



# NEDBANK

## NEDBANK LIMITED

(formerly Nedcor Bank Limited)

(Incorporated in the Republic of South Africa)

(Registration number 1951/000009/06)

Share code: NBKP ISIN: ZAE000043667

("Nedbank")

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### REVISED LISTING PARTICULARS STATEMENT CONCERNING AN OFFER TO SUBSCRIBE FOR NON-REDEEMABLE, NON-CUMULATIVE, NON-PARTICIPATING NEDBANK PREFERENCE SHARES

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Prepared in terms of the Listings Requirements of the JSE relating to an offer for subscription of 50 000 000 non-redeemable non-cumulative, non-participating Nedbank preference shares

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Opening date of the offer for subscription (09:00)	Tuesday, 28 October 2003
Closing date of the offer for subscription (16:00)	Friday, 14 November 2003
Proposed listing and settlement date (09:00)	Wednesday, 19 November 2003

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Subscriptions can only be made at an acquisition cost, for a single subscriber acting as principal, of not less than R100 000.

The definitions and interpretations set out on pages 3 and 4 of this document have been used on this page.

Currently and at the date of listing, the authorised share capital of Nedbank is and will comprise 30 000 000 ordinary shares and 300 000 000 preference shares.

Prior to the offer for subscription:

- the issued share capital of Nedbank comprises 26 848 000 ordinary shares and 200 000 000 preference shares.
- Nedbank's share premium amounts to R9 901 977 054.

Assuming Nedbank places 50 000 000 preference shares:

- the issued share capital of Nedbank will comprise 26 848 000 ordinary shares and 250 000 000 preference shares.
- Nedbank's share premium will amount to R10 435 927 054.

The new preference shares when issued will rank *pari passu* with one another and with the preference shares previously issued by Nedbank. The JSE has granted Nedbank an additional listing of 50 000 000 new preference shares, in the Specialist Securities – "Preference Shares" sector under the name "NEDBANK-P". It is anticipated that the listing will be effective as from the commencement of business on Wednesday, 19 November 2003.

**Preference shares will only be traded in electronic form on the JSE and accordingly, all preference shareholders who elect to receive certificated preference shares will have to dematerialise their certificated preference shares should they wish to trade on the JSE.**

All the directors of Nedbank, whose names are set out herein, collectively and individually, accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement false or misleading and that they have made all reasonable enquiries to ascertain such facts and that this document contains all information required by law.

Each of the investment bank, arranger and joint sponsor, corporate law advisers and consultants, lead sponsor and joint auditors, and the transfer secretaries have consented in writing to act in the capacity stated and to its name being stated and, where applicable, its report(s) being included in this document and has not withdrawn its consent prior to the publication of this document.

An abridged version of this document will be published in the press and on the Securities Exchange News Service of the JSE on Tuesday, 28 October 2003.

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Investment bank, arranger and  
joint sponsor



Corporate law advisers  
and consultants



Lead sponsor



Joint auditors



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## CORPORATE INFORMATION RELATING TO NEDBANK

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### Secretary and registered office

Nedbank Limited  
(formerly Nedcor Bank Limited)  
W J Kruger  
Nedcor Sandton  
135 Rivonia Road  
Sandown, Sandton 2196  
(PO Box 1144, Johannesburg 2000)

### Investment bank, arranger and joint sponsor

Nedbank Corporate  
A division of Nedbank Limited  
1 Newtown Avenue  
Killarney 2193  
(PO Box 582, Johannesburg 2000)

### Corporate law advisers and consultants

Edward Nathan & Friedland (Proprietary) Limited  
(Registration number 1999/026464/07)  
4th Floor, The Forum  
2 Maude Street  
Sandown, Sandton 2196  
(PO Box 782687, Sandton 2146)

### Lead sponsor

Investec Securities Limited  
(Registration number 1972/008905/06)  
100 Grayston Drive  
Sandown, Sandton 2196  
(PO Box 785700, Sandton 2146)

### Transfer secretaries

Computershare Limited  
(Registration number 2000/006082/06)  
70 Marshall Street  
Johannesburg 2001  
(PO Box 61051, Marshalltown 2107)

### Joint auditors to Nedbank

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

KPMG Inc.  
85 Empire Road  
Parktown 2193  
(Private Bag X9, Parkview 2122)

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## CORPORATE INFORMATION RELATING TO NEDCOR

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### Secretary and registered office

Nedcor Limited  
G S Nienaber  
Nedcor Sandton  
135 Rivonia Road  
Sandown, Sandton 2196  
(PO Box 1144, Johannesburg 2000)

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## DEFINITIONS AND INTERPRETATIONS

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

"Act"	the Companies Act, 1973 (Act 61 of 1973), as amended;
"bank(s)"	public companies registered as such under the Banks Act;
"Banks Act"	the Banks Act, 1990 (Act 94 of 1990), as amended;
"BoE"	BoE Limited (Registration number 1987/003281/06), a company incorporated in South Africa;
"BoE Management"	BoE Management Limited (formerly BoE Bank Limited) (Registration number 1951/000847/06);
"business day"	any day other than a Saturday, Sunday or public holiday in South Africa;
"CoGH"	Cape of Good Hope Financial Services Limited (formerly Cape of Good Hope Bank Limited) (Registration number 1958/000018/06);
"certificated shares"	shares which have not been dematerialised, title to which is represented by share certificates or other physical documents of title;
"certificated preference shares"	preference shares which have not been dematerialised, title to which is represented by share certificates or other physical documents of title;
"common monetary area"	South Africa, the Republic of Namibia and Kingdoms of Lesotho and Swaziland;
"Computershare" or "transfer secretaries"	Computershare Limited (Registration number 2000/006082/06), a company incorporated in South Africa and the transfer secretaries of Nedcor and Nedbank;
"CSDP"	Central Securities Depository Participant;
"directors"	the directors of Nedbank;
"this document"	this document and its annexures dated 28 October 2003;
"face value"	the reference value of each preference share, for purposes only of calculation of the dividend in respect of each preference share, being a nominal amount of R10,00;
"Gerrard Private Bank"	Gerrard Private Bank Limited registered in the Isle of Man;
"Income Tax Act"	the Income Tax Act, 1962 (Act 58 of 1962), as amended;
"JSE"	the JSE Securities Exchange South Africa;
"last practicable date"	the last practicable date before the finalisation of this document, being Friday, 24 October 2003;
"listing"	the listing of the new preference shares on the JSE in the Specialist Securities – "Preference Shares" sector under the name NEDBANK-P;
"listing date"	Wednesday, 19 November 2003, the anticipated day on which new preference shares will be listed on the JSE and the day on which the subscription consideration in respect of the new preference shares will be paid to Nedbank upon issue of the new preference shares;

