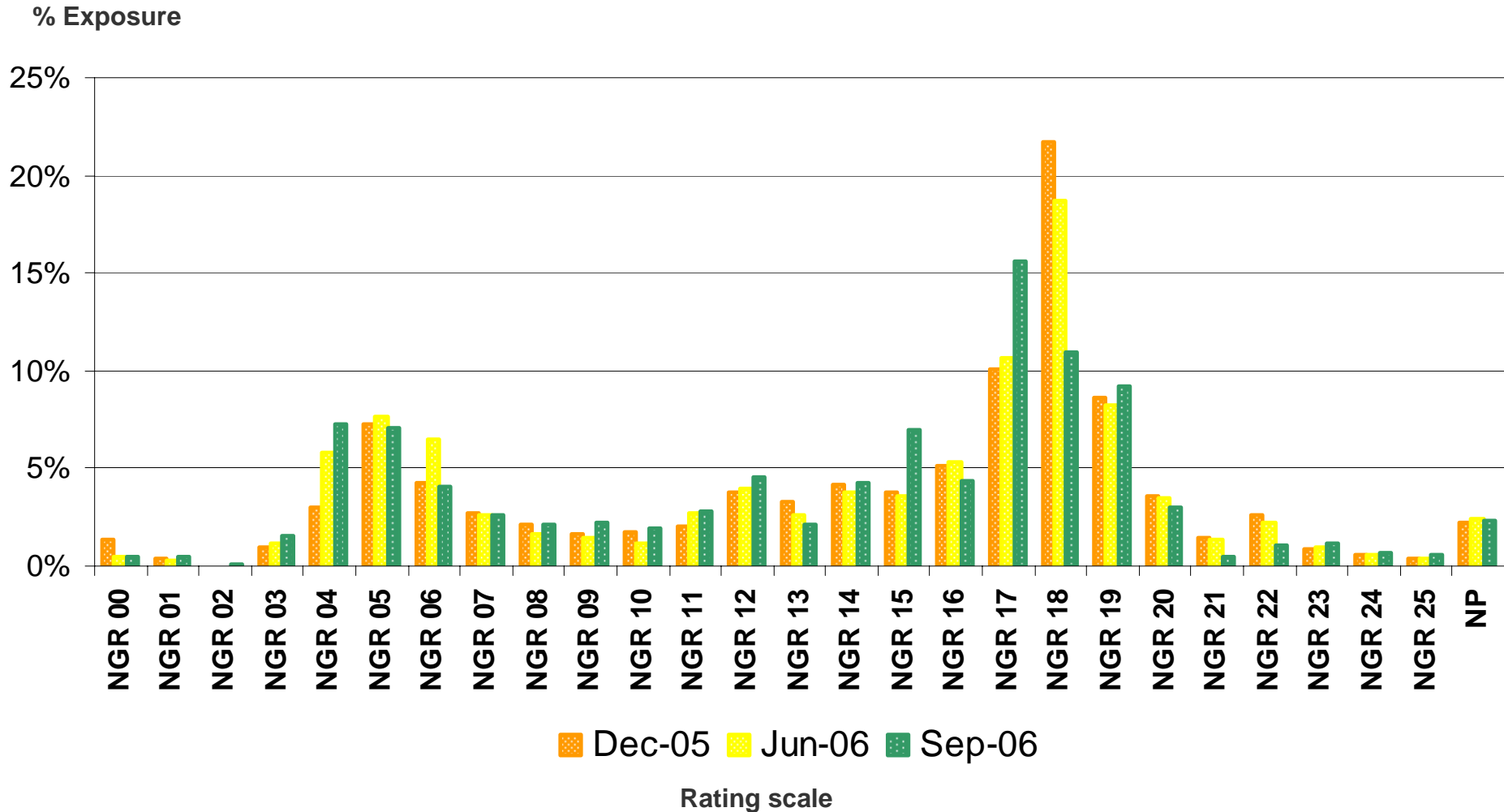
# Credit portfolio & Basel II update

Trevor Adams

# Credit risk profile (exposure per PD)



As at 30 September 2006



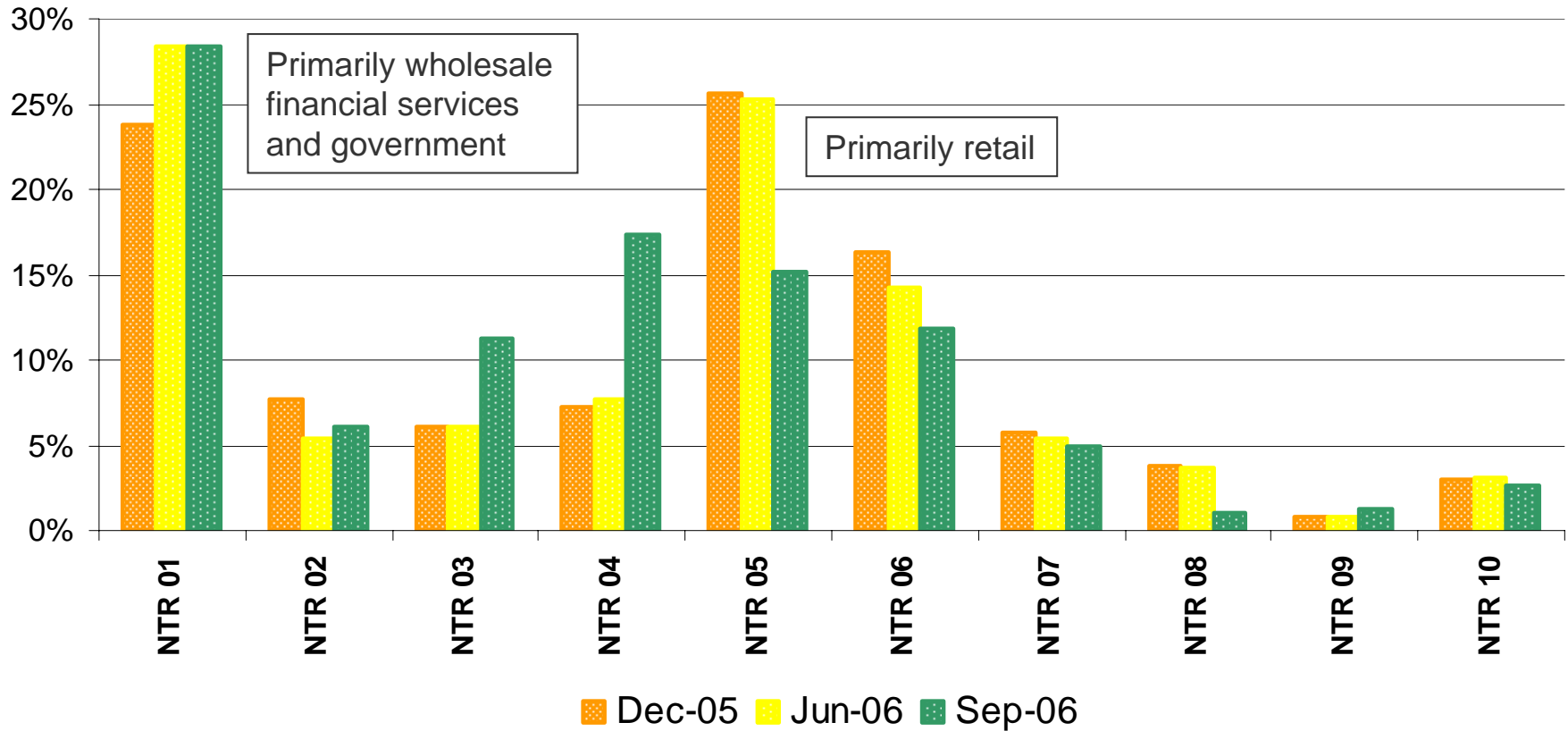
*... shows increasing credit quality & process refinement*