"Nedbank" or "the company"	Nedbank Limited (formerly Nedcor Bank Limited) (Registration number 1951/000009/06), a company incorporated in South Africa and whose entire ordinary share capital is held by Nedcor;
"Nedbank ordinary shares" or "ordinary shares"	ordinary shares of R1,00 each in the issued share capital of Nedbank;
"Nedbank preference shares" or "preference shares"	non-redeemable, non-cumulative, non-participating preference shares of R0,001 each, the terms of which are set out in Article 12 of Nedbank's articles of association, an extract of which is set out in Annexure 3 to this document;
"Nedcor"	Nedcor Limited (Registration number 1966/010630/06), a company incorporated in South Africa, Nedbank's holding company, the ordinary shares of which are listed on the JSE;
"Nedcor Group"	Nedcor and its subsidiaries;
"Nedcor ordinary dividend payment dates"	the dates on which Nedcor pays its dividends, if any, in respect of the periods ending on 30 June and 31 December of each year;
"Nedcor shareholders" or "shareholders"	the holders of Nedcor shares, from time to time;
"Nedcor shares"	ordinary shares of R1,00 each in the issued share capital of Nedcor;
"new preference shares"	subject to paragraph 6.3 of this document, the 50 000 000 preference shares offered in terms of the offer for subscription;
"NIBH"	Nedcor Investment Holdings 101 Limited (formerly Nedcor Investment Bank Holdings Limited) (Registration number 1963/003972/06);
"offer for subscription"	subject to paragraph 6.3 of this document, the offer for subscription contained in this document, to subscribe for 50 000 000 preference shares at a minimum subscription amount of R100 000 per single subscriber acting as principal;
"Old Mutual plc group"	Old Mutual plc (Registration number 3591559), a public company incorporated in England and Wales, the shares of which have a primary listing on the London Stock Exchange plc and a secondary listing on the JSE, together with all of the subsidiaries of Old Mutual plc, excluding the Nedcor group;
"prime"	the publicly quoted interest rate from time to time at which Nedbank lends on overdraft;
"Registrar"	the Registrar of Companies in South Africa;
"SARB"	South African Reserve Bank;
"SENS"	Securities Exchange News Service of the JSE;
"shares"	collectively, ordinary shares and preference shares;
"South Africa" or "the Republic"	the Republic of South Africa;
"STRATE"	STRATE Limited (Registration number 1998/022242/06), Share TRAnsactions Totally Electronic, an electronic settlement system for transactions that take place in JSE-listed securities; and
"uncertificated shares"	shares that have been transferred through a CSDP or broker into an electronic format on the STRATE system (no longer evidenced by documents of title).

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## SALIENT FEATURES

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### 1. INTRODUCTION AND PURPOSE

Nedbank wishes to increase its primary capital through the issue of new preference shares. The new preference shares represent an attractive alternative investment opportunity for the broader investment community.

The terms and conditions of the new preference shares are identical to the terms and conditions of the preference shares issued by Nedbank in December 2002. Nedbank is offering the new preference shares for subscription for a consideration of R10,68 per new preference share, which is a premium to the face value.

The purpose of this document is to:

- provide investors and the market with information relating to Nedbank, its operations and its directors and management;
- enable Nedbank to undertake the offer for subscription and to bring about the listing of the new preference shares;
- set out the salient dates, terms and times of the offer for subscription and the procedure for completing and returning the application form.

### 2. DETAILS OF THE OFFER FOR SUBSCRIPTION

#### 2.1 Particulars of the offer for subscription

Issue and offer price per new preference share (which represents a premium of R10,679 per preference share)	R10,68
Minimum Rand value of subscription per subscriber acting as principal	R100 000
Aggregate number of new preference shares offered	50 000 000
Amount raised in terms of the offer for subscription (if fully subscribed)	R534 million
The new preference shares to be issued rank <i>pari passu</i> in all respects with the preference shares already in issue.	

#### 2.2 Composition of the subscription price of R10,68

The new preference shares will be issued *cum*-dividend for the period Tuesday, 1 July 2003 to the day before the listing date Wednesday, 19 November 2003 (i.e. the new preference share issue price includes an "accrued dividend component" of R0,40747). The accrued dividend component has been calculated on the assumption that the prime rate remains at 12,0% until Tuesday, 18 November 2003. The new preference share issue price less the dividend component equals the "clean price" (i.e. R10,27253). On the assumption that the prime rate equals 12,0% for a full year, the annual yield on the clean price (i.e. the clean yield) equals 8,76% per annum or 73% of prime. On the last practicable date Nedbank quoted prime at 12,0%.

#### 2.3 Right to increase the number of new preference shares available for subscription

The directors of Nedbank have the right to increase the aggregate number of new preference shares available for subscription from 50 000 000 new preference shares to 100 000 000 new preference shares.

#### 2.4 Private placement

A discretionary private placement will be undertaken by Nedbank prior to the close of the offer for subscription. The directors reserve the right to determine the size of such placement and its participants.

## **2.5 Time and date of the opening and closing of the offer for subscription**

Opening date of offer for subscription (09:00)	Tuesday, 28 October 2003
Closing date of the offer for subscription (16:00)	Friday, 14 November 2003
Proposed listing and settlement date (09:00)	Wednesday, 19 November 2003

## **3. SALIENT FEATURES OF THE PREFERENCE SHARES**

The preference shares are non-redeemable and non-cumulative and dividends, if declared, are payable semi-annually on the earlier of a week prior to the Nedcor ordinary dividend payment dates, if any and in any event 120 days after 30 June and 31 December.

### **3.1 Voting rights**

The preference shares are non-voting, save for those circumstances prescribed under section 194 of the Act. Preference shareholders will only be entitled to vote during periods when a dividend (which has been declared) or any part of it remains unpaid after the due date for payment and when resolutions are proposed that directly affect any rights attaching to the preference shares or the interests of preference shareholders, including a resolution for the winding-up of the company or for the reduction of its capital.

### **3.2 Entitlements to dividends**

Preference shareholders will be entitled to receive out of the profits of the company that it determines to distribute, in priority to any payment of dividends to the holders of any other class of shares in the capital of the company not ranking prior to the preference shares, a non-cumulative preference cash dividend equivalent to 75% of prime multiplied by the face value of the preference shares held by a preference shareholder, payable in two semi-annual instalments.

## **4. FURTHER COPIES OF THIS DOCUMENT**

Copies of this document can be obtained during normal business hours prior to the closing of the offer for subscription from Nedbank, Investec Securities Limited and the transfer secretaries, the details of which are set out in the "Corporate information" section of this document and at Nedbank, Clock Tower Precinct, V&A Waterfront, Cape Town and Nedbank, 90 Ordnance Road, Durban.





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(formerly Nedcor Bank Limited)

(Incorporated in the Republic of South Africa)

(Registration number 1951/000009/06)

Share code: NBKP ISIN: ZAE000043667

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- provide investors and the market with information relating to Nedbank, its operations and its directors and management;
- enable Nedbank to undertake the offer for subscription and to bring about the listing of the new preference shares;
- set out the salient dates, terms and times of the offer for subscription and the procedure for completing and returning the application form.

**Potential investors' attention is drawn to the fact that this offer for subscription is limited to a minimum acquisition cost, for a single subscriber acting as principal, of R100 000.**

### 2. INFORMATION RELATING TO NEDBANK

#### 2.1 Incorporation

Nedbank, a wholly-owned subsidiary of Nedcor, was incorporated in South Africa in 1951. Nedbank is the main operating subsidiary of Nedcor and is a registered bank. Nedcor is listed on the JSE, in the Financials – Banks sector. Nedcor was incorporated in South Africa in 1966.

#### 2.2 Background

Nedbank had its origins in the Pretoria branch of the Nederlandsche Bank en Creditvereeniging ("NBCV"), which was founded under royal charter in Amsterdam in 1888. In 1903 the first branch of NBCV outside the Transvaal was opened in Cape Town and the name of the bank was changed to Nederlandsche Bank voor Zuid-Afrika ("NBZA").

In 1925 NBZA merged with Transvaalsche Bank en Handelsvereeniging, which was founded in 1892, and during 1951 NBZA was established as a South African banking company known as the Netherlands Bank of South Africa ("NBSA"). During 1971 NBSA changed its name to Nedbank Limited ("Nedbank"). During 1973 Nedbank merged with Union Acceptances Limited ("UAL"), established in 1955 as South Africa's first merchant bank, and Syfrets, formed in 1851 by E J M Syfret.

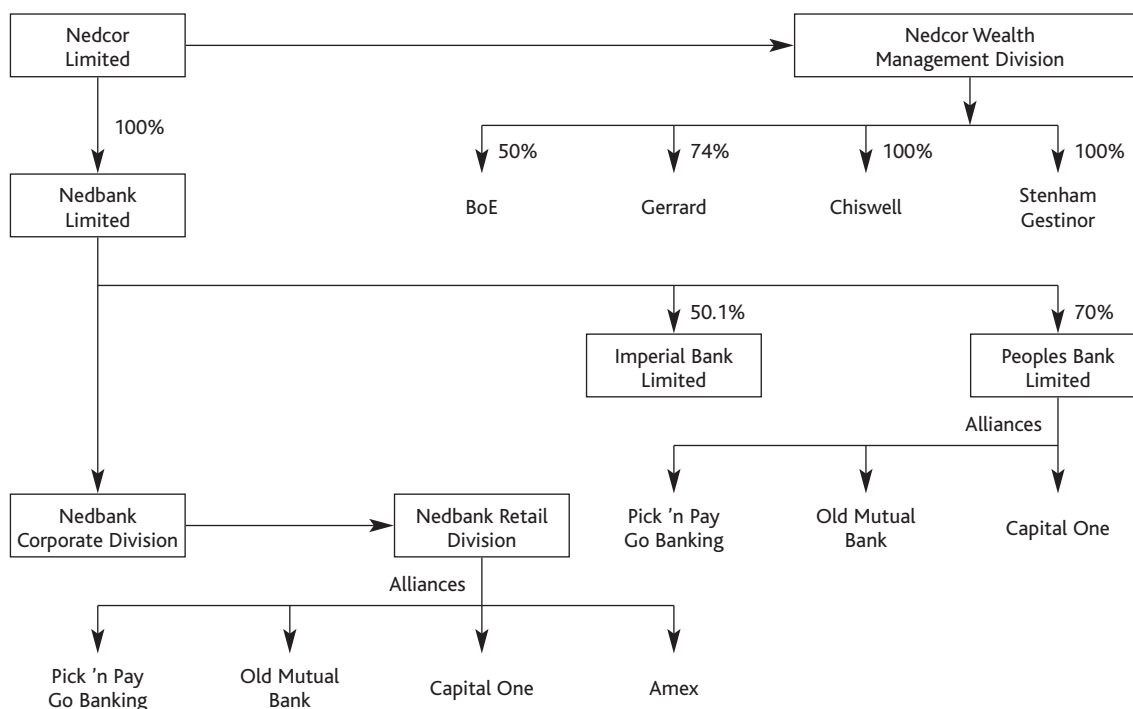
Nedcor acquired Finansbank and CoGH in 1986 and Nedbank merged with South African Permanent Building Society in 1988. Nedbank changed its name to Nedcor Bank Limited in 1989. In 2002 Nedcor acquired BoE and bought out the minority shareholders in NIBH. In 2002 Nedcor Bank Limited changed its name back to Nedbank Limited.

Nedcor acquired BoE in July 2002 through the implementation of a scheme of arrangement in terms of section 311 of the Act.

With effect from 1 January 2003, the businesses of BoE, NIBH and CoGH were acquired by Nedbank.

## 2.3 Group structure

The Nedcor group structure is illustrated below:



## 2.4 Nature of business

Nedcor is a registered bank-controlling company that, through its subsidiaries, provides a wide range of financial services. Nedcor has focused its activities in specific markets around well-known and highly regarded brands. The broader Nedcor group's activities are currently substantially conducted through Nedbank, Peoples Bank and various joint venture. Nedbank provides banking services to the retail, commercial, corporate and international markets. Its 70% held subsidiary, Peoples Bank Limited, services the low to middle income retail market. Its 50,1%-owned subsidiary, Imperial Bank Limited, specialises in automotive and aviation loans. Nedcor Technology and Operations, a division of Nedbank, provides information technology processing services and operational support to the brands and alliances within the broader Nedcor group.

## 2.5 Historical financial information

Relevant financial information relating to Nedbank, extracted from the annual financial statements of Nedbank for the three financial years ended 31 December 2002, are set out in Annexure 1.

### 3. DIRECTORS

#### 3.1 Directors

The full names, ages, nationalities (if not South African), addresses, occupations and profiles of the directors are set out below. The board of directors of Nedcor is identical to that of Nedbank.

##### 3.1.1 **Christo Ferro Liebenberg (68) (Non-executive chairman) (re-appointed 1996)**

**Business address:** Nedcor Sandton, 135 Rivonia Road, Sandown 2196

**Qualifications:** CAIB(SA), FIBSA, AMP(Harvard), DCom(hc)

**Occupation:** Chairman, Nedcor

Chris is the former Minister of Finance in the South African Government of National Unity and past Chief Executive of Nedcor. He is also Chairman of Nedcor, as well as a director of Old Mutual plc, Old Mutual Life Assurance Company (SA) Limited, Mutual & Federal Insurance Company Limited and Macsteel Holdings (Proprietary) Limited.

##### 3.1.2 **Warren Alexander Morten Clewlow (67) (Deputy Chairman) (Non-executive) (appointed 2000)**

**Business address:** Barlow Park, Katherine Street, Sandton 2199

**Qualifications:** OMSG, CA(SA), DEcon(hc)

**Occupation:** Chairman, Barloworld

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

##### 3.1.3 **Prof Michael Mervyn Katz (58) (Executive Vice-chairman) (appointed 1984)**

**Business address:** Edward Nathan & Friedland (Proprietary) Limited, 4th Floor The Forum, 2 Maude Street, Sandown 2196

**Qualifications:** BCom, LLB, LLM, LLD(hc)

**Occupation:** Corporate Law Adviser and Consultant

Michael is Executive Vice-chairman of Nedcor and the Chairman of Edward Nathan & Friedland (Proprietary) Limited. He is also Chairman of the Commission of Inquiry into the Tax System of South Africa and the Tax Advisory Committee, as well as an Honorary Professor of Company Law at the University of the Witwatersrand.