# Credit risk profile (exposure per EL)



As at 30 September 2006

% Exposure



Rating scale

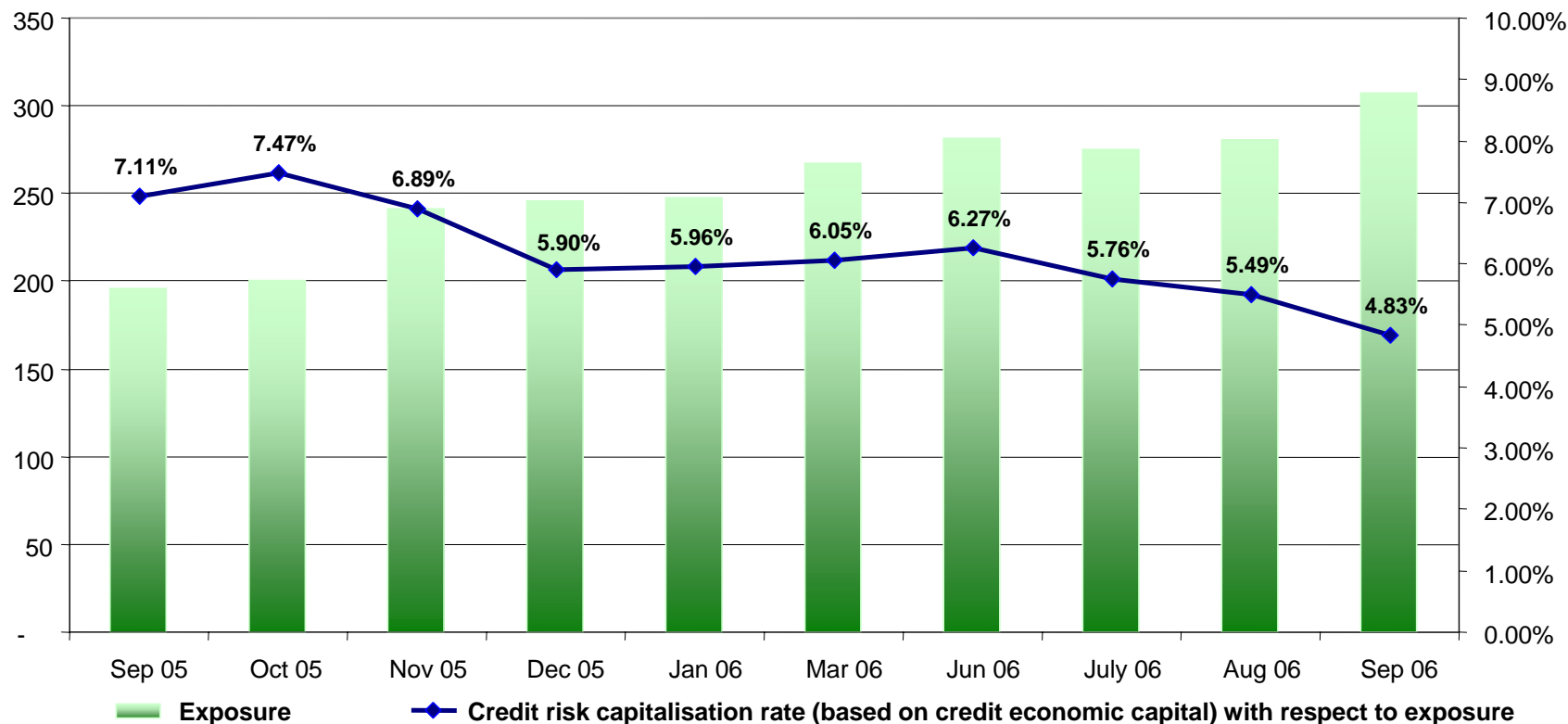
**... reaffirms enhanced credit quality & collateral management**



# Exposure capitalisation rates – Nedbank Group 25

Advances  
R'bn

Capitalisation  
rate



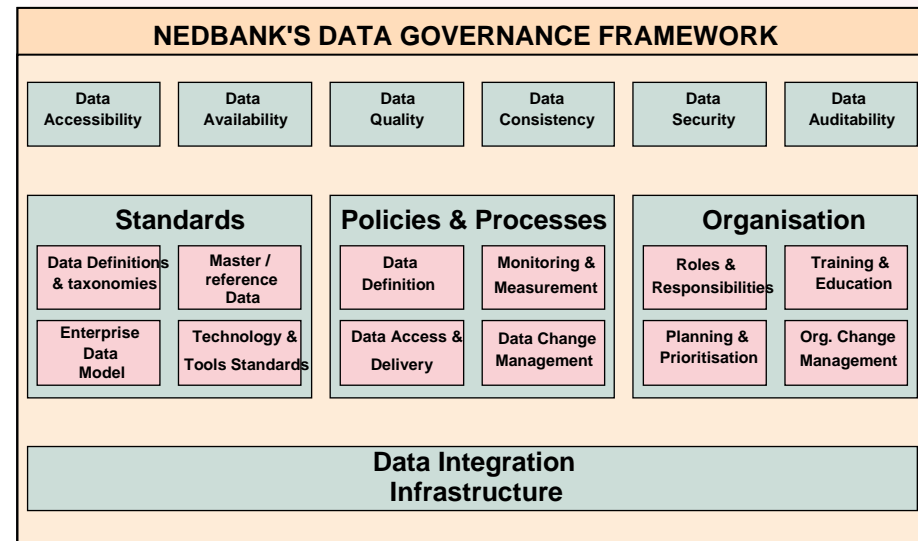
*...reflected in decreasing Ecap credit capital requirements*

## KEY WORK COMPLETED TO DATE

- Significant data collection exercise for development of credit models (for PD, LGD and EAD) - 2003/4
- Basel II Data Management Policy – 2004
- Basel II credit data gap analysis assisted by SAS / IBM consultants – 2004
- Data cleaning – ongoing
- Updated data gap analysis and assessment - Q2 2006 (independent expert review by Monocle Solutions)  
 ↓  
 Comprehensive *bank-wide* data strategy and plan created (rather than just individual business unit plans)
- Data Governance Framework (draft) – Q4 2006

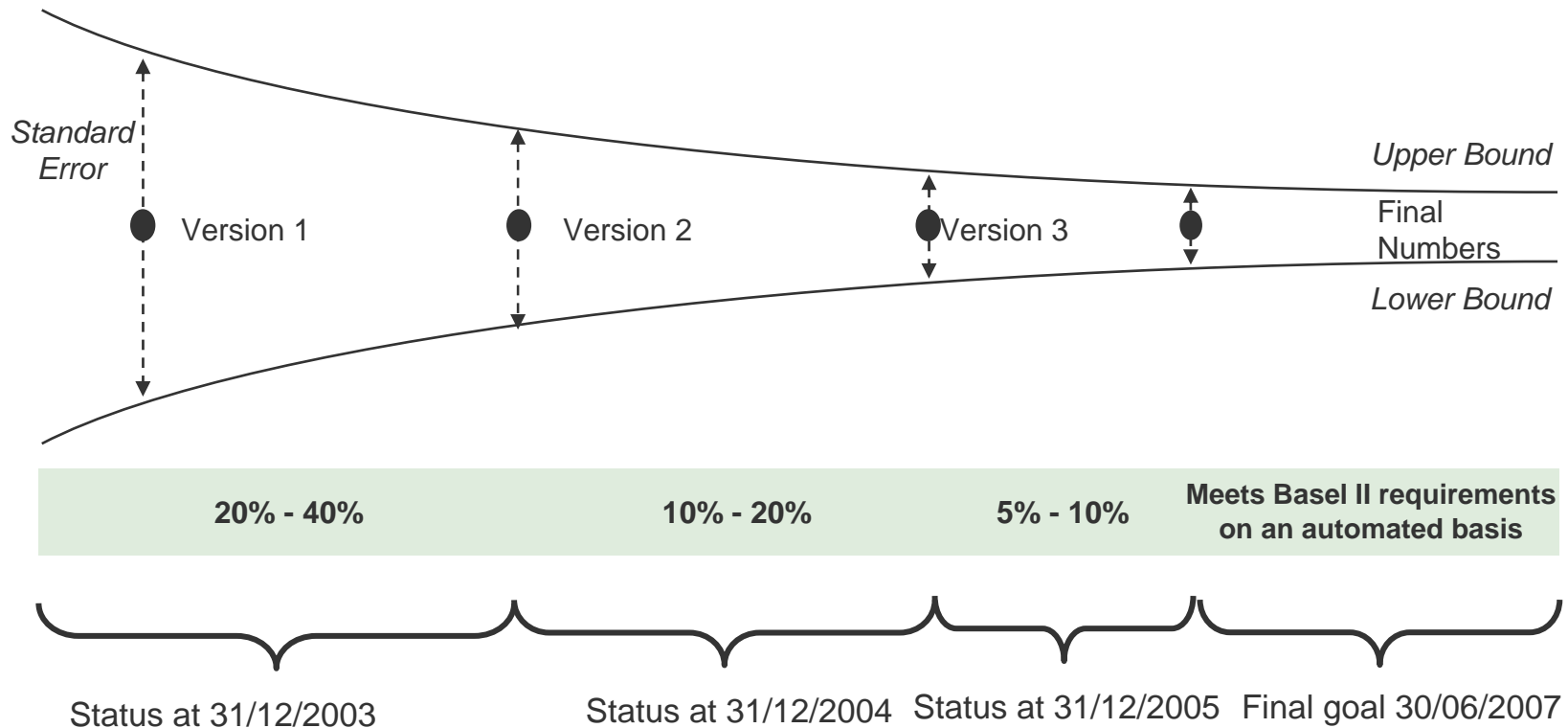
## KEY WORK-IN-PROGRESS

- Execute remaining data related tasks and complete population of EDW in all material aspects (by mid 2007)
- Ongoing data quality enhancement
- Finalise BA regulatory returns IT development work – to be fully automated in Q4 2007.
- Data Governance Framework (finalised and Board approved – in Q1 2007)