##### 3.1.4 **Richard Charles Montague Laubscher (52) (Chief executive) (appointed 1990)**

**Business address:** Nedcor Sandton, 135 Rivonia Road, Sandown 2196

**Qualifications:** BCom(Hons), AMP(Harvard), FIBSA

**Occupation:** Chief Executive, Nedcor

Richard is Chief Executive of Nedcor and a Director of Old Mutual plc and Old Mutual Life Assurance Company (SA) Limited.

##### 3.1.5 **Christopher John Watkins Ball (63) (Independent non-executive) (appointed 2002)**

**Business address:** 4 Gardenia Lane, Constantia 7800

**Qualifications:** Dip Iuris, MA

**Occupation:** Director of companies

Chris was previously a director of BoE and BoE Management, and is a Director of Canal Walk Limited and Century City Limited.

##### 3.1.6 **Dr Izak Johannes Botha (54) (Executive) (appointed 2002)**

**Business address:** Nedcor Sandton, 135 Rivonia Road, Sandown 2196

**Qualifications:** DCom

**Occupation:** Executive director of Group Capital Management

Izak is a director of Nedcor and various subsidiary companies.

**3.1.7 Thomas Andrew Boardman (53) (Chief executive designate) (appointed 2002)**

**Business address:** Clock Tower Precinct, V&A Waterfront, Cape Town 8001

**Qualifications:** BCom, CA(SA)

**Occupation:** Chief Executive of Retail and Wealth Management

Tom is Chief Executive of Retail and Wealth Management and a director of Nedcor. He was formerly Chief Executive of BoE. Previous directorships include the Banking Council, Boardmans and Sam Newman Limited.

**3.1.8 Richard Gray Cottrell (67) (Independent non-executive) (appointed 2002)**

**Business address:** 18 Rivonia Road, Illovo 2196

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

**Occupation:** Director of companies

Rick is a director of African Oxygen Limited, Afrox Healthcare Limited, Glenrand M-I-B Limited, Imperial Bank Limited and Iscor Limited. He was previously Executive Officer of the Financial Services Board, Deputy-Chairman and managing partner of Coopers & Lybrand and member of the then Policy Board for Financial Services and Regulation. He was also past president of The South African Institute of Chartered Accountants.

**3.1.9 Barry Erskin Davison (58) (Independent non-executive) (appointed 2002)**

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

**Qualifications:** BA (Law and Economics)

**Occupation:** Executive Chairman of Anglo American Platinum Corporation Limited

Barry is Non-Executive Chairman of Anglo American Platinum Corporation Limited, Director of Anglo American Corporation of SA Limited and President of the SA Chamber of Mines.

**3.1.10 Nicholas Dennis (56) (British) (Independent non-executive) (appointed 2002)**

**Business address:** 85 Bute Lane, Sandton, 2196

**Qualifications:** BCom(Hons)

**Occupation:** Chief Executive Officer, Tiger Brands Limited

Nick is the Chief Executive Officer of Tiger Brands Limited.

**3.1.11 Prof Brian de Lacy Figaji (59) (Independent non-executive) (appointed 2002)**

**Business address:** Peninsula Technikon, Symphony Way, Off Modderdam Road, Bellville 7530

**Qualifications:** BSc(Eng), Dip Tertiary Educ, Med, Ded (Coventry University (UK), Dlitt (California State University, Hayward, USA)

**Occupation:** Vice-Chancellor of the Peninsula Technikon

Brian is Principal and Vice-Chancellor of the Peninsula Technikon and member of the Council on Higher Education.

**3.1.12 Barry John Stuart Hore (42) (Executive) (appointed 1999)**

**Business address:** 105 West Street, Sandown 2196

**Qualifications:** BCom, AMP(Harvard)

**Occupation:** Chief Executive, T&O

Barry is Chief Executive of T&O and a director of Nedcor. Other directorships include Internet Solutions (Proprietary) Limited, Visa International CEMEA Region and Net1 Applied Technology Holdings Limited.

**3.1.13 Michael John Levett (64) (Non-executive) (appointed 1987)**

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

**Qualifications:** DEconSc(hc), BCom, FFA, FIA

**Occupation:** Chairman, Old Mutual plc

Mike is a director of Nedcor. He is Chairman of Old Mutual plc and Deputy Chairman of Mutual & Federal Insurance Company Limited. He is also a Director of Barloworld Limited, Old Mutual South African Trust plc and SAB Miller plc.

**3.1.14 Johannes Bhekumuzi Magwaza (61) (Independent non-executive) (appointed 2000)**

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

**Qualifications:** BA, MA (Warwick UK)

**Occupation:** Director of companies

JB is a director of Nedcor and Non-executive Chairman of Peoples Bank Limited. He also serves as a Non-executive Director of Dorbyl Limited and is on the boards of the Development Bank of Southern Africa and Ithala Development Finance Corporation Limited.

**3.1.15 Mafika Edmund Mkwana (49) (Independent non-executive) (appointed 2000)**

**Business address:** 49th Floor, Carlton Centre, 150 Commissioner Street, Johannesburg 2001

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

**Occupation:** Group Chief Executive, Transnet Limited

Mafika is a director of Nedcor and Group Chief Executive of Transnet Limited. Directorships include Freight Logistics International Inc, Transnet Limited and SAA.

**3.1.16 Stuart Grant Morris (57) (Executive) (appointed 1999)**

**Business address:** Nedcor Sandton, 135 Rivonia Road, Sandown 2196

**Qualifications:** BCom, CA(SA)

**Occupation:** Group Financial Director

Stuart is the Group Financial Director of Nedcor. He is also a director of Peoples Bank Limited and Imperial Bank Limited.

**3.1.17 Derek Geoffrey Sidney Muller (51) (Executive) (appointed 1999)**

**Business address:** Nedcor Sandton, 135 Rivonia Road, Sandown 2196

**Qualifications:** BCom, CA(SA), AMP(Harvard)

**Occupation:** Chief Executive of Nedbank Corporate

Derek is a director of Nedcor and Net1 Applied Technology Holdings Limited.

**3.1.18 Maduke Lot Ndlovu (52) (Executive) (appointed 2001),**

**Business address:** 100 Main Street, Johannesburg 2001

**Qualifications:** DipLR(Unisa), MAP(Wits), EDP(North Western USA), AMP(Harvard Business School)

**Occupation:** Chief Executive Officer, Peoples Bank Limited

Lot is a Director of Nedcor and Chief Executive Officer of Peoples Bank Limited. He is Non-executive Chairman of Africa Milestone Investments Limited, Lafarge South Africa (Proprietary) Limited and the Environmental & Infrastructure Development Trust. He is a director (Non-executive) of Nampak Limited, the South African National Roads Agency and the Community Growth Management Company Limited. He is the Deputy-Chairman of the Council of the Technikon Witwatersrand. He is a Member/Trustee of the Business Trust (Job Creation), the Multicultural Development Programme (Deloitte & Touche) and St Anthony's Adult Education Centre. He is a member of the advisory board of the Otis Elevator Company and serves as a Commissioner for the Office of the Banking Adjudicator. He is the Patron of Midrand Graduate Institute Milpark Business School.