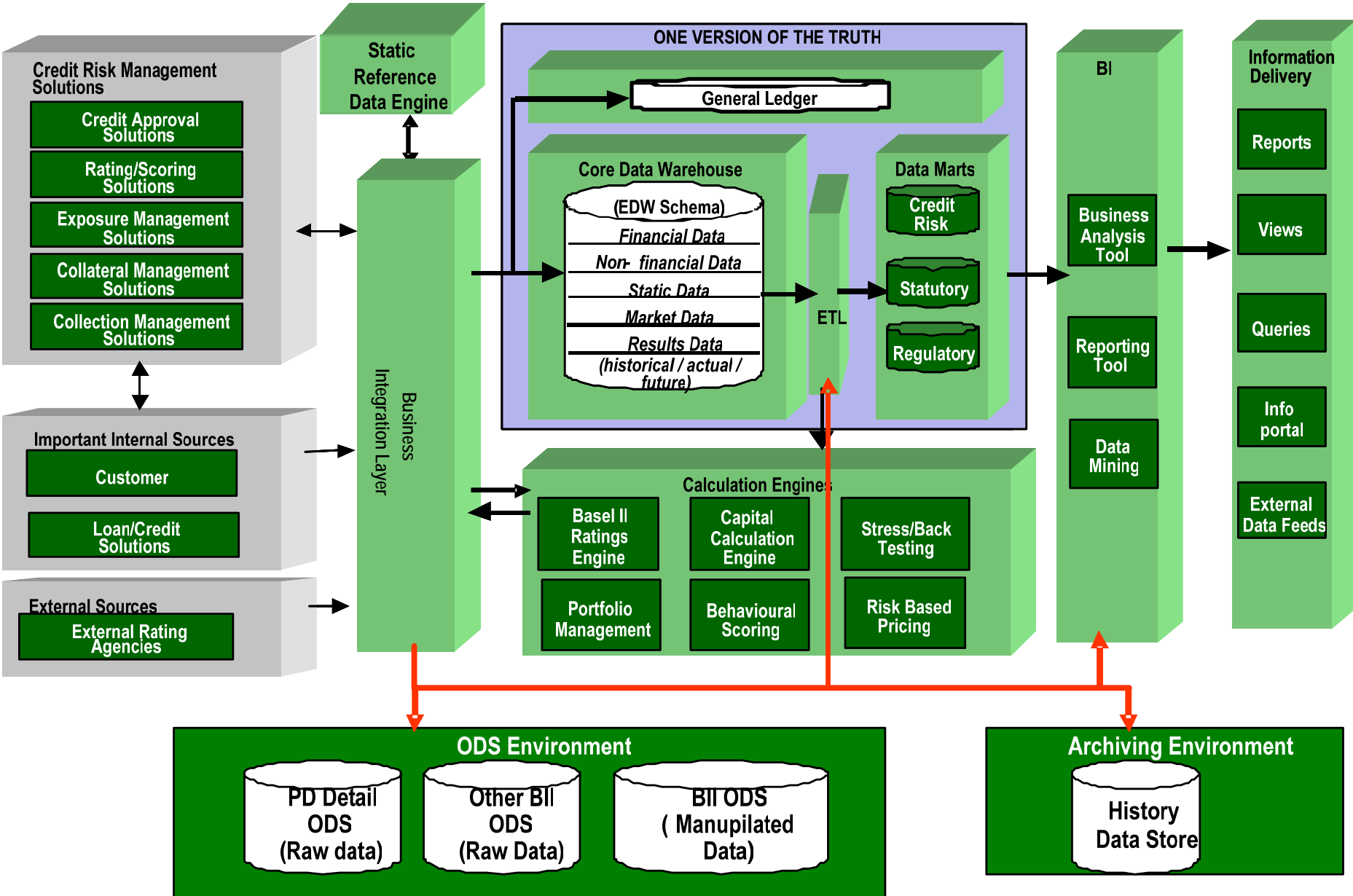


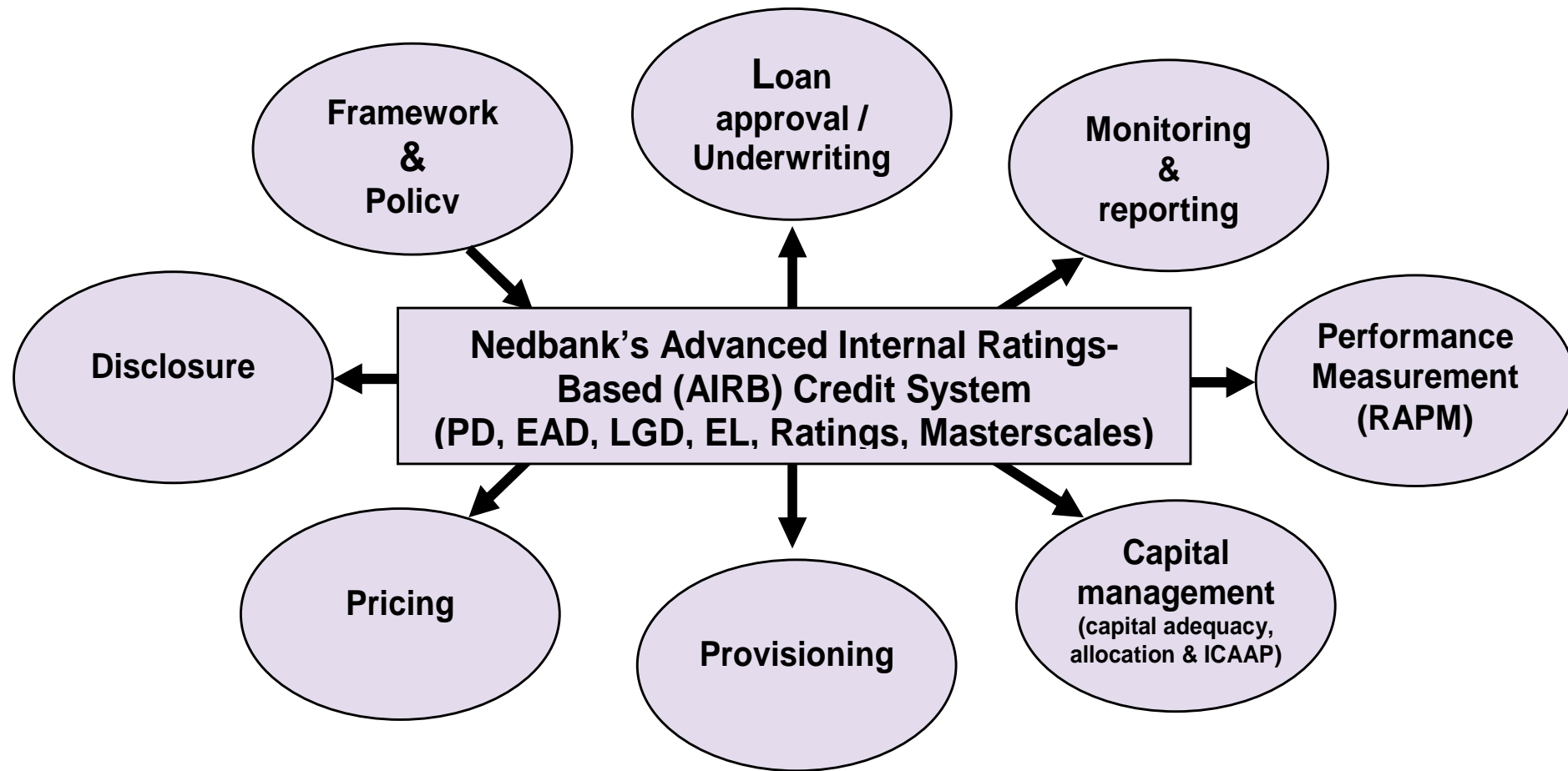
## Design → Prototype → Pilot → Roll-Out → Automate → Refine

This allowed for significant progress to be made, 80/20 output to be obtained quickly, 'use test' & some benefits to be realised early & valuable lessons gained to improve the original design while data enhancement continued.