**3.1.19 Phuthuma Freedom Nhleko (43) (Non-executive) (appointed 2002)**

**Business address:** 3 Alice Lane, Sandton 2196

**Qualifications:** BSc, MBA

**Occupation:** Group Chief Executive Officer, MTN Group Limited

Phuthuma is the Group Chief Executive Officer of MTN Group Limited, a director of Johnnic Holdings Limited and former executive Chairman and founding member of Worldwide African Investment Holdings Limited.

**3.1.20 Thembalihle Hixonia Nyasulu (48) (Independent non-executive) (appointed 2002)**

**Business address:** 8 Queen Mary Avenue, Umbilo 4001

**Qualifications:** BA, EDP

**Occupation:** Strategic marketer

Hixonia is the Sole Proprietor of TH Nyasulu & Associates, a marketing and research company. She is Chairman of DBSA Development Fund and Director of AECI Limited, Anglovaal Industries Limited, Development Bank of Southern Africa, Sheer Quality (Proprietary) Limited, Tongaat-Hulett Group Limited, Tongaat-Hulett Sugar Limited, Turner Logistics (Proprietary) Limited and immediate past Chairman of the board of Ithala Development Finance Corporation.

**3.1.21 Julian Victor Frow Roberts (46) (British) (Non-executive) (appointed 2001)**

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

**Qualifications:** BA(Hons)(Stirling), FCA

**Occupation:** Group Financial Director, Old Mutual plc

Julian is the Group Financial Director of Old Mutual plc. He is also a Fellow of the Institute of Chartered Accountants of England and a Member of the Association of Corporate Treasurers. Other directorships include Mutual & Federal Insurance Company Limited, Old Mutual (US) Holdings and King & Shaxton. He was previously the Group Finance Director of Sun Life and Provincial Holdings plc.

**3.1.22 Anthony Adrian Routledge (55) (Executive) (appointed 1998)**

**Business address:** Nedcor Sandton, 135 Rivonia Road, Sandown 2196

**Qualifications:** BCom, CA(SA)

**Occupation:** Executive Director: Strategic and Corporate Activities

Tony is a director of Nedcor. He is also a Non-executive Director of Murray & Roberts Holdings Limited.

**3.1.23 Cedric Michael Langton Savage (64) (Independent non-executive) (appointed 2002)**

**Business address:** Amanzimnyama Hill, Tongaat 4400

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

**Occupation:** Chairman, Tongaat-Hulett Group Limited

Cedric is Non-executive Chairman of the Tongaat-Hulett Group Limited and a director of AECI Limited, African Rainbow Minerals Gold Limited, Delta Motor Corporation (Proprietary) Limited, Datatec Limited, Hulett Aluminium (Proprietary) Limited and Kumba Resources Limited.

**3.1.24 James Harry Sutcliffe (47) (British) (Non-executive) (appointed 2001)**

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

**Qualifications:** BSc

**Occupation:** Chief Executive, Old Mutual plc

Jim is a Fellow of the Institute of Actuaries. He is also Chief Executive of Old Mutual plc. Previously Deputy Chairman of Liberty International Property and Financial Services and Chief Executive of Prudential UK.

**3.2 Qualifications, borrowing powers and appointment of directors**

The relevant provisions of the articles of association of Nedbank governing the appointment, qualification, remuneration and borrowing powers of directors are set out in Annexure 3.

**3.3 Remuneration of directors**

Full details of directors' remuneration was included in Nedcor's annual financial statements for the year ended 31 December 2002. The remuneration received by the directors is in respect of their directorships in both Nedcor and Nedbank. Relevant extracts detailing directors' remuneration, as required by the JSE Listings Requirements, are set out in Annexure 4.

### 3.4 Directors' interests

The directors have the following direct, indirect, beneficial and non-beneficial interests in Nedcor shares and Nedbank preference shares at the last practicable date:

#### Nedcor shares

Name	Beneficial		Non-beneficial		Total	%
	Direct	Indirect	Direct	Indirect		
C F Liebenbeg	–	31 462	–	–	31 462	0.011
W A M Clewlow	–	2 000	–	–	2 000	*
Prof M M Katz	–	3 000	–	–	3 000	*
R C M Laubscher	360 535	14 515	–	28 318	403 368	0.147
C J W Ball	–	–	–	204	204	*
I J Botha	–	68 000	–	–	68 000	0.025
T A Boardman	–	–	–	–	–	–
R G Cottrell	–	367	–	–	367	*
B E Davison	–	–	–	–	–	–
B de Lacy Figaji	–	–	–	–	–	–
N Dennis	–	–	–	–	–	–
B J S Hore	–	98 423	–	–	98 423	0.036
M J Levett	12 333	–	–	–	12 333	*
J B Magwaza	105	–	–	–	105	*
M E Mkwanazi	103	–	–	–	103	*
S G Morris	–	23 480	–	–	23 480	0.009
D G S Muller	118 035	21 057	–	–	139 092	0.051
M L Ndlovu	–	12 846	–	–	12 846	0.005
P F Nhleko	–	–	–	–	–	–
T H Nyasulu	–	–	–	–	–	–
J V F Roberts	–	–	–	–	–	–
A A Routledge	3 467	59 124	–	–	62 591	0.023
C M L Savage	5 863	–	–	–	5 863	*
J H Sutcliffe	–	–	–	–	–	–
	500 441	334 274	–	28 522	863 237	0.314

\* Denotes percentages less than 0.005%.

### Nedbank preference shares

Name	Beneficial		Non-beneficial		Total	%
	Direct	Indirect	Direct	Indirect		
C F Liebenbeg	–	135 000	–	–	135 000	0.068
W A M Clewlow	–	–	–	–	–	–
Prof M M Katz	475 000	–	–	105 000	580 000	0.290
R C M Laubscher	–	–	–	–	–	–
C J W Ball	–	144 300	–	–	135 000	0.068
I J Botha	–	75 000	–	58 000	133 000	0.072
T A Boardman	–	–	–	85 000	85 000	0.043
R G Cottrell	–	–	–	20 000	20 000	0.010
B E Davison	–	–	–	–	–	–
B de Lacy Figaji	–	–	–	–	–	–
N Dennis	47 500	–	–	–	47 500	0.024
B J S Hore	–	–	–	–	–	–
M J Levett	–	–	–	–	–	–
J B Magwaza	–	–	–	–	–	–
M E Mkwana	–	10 000	–	–	10 000	0.005
S G Morris	10 000	–	–	–	10 000	0.005
D G S Muller	–	–	–	–	–	–
M L Ndlovu	–	–	–	–	–	–
P F Nhleko	–	–	–	–	–	–
T H Nyasulu	–	–	–	–	–	–
J V F Roberts	–	–	–	–	–	–
A A Routledge	544 752	–	–	264 752	809 504	0.405
C M L Savage	–	142 500	–	–	142 500	0.071
J H Sutcliffe	–	–	–	–	–	–
	1 077 252	506 800	–	532 752	1 827 504	1.058

- 3.5 The following changes have taken place in directors' interests between the end of the financial year and the last practicable date:

#### Nedcor ordinary shares sold

Name	Date	Nature of interest	Sale price per share	Number of shares
I J Botha	11.08.2003	Indirect non-beneficial	R84.00	8 182
I J Botha	11.08.2003	Indirect beneficial	R84.00	10 539

#### Nedbank preference shares purchased

Name	Date	Nature of interest	Acquisition price per share	Number of shares
I J Botha	11.08.2003	Indirect non-beneficial	R11.80	58 000
I J Botha	11.08.2003	Indirect beneficial	R11.80	75 000
A A Routledge	25.09.2003	Direct beneficial	R10.45	1 300
A A Routledge	25.09.2003	Direct beneficial	R10.50	278 700
C J W Ball	17.10.2003	Indirect beneficial	R10.65	9 300

In addition, with effect from 5 February 2003, R G Cottrell transferred 10 000 Nedbank preference shares from being held by him in an indirect beneficial capacity to an indirect non-beneficial capacity.