**... on track for 2008**





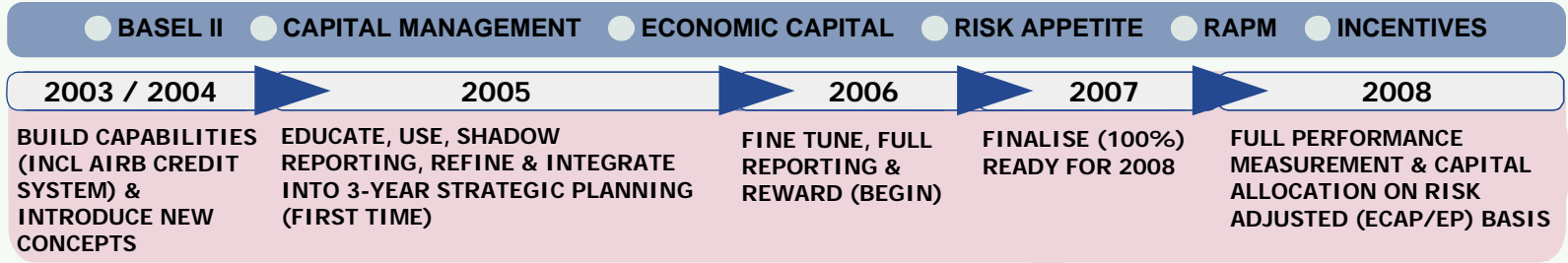
## ● Pillar 1

- Credit Risk – AIRB
- Market Risk
  - Trading – Internal Model Approach (Advanced)
  - Investment – Simple Risk Weight Approach
- Operational Risk – Standardised approach, on track to transition to AMA (advanced) by 2010 latest

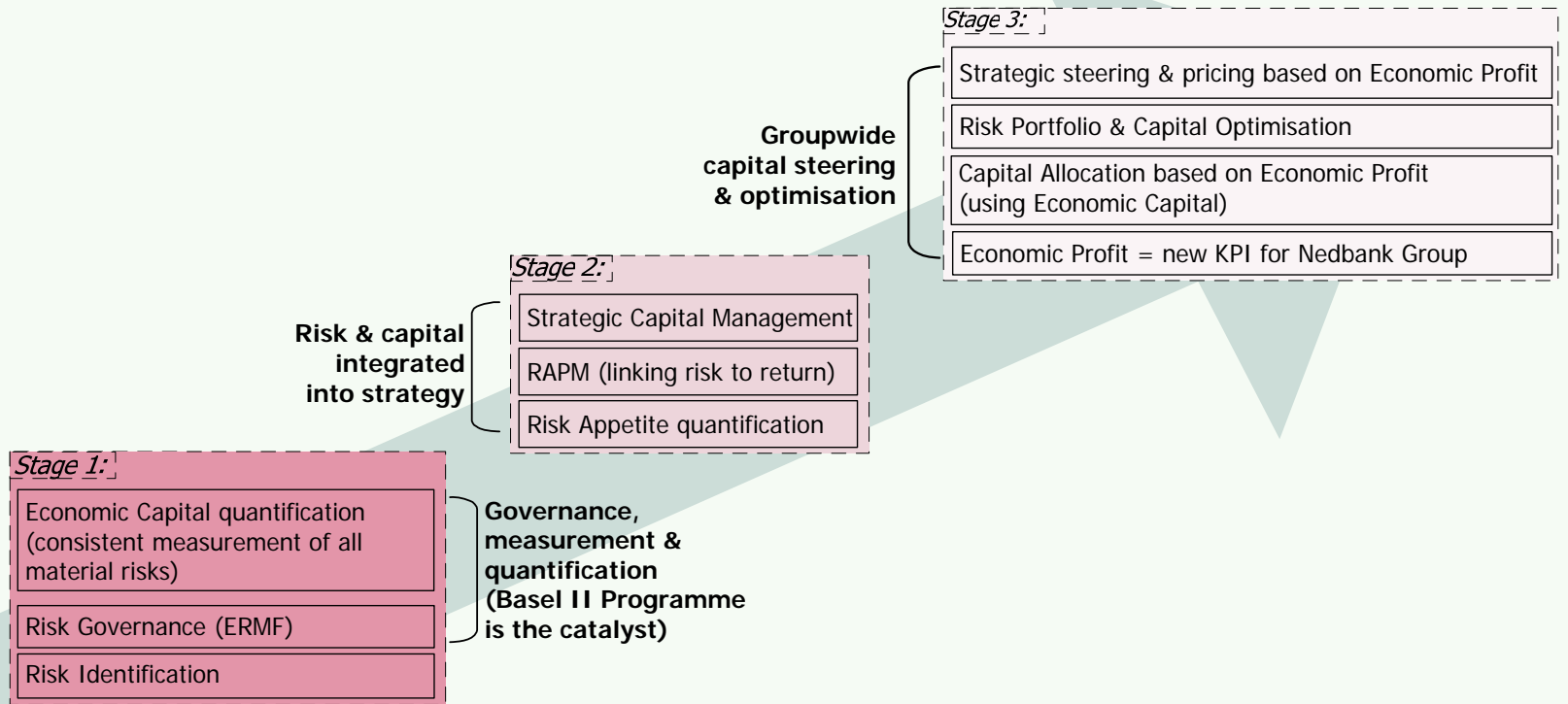
## ● Pillar 2

- Economic Capital Framework encompasses
  - Additional financial risks (ALM, Property, Business)
  - Credit portfolio effects (credit concentration risk and intra-risk diversification)
  - Inter-risk diversification
  - Stress and scenario testing
- Internal Capital Adequacy Assessment Process (ICAAP)
  - Capitalised on an Economic Capital basis to an A- equivalent (99.9% confidence level)
- Capital Management

# Risk & capital optimisation



Shareholder value



Stage 1: Completed in 2004  
 Stage 2: Introduced in 2005  
 Stage 3: Commenced and on track to be fully "business as usual" from 2008

Risk & Capital management sophistication

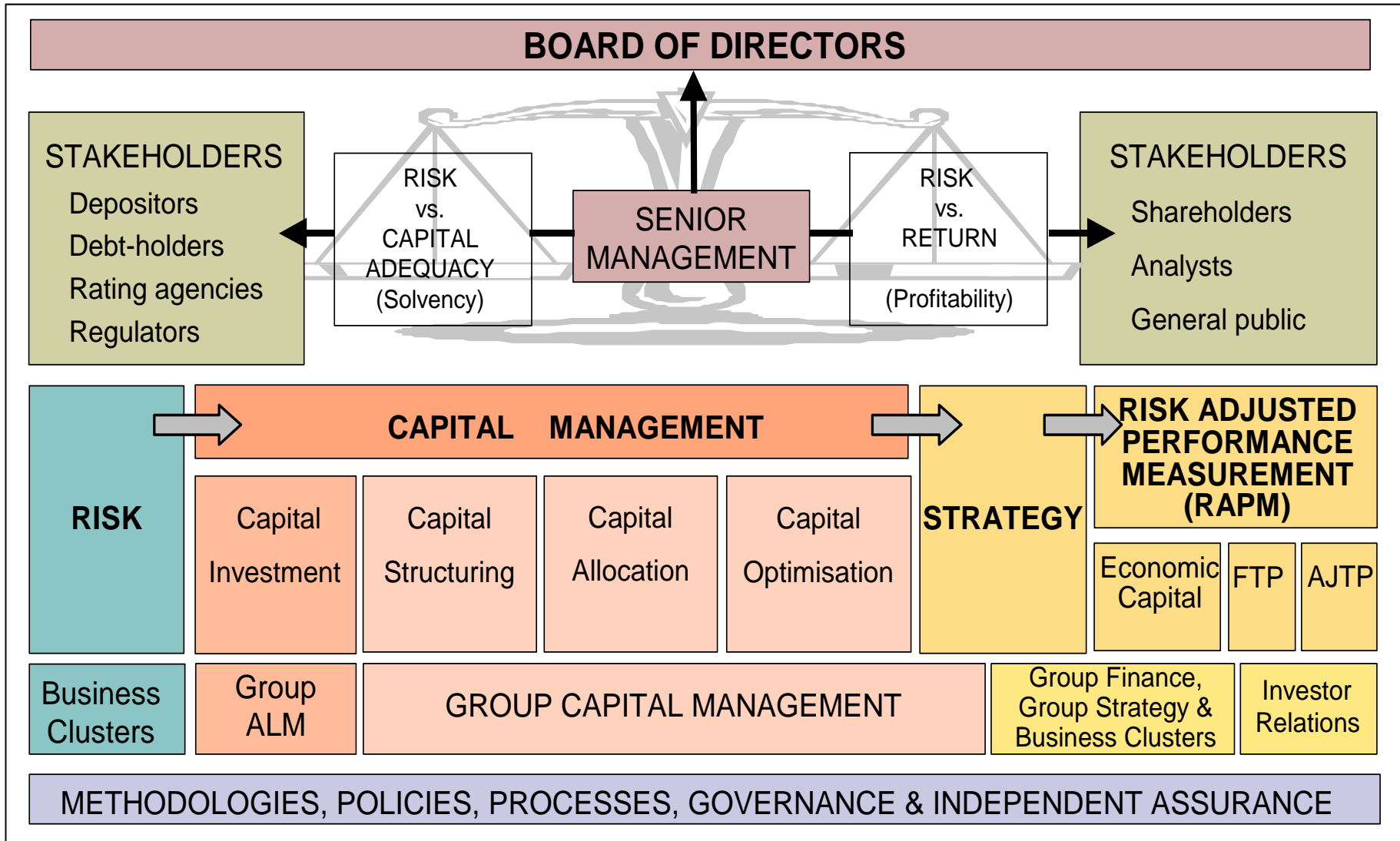


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# Capital management

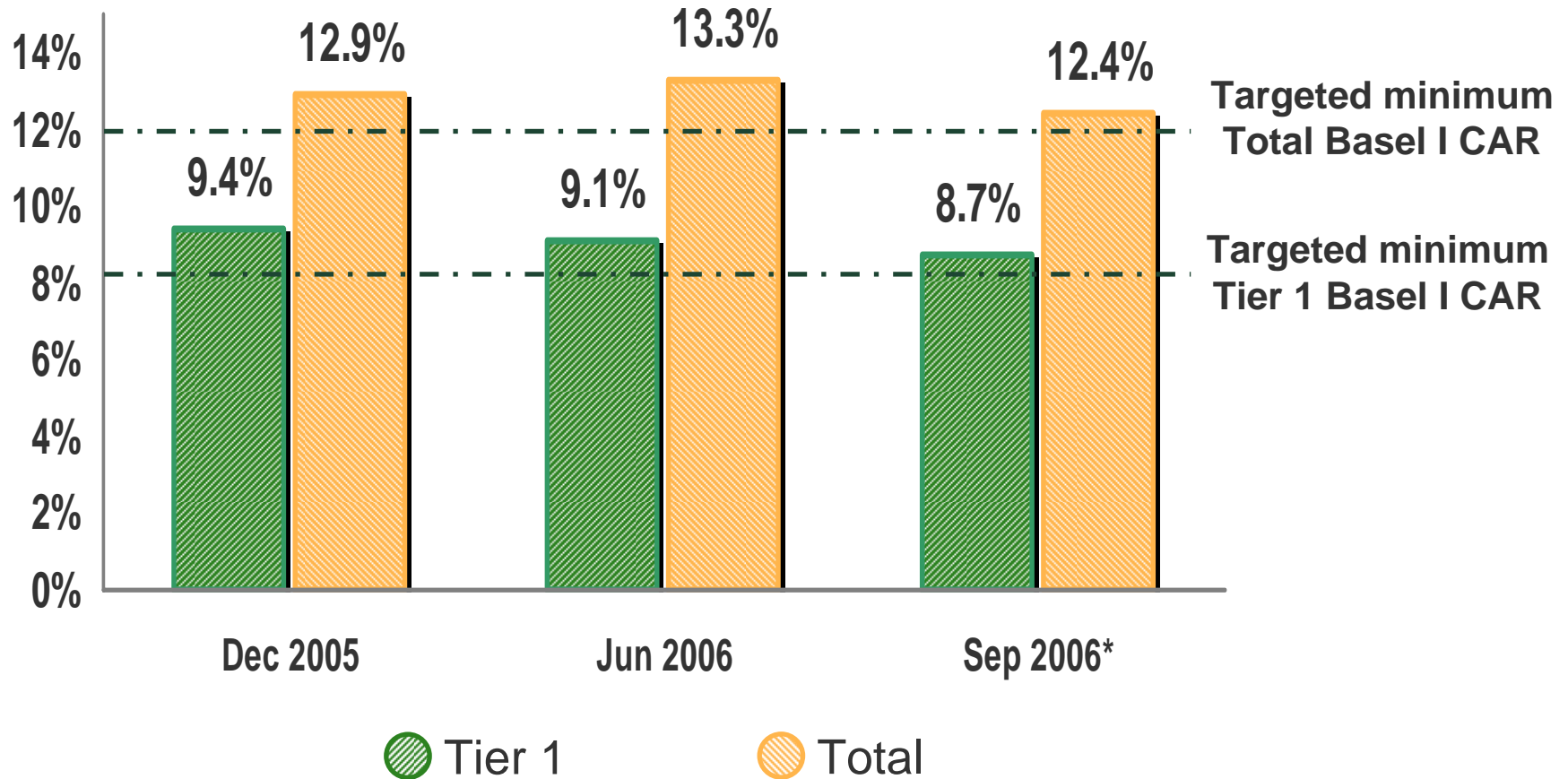
Markus Borner





- Concluded R3bn in sub debt issues in 2006 (NED 5 & 6)
  - Ned 5 R1.5bn 10NC5 - April 2006
  - Ned 6 R1.5bn 12NC7 - September 2006
- Redeemed NED 1 R2bn sub debt on 20 September 2006
- Executed share buybacks
  - 5,5m shares - R616m in H1
  - 8,2m shares - R892m in Q3
  - 14,7 m total treasury share holdings – R1 608m

# Capital adequacy – Nedbank Group



\* The Nedbank Group Basel I capital adequacy ratios for September 2006 include R1,3bn of Nedbank Limited profit appropriation

**... capital above target levels**

# Capital position – Nedbank Group



Regulatory capital (Rm)	Tier 1	Tier 2	Tier 3	Total	RW assets
<b>31 December 2005</b>	<b>21 151</b>	<b>7 648</b>	<b>300</b>	<b>29 099</b>	<b>225 756</b>
<b>Group capital adequacy (%)</b>	<b>9,4</b>	<b>3,4</b>	<b>0,1</b>	<b>12,9</b>	
Attributable income (excl FX)	3 615			3 615	
Ordinary dividend	(1 573)			(1 573)	
Currency impact	429			429	2 778
Growth – risk-weighted assets					29 012
Capital raising	433	1 500		1 933	
New preference share issue	300			300	
Tier 2 movements on qualifying provision		154		154	
Tier 3 non-qualification			(161)	(161)	
Capital reduction – buyback	(1 508)			(1 508)	
Acquisitions & sales	(215)			(215)	
Profits not appropriated	(306)			(306)	
IFRS Reserve & Other adjustments	18	9		27	
<b>30 September 2006</b>	<b>22 344</b>	<b>9 311</b>	<b>139</b>	<b>31 794</b>	<b>257 546</b>
<b>Group capital adequacy (%)</b>	<b>8,7</b>	<b>3,6</b>	<b>0,1</b>	<b>12,4</b>	