No directors of Nedbank had any beneficial interest in transactions effected by Nedcor or Nedbank during the current or immediately preceding year, or in a financial year, which remain in any respect outstanding.



#### 4. SHARE CAPITAL OF NEDBANK

##### 4.1 Authorised and issued share capital

The authorised and issued share capital of Nedbank, before and after the offer for subscription, assuming that 50 000 000 new preference shares are allotted and issued, is set out below:

##### BEFORE THE OFFER FOR SUBSCRIPTION

	R'000
<b>Authorised share capital</b>	
30 000 000 ordinary shares of R1.00 each	30 000
300 000 000 non-redeemable non-cumulative preference shares of R0.001 each	300
<b>Total authorised share capital</b>	<b>30 300</b>
<b>Issued share capital</b>	
26 848 000 ordinary shares of R1.00 each	26 848
200 000 000 non-redeemable non-cumulative preference shares of R0.001 each	200
Share premium	9 901 977
<b>Total issued share capital (including share premium)</b>	<b>9 929 025</b>

##### AFTER THE OFFER FOR SUBSCRIPTION

<b>Authorised share capital</b>	
30 000 000 ordinary shares of R1.00 each	30 000
300 000 000 non-redeemable non-cumulative preference shares of R0.001 each	300
<b>Total authorised share capital</b>	<b>30 300</b>
<b>Issued share capital</b>	
26 848 000 ordinary shares of R1.00 each	26 848
250 000 000 non-redeemable non-cumulative preference shares of R0.001 each	250
Share premium	10 435 927
<b>Total issued share capital (including share premium)</b>	<b>10 463 025</b>

All of the preference shares are listed on the JSE and are of one class, namely non-redeemable, non-participating non-cumulative preference shares of R0.001 each, and rank *pari passu* in all respects. The entire issued ordinary share capital of Nedbank is held by Nedcor and is not listed on the JSE.

The shares have been created and issued in terms of the articles of association of Nedbank.

##### 4.2 Alterations to Nedbank's share capital

Details of the allotment and issue of preference shares in the preceding three years are set out below:

Date of issue	Number of preference shares issued by Nedbank (million)	Issue price	Consideration (R'million)
21 December 2002	200	R10.00 (par value R0.001 premium R9.999)	2 000

The preference shares already in issue rank *pari passu* in all respects with the new preference shares offered in this document.

### 4.3 Control over authorised but unissued shares

The new preference shares issued in terms of this document will be issued by the directors in terms of the general authority to issue preference shares granted in terms of sections 221 and 222 of the Act.

The authorised but unissued ordinary shares, after the offer for subscription, will be under the control of the directors until the Nedbank's next annual general meeting, subject to the provisions of sections 221 and 222 of the Act. Nedbank may from time to time seek to raise additional capital by issuing further preference shares, which will rank *pari passu* with existing preference shares. Application will be made to the JSE for the listing of such preference shares.

### 4.4 Rights attaching to preference shares

The preference shares are non-redeemable and non-cumulative and dividends, if declared, are payable semi-annually on the earlier of seven business days prior to the Nedcor ordinary dividend payment date, if any and in any event not later than 120 days after 30 June and 31 December.

#### 4.4.1 Voting rights

The preference shares are non-voting, save for those circumstances prescribed under section 194 of the Act. Preference shareholders will only be entitled to vote during those periods when a dividend (which has been declared) or any part of it remains unpaid, after the due date for payment, and when resolutions are proposed that directly affect any rights attaching to the preference shares or the interests of the preference shareholders, including a resolution for the winding-up of the company or reduction of its capital.

#### 4.4.2 Entitlements to dividends

Preference shareholders will be entitled to receive out of the profits of the company that it determines to distribute, in priority to any payment of dividends to the holders of any other class of shares in the capital of the company not ranking prior to the preference shares, a non-cumulative preference cash dividend equivalent to 75% of prime multiplied by the face value of the preference shares held by a preference shareholder, payable in two semi-annual instalments. The dividend will not compound, and, if declared, will be payable in respect of the periods from 1 January to 30 June and 1 July to 31 December.

#### 4.4.3 Changes to tax status

If there is a change to the Income Tax Act that results in dividends being taxable in the hands of recipients, and there is a further change making the payment of a dividend a deductible expense for the company paying the dividend, Nedbank will increase the percentage of prime payable as a dividend. The aggregate increase will be limited to the aggregate benefit gained by Nedbank pursuant to the change to the Income Tax Act. Preference shareholders will bear all other risk due to changes in laws or regulations.

The entire terms and conditions of the preference shares, as set out in the articles of association of Nedbank, have been included in Annexure 3.

## 5. CONTROLLING AND MAJOR SHAREHOLDERS

At the last practicable date Nedcor held Nedbank's entire issued ordinary share capital.

So far as Nedbank is aware, no single beneficial shareholder held in excess of 5% of the issued preference share capital on the last practicable date.

Nedcor's entire issued ordinary share capital is listed on the JSE. So far as Nedbank is aware, at the last practicable date, the following are the only shareholders holding more than 5% of Nedcor's issued share capital:

Name	Percentage shareholding
Old Mutual plc Group	51.1
Public Investment Commissioners SA	5.6

## 6. DETAILS OF THE OFFER FOR SUBSCRIPTION

### 6.1 Particulars of the offer for subscription

Issue and offer price per new preference share (which represents a premium of R10,679 per preference share)	R10,68
Minimum Rand value of subscription per subscriber acting as principal	R100 000
Aggregate number of new preference shares offered	50 000 000
Amount raised in terms of the offer for subscription (if fully subscribed)	R534 million
The new preference shares to be issued rank <i>pari passu</i> in all respects with the preference shares already in issue.	

### 6.2 Composition of the subscription price of R10,68

The new preference shares will be issued cum-dividend for the period Tuesday, 1 July 2003 to the day before the listing date Wednesday, 19 November 2003 (i.e. the new preference share issue price includes an "accrued dividend component" of R0,40747). The accrued dividend component has been calculated on the assumption that the prime rate remains at 12,0% until Tuesday, 18 November 2003. The new preference share issue price less the dividend component equals the "clean price" (i.e. R10,27253). On the assumption that the prime rate equals 12,0% for a full year, the annual yield on the clean price (i.e. the clean yield) equals 8,76% per annum or 73% of prime. On the last practicable date Nedbank quoted prime at 12,0%.