# Share buybacks & Treasury shares (30/09/06)



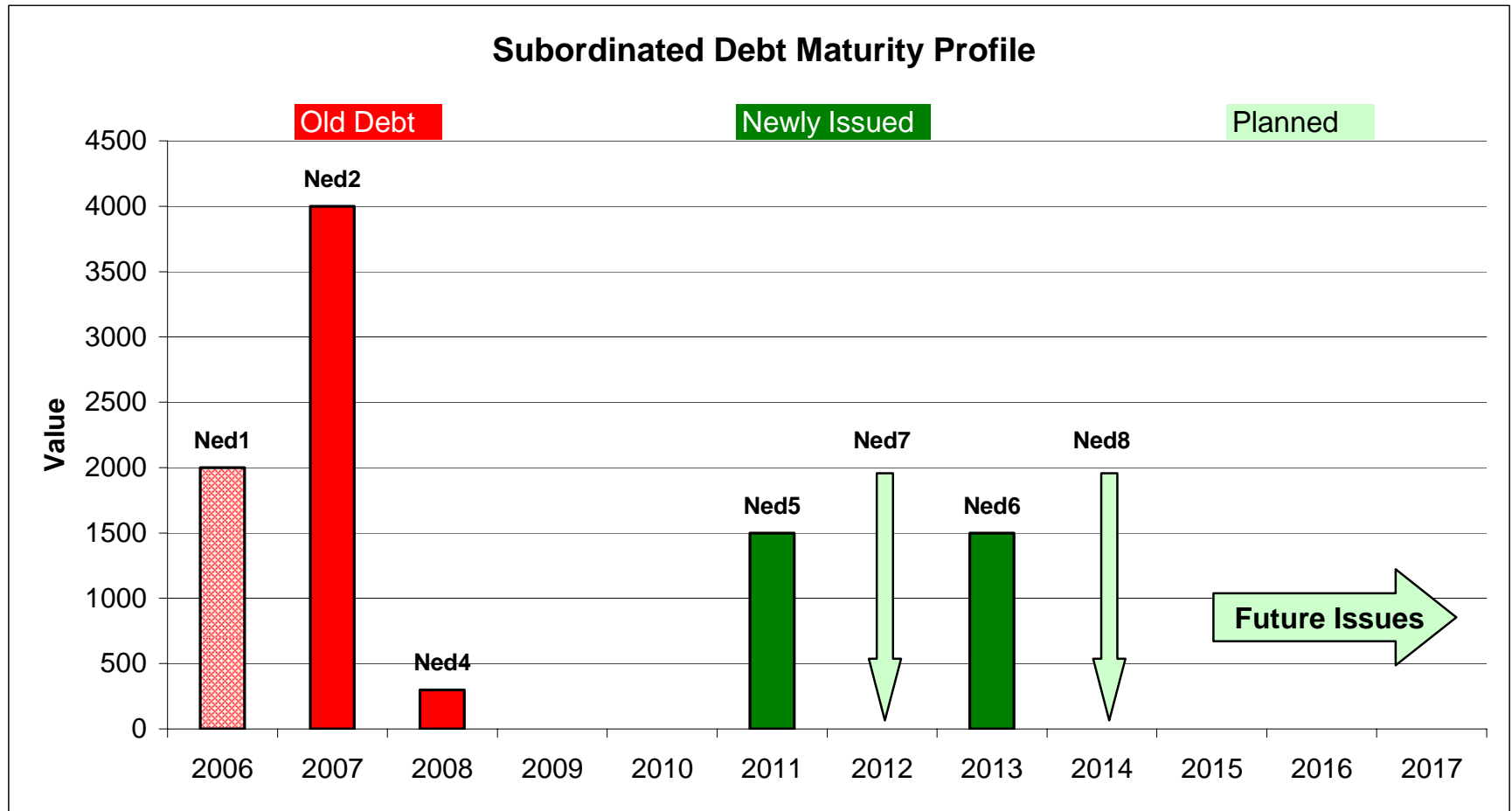
37

	Price R	Shares m	Value Rm
Bought-back – capital management	109,04	14,7	1 608
BEE transaction shares		40,3	702
Shares held by group entities		0,3	2
Total		55,3	2 312

***... active capital management***

- Dividend cover policy currently 2.5 to 3 times
- Redemption of NED 2 R4bn in July
- NED 7 & 8 Tier 2 sub debt issue of up to R2bn in February
- Non core Tier 1 issue planned
- Further active capital management impacted by
  - Projected growth
  - Target Basel I capital ratios: 12% total & 8% Tier 1
  - Proposed s38 change still to be signed into law
- Capital plans incorporate anticipated Basel II regulations

# Subordinated debt maturity profile



## ● Nedbank Ltd

- Moody's                      Aa2.za                      (outlook stable)
- CA Ratings                      zaAA-                      (outlook positive)
- Fitch Ratings                      AA- (zaf)                      (outlook stable)

## ● Ratings advisory is part of Citigroup mandate



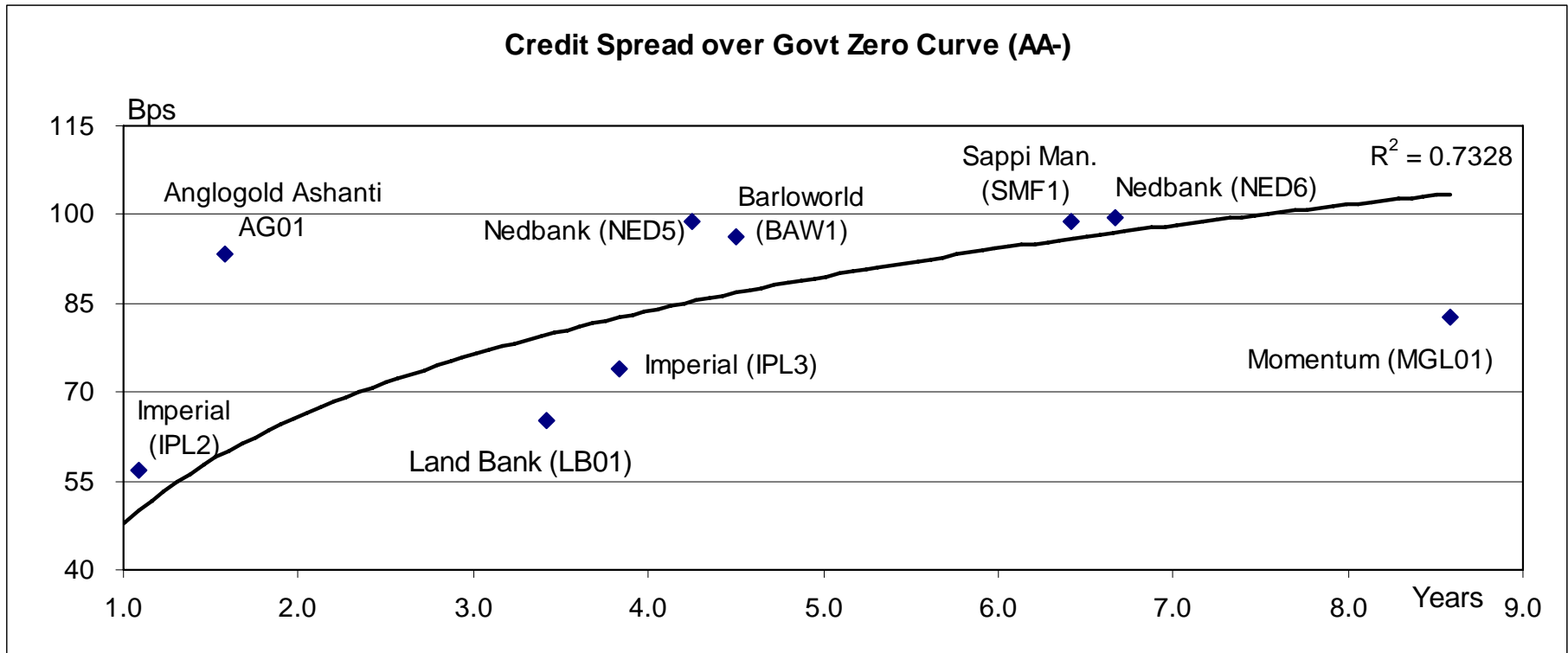


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## Instrument profile

Managers

- Subordinated debt issued by Nedbank Ltd - existing R10bn listed DMTN programme
- Intention to issue a combined total of up to R2bn with a minimum amount of R500m per bond
- Ned 7
  - Term
    - Legal maturity: 10 years
    - Call date: 5 years after issue date
  - Benchmark : R153
- Ned 8
  - Term
    - Legal maturity : 12 years
    - Call date: 7 years after issue date
  - Benchmark : R201
- Fixed rate semi-annual coupon in arrears
- Step up rate at call date of 100bps plus initial margins
- Banks Act Section 79 approval obtained



Source: Besa & Nedbank (18 January 2007)

- 5y Point on Line: 90bps over Govt Curve (63bps/R153)
- 7y Point on Line: 98bps over Govt Curve (99bps/R201)

- Citigroup appointed as manager & dealer on NED 7 & 8 bond issue
- Market-making is Citigroup's primary role
- Indicative bid/offer terms (1):

## NED7

5bps in R5mn notional

10bps in R10mn notional

>R10m by negotiation

## NED8

5bps in R5mn notional

10bps in R10mn notional

>R10m by negotiation

- Citigroup's commitment is subject to changes in market conditions &/or material changes in Nedbank's financial condition, as determined in our sole discretion

(1) Government bond primary dealer obligations limited to 5bps bid/offer in R5m. Citigroup's ability to provide 2-way bid/offer quotes subject to availability of stock

- Citigroup indicative pricing & contact details - Reuters Page CITISAFI

Roadshow

22 - 25 January 2007

Bookbuild launch & pricing

5 Feb 2007 (09h00 - 11h00)

Bookbuild hotline

(011) 535 4027

Bookbuild contacts

Terry Eichhoff / Lucille Joseph

Key bookbuild points

- No price guidance will be given during the bookbuild
- Book filled from bottom up at the clearing spreads

**A separate document is enclosed detailing the bookbuild methodology**

## Together we can.....





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# Appendix

# Income statement – Nedbank Limited



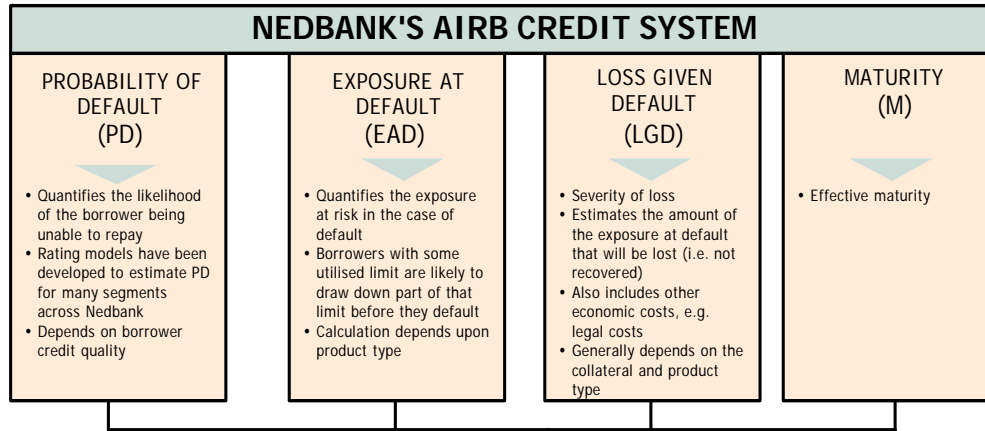
Rm – six months ended	% ch	Jun 2006	Jun 2005
Net interest income	11,7	4 865	4 355
Impairments	34,7	(804)	(597)
Income from lending activities	8,1	4 061	3 758
Non-interest revenue	23,9	4 073	3 288
Total expenses	9,1	(5 369)	(4 921)
Operating expenses	8,9	(5 304)	(4 869)
BEE		(65)	-
Merger & recovery programme		-	(52)
Indirect taxation	(6,2)	(151)	(161)
Associate income	(43,3)	17	30
Headline profit before taxation	32,0	2 631	1 994
Direct taxation	102,8	(785)	(387)
Minorities & preference shares	47,4	(112)	(76)
Headline earnings	13,3	1 734	1 531



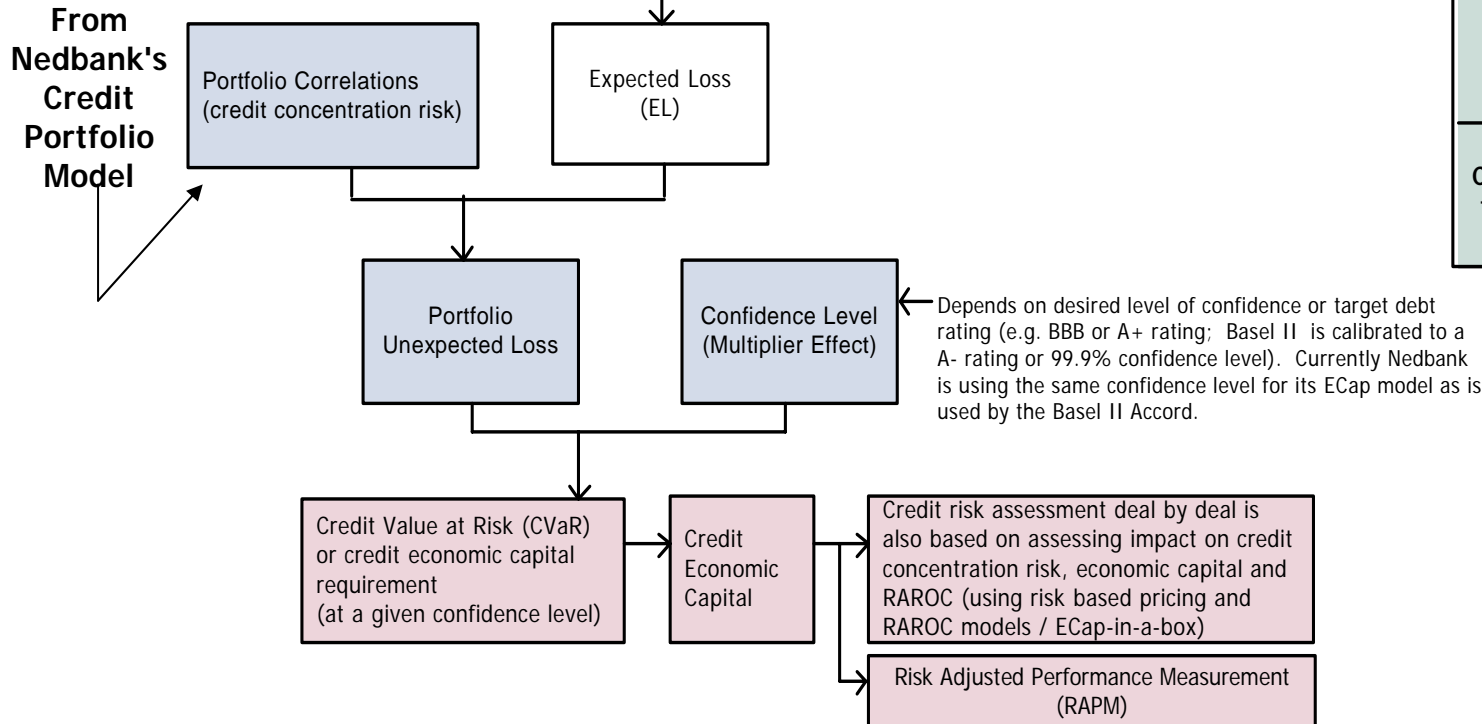
# Balance sheet – Nedbank Limited



Rm Annualised	% change	Jun 2006	Dec 2005
Cash & securities		42 580	42 587
Advances	23,0	278 447	249 969
Investments		3 056	2 903
Property & equipment		3 127	3 039
Computer software	(8,7)	1 226	1 281
Goodwill		563	563
Derivatives		11 154	12 534
Other		15 283	14 104
<b>Total assets</b>	<b>17,5</b>	<b>355 436</b>	<b>326 980</b>
Ordinary shareholders' equity	13,3	22 080	20 712
Minorities & preference shareholders	14,2	3 898	3 642
Deposits	14,1	290 152	271 244
Derivatives		14 260	15 463
Long-term debt instruments	53,9	9 216	7 273
Other		15 830	8 646
<b>Total equity &amp; liabilities</b>	<b>17,5</b>	<b>355 436</b>	<b>326 980</b>