### 6.3 Right to increase the number of new preference shares available for subscription

The directors of Nedbank have the right to increase the aggregate number of new preference shares available for subscription from 50 000 000 new preference shares to 100 000 000 new preference shares.

### 6.4 Private placement

A discretionary private placement will be undertaken by Nedbank prior to the close of the offer for subscription. The directors reserve the right to determine the size of such placement and its participants.

### 6.5 Time and date of the opening and closing of the offer for subscription

Opening date of offer for subscription (09:00)	Tuesday, 28 October 2003
Closing date of the offer for subscription (16:00)	Friday, 14 November 2003
Proposed listing date (09:00)	Wednesday, 19 November 2003

### 6.6 Applications

Applications to subscribe for new preference shares in terms of the offer for subscription must be made in accordance with the application procedure set out below:

#### 6.6.1 Application form

Applications for certificated shares may only be made on the application form (*green*), which accompanies this document, or copies or reproductions thereof, and in accordance with the requirements, terms and conditions set out in the application form and this document. Applications for uncertificated new preference shares submitted through CSDPs or brokers, must be made in accordance with the agreement governing the relationship with the CSDP or broker.

Application forms and further copies of this document can be obtained during normal business hours prior to the closing of the offer for subscription from Nedbank, Nedbank Corporate, the lead sponsor and the transfer secretaries, the details of whom are set out in the "Corporate information" section of this document.

#### 6.6.2 Minimum number and multiples

Applications must be for a minimum number of 9 364 new preference shares per subscriber acting as principal.

### **6.6.3 Applications irrevocable**

Applications will be irrevocable and may not be withdrawn once received by Nedbank and/or the transfer secretaries.

### **6.6.4 Copies**

Copies or reproductions of the application form will be accepted.

### **6.6.5 Reservation of rights**

The directors of Nedbank reserve the right to accept or refuse any application(s), either in whole or in part in accordance with the procedure set out in 6.9 below, or to abate any or all application(s) (whether or not received timeously) in such manner as they may, in their sole and absolute discretion, determine.

### **6.6.6 Receipts**

Receipts will not be issued for applications, application monies or supporting documents received.

### **6.6.7 Minors and deceased estates**

New preference shares may not be applied for in the name of a deceased estate. No documentary evidence of capacity to apply need accompany the application form, but Nedbank reserves the right to call upon any applicant to submit such evidence for noting, which evidence will be held on file with the transfer secretaries or returned to the applicant at the applicant's risk.

### **6.6.8 Submission of application forms**

#### **6.6.8.1 Certificated preference shares**

Submission of application forms may only be made either by hand delivery or postal delivery as set out below:

##### *Hand delivery*

Application forms must be delivered by hand in a sealed envelope, marked "**Nedbank: Offer for subscription**", together with the payment referred to below, to Computershare Limited, 70 Marshall Street, Johannesburg 2001, so as to be received by no later than 12:00 on Friday, 14 November 2003.

##### *Postal delivery*

Application forms must be posted, at the risk of the applicant concerned, in a sealed envelope, marked "**Nedbank: Offer for subscription**" together with the payment referred to below, to Computershare Limited, PO Box 61051, Marshalltown 2107, so as to be received by no later than 12:00 on Friday, 14 November 2003.

#### **6.6.8.2 Dematerialised preference shares**

In respect of those placees opting for dematerialised preference shares, application must be made through the placees' duly appointed CSDP or broker, in the manner stipulated in the agreement governing their relationship with such CSDP or broker, together with the method of payment as stipulated in such agreement. The CSDP or broker will then process such applications electronically with the transfer secretaries.

No late applications will be accepted, unless approved by the directors of Nedbank.

### **6.6.9 Payment**

#### **6.6.9.1 Certificated preference shares**

Each application form must be accompanied by payment of the total monetary value of the preference shares applied for by way of a cheque or banker's draft, crossed "not negotiable not transferable" and drawn in favour of "**Nedbank – Offer for subscription**". Such cheques and/or banker's drafts will be deposited immediately for payment. Should any cheque or banker's draft be dishonoured, or postdated, the directors of Nedbank, in their absolute discretion, may regard the relevant application as revoked or take such other steps in regard thereto as they deem fit.

#### 6.6.9.2 *Dematerialised preference shares*

Each application form must be made to the subscriber's CSDP or broker in terms of the relevant custody agreement. Payment of the total monetary value of the new preference shares applied for will be made in terms of the existing agreement with the appointed CSDP or broker.

#### 6.6.10 *Application monies*

The amount payable in respect of the application for new preference shares in terms of the offer for subscription is payable in full in the currency of the Republic.

All monies received in respect of applications for certificated shares will be held by Nedbank in a designated "trust" account with a registered South African bank. In respect of unsuccessful or partly successful applications (refer 6.9 below), monies will be refunded within seven business days of the date the new preference shares are listed by way of issue of refund cheques. Refund cheques will be posted per registered post at the applicants' risk. If monies are not refunded within the seven business days of the listing date, interest will accrue on such amounts at the call deposit rate of Nedbank less bank charges.

The application moneys in respect of those applicants who have requested the new preference shares to be issued in dematerialised form will be made by the respective CSDP on a delivery versus payment basis on the listing date.

#### 6.6.11 *Issue of new preference shares*

New preference shares subscribed for in terms of this document will be issued at the expense of Nedbank. Share certificates issued to applicants requesting certificated preference shares will be posted to them per registered post at their own risk.

All new preference shares issued in terms of this document will be allotted subject to the provisions of the articles of association of Nedbank and will rank *pari passu* with all other preference shares issued by Nedbank.

The JSE's introduction of STRATE was designed to eliminate the many risks inherent in the previous method of clearing and settling transactions executed on the JSE. The principal features of STRATE are as follows:

- trades executed on the JSE must be settled on a T+5 basis, being five days after the date of the trade;
- there will be penalties for late settlement;
- electronic record of ownership replaces share certificates and physical delivery thereof; and
- all investors are required to appoint either a broker or CSDP to act on their behalf and to handle their settlement requirements; and
- the new preference shares will be listed on the listing date against receipt of application monies from a CSDP or broker.

However, should a preference shareholder require a certificate for his new preference shares, the requisite certificate will be issued within five business days of Nedbank or the transfer secretaries receiving written notification of such request.

### 6.7 **Exchange Control Regulations**

The following summary is intended as a guide and is therefore not comprehensive. If you are in any doubt in regard hereto, please consult your professional adviser:

#### 6.7.1 *South African Exchange Control Regulations*

In terms of the South African Exchange Control Regulations:

- 6.7.1.1 A former resident of the common monetary area who has emigrated may use emigrant blocked funds to subscribe for new preference shares in terms of this document.
- 6.7.1.2 All payments in respect of subscriptions for new preference shares by an emigrant using emigrant blocked funds must be made through the authorised dealer in foreign exchange controlling the blocked assets.

6.7.1.3 Any new preference share certificates that might be issued pursuant to the use of emigrant blocked funds will be endorsed "non-resident" and will be sent to the authorised dealer in foreign exchange through whom the payment was made.