Key Factors affecting Credit Risk and Economic Capital requirements	
<b>PD</b>	Credit rating
<b>EAD</b>	Current exposure
	Unutilised limits
<b>LGD</b>	Collateral value (loan-to-value ratio 'LTV')
	Collateral quality
	Collections (recovery rates)
<b>Concentration</b>	Customer concentration
	Sector concentration





Rating Category	Rating Class	PD (bp)	Lower Bound	Upper Bound	Corresponding S&P grade*
<b>Performing</b>	<b>NGR00</b>	0	-	-	
	<b>NGR01</b>	1	-	1.2	AAA
	<b>NGR02</b>	1.4	1.2	1.7	AA+
	<b>NGR03</b>	2	1.7	2.4	AA
	<b>NGR04</b>	2.8	2.4	3.4	AA-
	<b>NGR05</b>	4	3.4	4.8	A+
	<b>NGR06</b>	5.7	4.8	6.7	A+ to A
	<b>NGR07</b>	8	6.7	9.5	A to A-
	<b>NGR08</b>	11.3	9.5	13.5	A- to BBB+
	<b>NGR09</b>	16	13.5	19	BBB+
	<b>NGR10</b>	22.6	19	27	BBB+ to BBB
	<b>NGR11</b>	32	27	38	BBB to BBB-
	<b>NGR12</b>	45.3	38	54	BBB-
	<b>NGR13</b>	64	54	76	BBB- to BB+
<b>NGR14</b>	90.5	76	108	BB+ to BB	

\* International Rating Scale

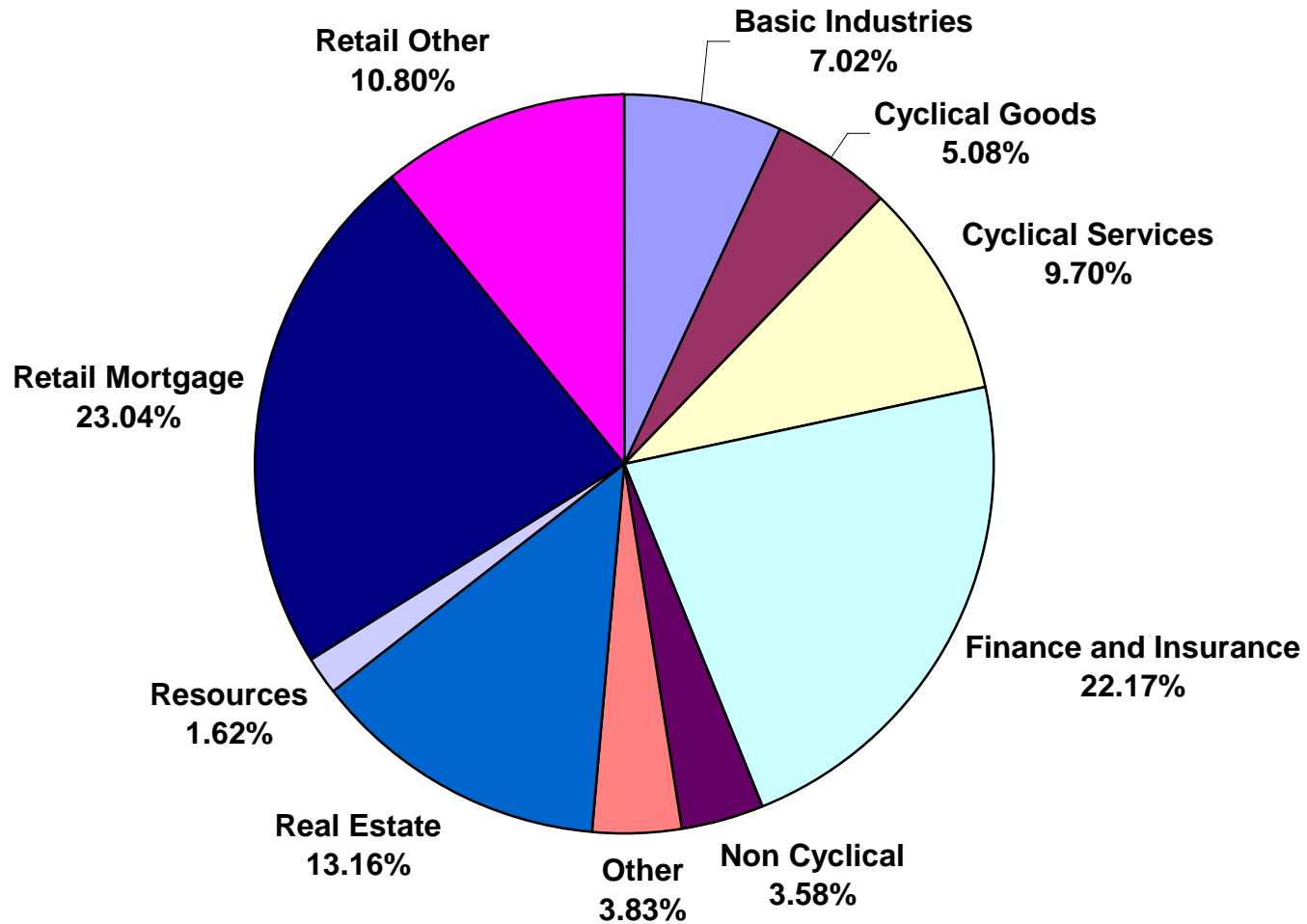


Rating Category	Rating Class	PD (bp)	Lower Bound	Upper Bound	Corresponding S&P grade*
	<b>NGR15</b>	128	108	152	BB
	<b>NGR16</b>	181	152	215	BB to BB-
	<b>NGR17</b>	256	215	304	BB- to B+
	<b>NGR18</b>	362	304	431	B+
	<b>NGR19</b>	512	431	609	B+ to B
	<b>NGR20</b>	724	609	861	B to B-
<b>Watchlist</b>	<b>NGR21</b>	1024	861	1,218	B to B-
	<b>NGR22</b>	1448	1,218	1,722	B- to CCC
	<b>NGR23</b>	2048	1,722	2,436	CCC
	<b>NGR24</b>	2896	2,436	3,444	CCC to C
	<b>NGR25</b>	4096	3,444	-	CCC to C
<b>Non-performing</b>	<b>NP1</b>				D
	<b>NP2</b>				D
	<b>NP3</b>				D

\* International Rating Scale

The combination of PD's, EAD's, LGD's and Portfolio Correlations is then classified according to the following table for rating individual advances

<b>EL as % of EAD</b>		
<b>Rating class</b>	<b>Lower bound</b>	<b>Upper bound</b>
<b>NTR01</b>	0.00%	0.05%
<b>NTR02</b>	0.05%	0.10%
<b>NTR03</b>	0.10%	0.20%
<b>NTR04</b>	0.20%	0.40%
<b>NTR05</b>	0.40%	0.80%
<b>NTR06</b>	0.80%	1.60%
<b>NTR07</b>	1.60%	3.20%
<b>NTR08</b>	3.20%	6.40%
<b>NTR09</b>	6.40%	12.80%
<b>NTR10</b>	12.80%	100%



Nedbank Group has acted in good faith and has made every reasonable effort to ensure the accuracy and completeness of the information contained in this document, including all information that may be defined as 'forward-looking statements' within the meaning of United States securities legislation.

Forward-looking statements may be identified by words such as 'believe', 'anticipate', 'expect', 'plan', 'estimate', 'intend', 'project', 'target', 'predict' and 'hope'.

Forward-looking statements are not statements of fact, but statements by the management of Nedbank Group based on its current estimates, projections, expectations, beliefs and assumptions regarding the group's future performance.

No assurance can be given that forward-looking statements will prove to be correct and undue reliance should not be placed on such statements.

The risks and uncertainties inherent in the forward-looking statements contained in this document include, but are not limited to: changes to IFRS and the interpretations, applications and practices subject thereto as they apply to past, present and future periods; domestic and international business and market conditions such as exchange rate and interest rate movements; changes in the domestic and international regulatory and legislative environments; changes to domestic and international operational, social, economic and political risks; and the effects of both current and future litigation.

Nedbank Group does not undertake to update any forward-looking statements contained in this document and does not assume responsibility for any loss or damage whatsoever and howsoever arising as a result of the reliance by any party thereon, including, but not limited to, loss of earnings, profits, or consequential loss or damage.