6.7.1.4 If applicable, refund monies payable in respect of unsuccessful applications or partly successful applications, as the case may be, for certificated preference shares in terms of this document emanating from emigrant blocked accounts will be returned to the authorised dealer in foreign exchange through whom the payments were made, for credit to such applicants' blocked accounts. Applicants resident outside the common monetary area should note that, where preference share certificates are in fact issued, such preference share certificates will be endorsed "non-resident" in terms of the Exchange Control Regulations.

#### **6.7.2 Applicants resident outside the common monetary area**

6.7.2.1 A person who is not resident in the common monetary area should obtain advice as to whether any governmental and/or legal consent is required and/or whether any other formality must be observed to enable a subscription to be made in terms of the offer for subscription.

6.7.2.2 This document is not an offer in any area of jurisdiction in which it is illegal to make such an offer. In such circumstances, this document and any application form are sent for information purposes only.

### **6.8 Underwriting and minimum subscription**

The offer for subscription is not underwritten. The offer for subscription is not conditional on the raising of a minimum aggregate amount. Subscriptions can only be made at an acquisition cost, for a single subscriber acting as principal, of not less than R100 000.

### **6.9 Over-subscriptions**

The directors of Nedbank have the right to increase the aggregate number of new preference shares available for subscription from 50 000 000 new preference shares to 100 000 000 new preference shares.

If the offer for subscription is over-subscribed, all applications will be reduced on an equitable basis, in Nedbank's sole discretion, subject to the minimum subscription amount of R100 000.

### **6.10 Brokerages and commissions**

Commissions of 0.25% will be payable to registered members of the JSE who place new preference shares.

## **7. EXPENSES**

The cash expenses of the offer for subscription and the listing before VAT are estimated to be R6,0 million, and relate, *inter alia*, to the printing, publication and distribution costs of this document and other related announcements (R350 000), KPMG and Deloitte & Touche as auditors to Nedbank (R50 000), Edward Nathan & Friedland (Proprietary) Limited as corporate law advisers and consultants (R30 000), share issue duty on the shares to be issued in terms of the offer for subscription (R2 500 000) and JSE documentation and listing fees of R10 298 and R47 444, respectively.

Nedbank paid a commission of 0.25% before VAT (R2 451 423) to authorised brokers and/or agents who placed preference shares pursuant to the offer for subscription set out in the Nedbank pre-listing statement dated 27 November 2002. Save for the above, no commission or consideration has been paid by Nedbank in respect of the allotment or issue of shares during the three years preceding the date of this document.

## **8. RECENT TRADING HISTORY**

A trading history of preference shares is set out in Annexure 2.

## **9. ADVISERS' INTERESTS**

None of the advisers of Nedbank have an interest in the issued share capital of Nedbank at the last practicable date.

## **10. MATERIAL CHANGES**

Other than in the ordinary course of business or as set out in this document, there have been no material changes in the financial or trading position of Nedcor or Nedbank since the release of Nedcor's unaudited interim results for the half-year ended 30 June 2003 and the last practicable date.

## **11. MATERIAL CONTRACTS, ACQUISITIONS OR DISPOSALS**

Nedbank acquired the banking assets of BoE, NIB and CoGH from Nedcor on 1 January 2003.

All material contracts, acquisitions or disposals by Nedbank in the past three years, appear in the financial statements of Nedcor Limited for the period in question. Copies of the audited annual financial statements of Nedcor for the four financial years ended 31 December 2002 are available on request.

## **12. KING CODE**

An explanation of how Nedcor has applied the principles set out in the King Code is set out in Nedcor's annual financial statements for the year ended 31 December 2002, copies of which are available upon request.

## **13. DIRECTORS' RESPONSIBILITY STATEMENT**

The directors of Nedbank, whose names and details are set out in 3.1, collectively and individually, accept full responsibility for the accuracy of the information contained in this document and certify that, to the best of their knowledge and belief, there are no omissions of material facts or other considerations which would make any statement herein false or misleading and that they have made all reasonable enquiries in this regard and that this document contains all information required by law.

## **14. LITIGATION STATEMENT**

Save as set out below, the board of directors of Nedbank is not aware of any legal or arbitration proceedings (including any such proceedings that are pending or threatened), which may have or have had a significant impact on the financial position of Nedcor during the 12 months preceding the date of this document.

Nedbank received a summons from Securefin Limited wherein it claims R309 million relating to an alleged fraud perpetrated by David and Lynne Alexander, which is currently being investigated by Nedbank's legal and other advisers and its insurance underwriters. The action is being defended by Nedbank. The matter will in all likelihood only come to Court in approximately two years time. David Alexander was recently found guilty in a related criminal matter and sentenced to 15 years' imprisonment. Nedcor and Nedbank will provide more information, if necessary, as and when it becomes available in terms of its ongoing obligations under the Listings Requirements of the JSE.

There are no legal or arbitration proceedings, including any such proceedings that are pending or threatened of which the board of directors of Nedbank is aware, which may have or have had in the recent past a material effect on BoE's financial position, other than relating to BoE's exposure to Macmed Health Care Group through a former subsidiary Intramed. Macmed Healthcare Group has been liquidated. The exposure of R127 million (R115 million plus interest) as disclosed in the annual financial statements of BoE for the financial year ended 30 September 2001 is secured by certain assets. Although BoE has received an advance dividend from the sale of these assets in an amount to extinguish BoE's claim in full, BoE's security has been disputed by the liquidator. Opinion from Senior Counsel is that BoE's claim is secure and accordingly no provisions have been raised.

## **15. EXPERTS' CONSENTS**

Each of the investment bank, arranger and joint sponsor, corporate law advisers and consultants, lead sponsor, joint auditors, and transfer secretaries have consented in writing to act in the capacities stated and to their names being included in this document and have not withdrawn their consent prior to the publication of this circular.

## **16. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the registered office of Nedbank during normal business hours (excluding Saturdays, Sundays and South African public holidays) from the date of issue of this document up to and including Wednesday, 19 November 2003:

- 16.1** the memorandum and articles of association of Nedbank;
- 16.2** the audited annual financial statements of Nedbank for the three years ended 31 December 2002;
- 16.3** the audited annual financial statements of Nedcor for the four years ended 31 December 2002;
- 16.4** the unaudited interim results of Nedbank for the six months ended 30 June 2002;
- 16.5** the unaudited interim results of Nedcor for the six months ended 30 June 2003;
- 16.6** written consents of the investment bank, arranger and joint sponsor, the corporate law advisers and consultants, lead sponsor, joint auditors, and transfer secretaries to the inclusion of their names in this document in the context and form in which they appear; and
- 16.7** a signed copy of this document.

**SIGNED IN JOHANNESBURG BY OR ON BEHALF OF ALL THE DIRECTORS OF NEDBANK LIMITED ON OR ABOUT 27 OCTOBER 2003.**



## HISTORICAL FINANCIAL INFORMATION ON NEDBANK

### Financial results of Nedbank at 31 December 2002

The information set out in this section has been extracted from the annual financial statements of Nedbank for the year ended 31 December 2002.

### Financial highlights for the year ended 31 December

2002 R'm	2001 R'm		2002 US\$m*	2001 US\$m*
<b>Key balance sheet items</b>				
23	22	Share capital	3	2
1 987		Preference share capital and premium	231	
13 056	11 796	Total shareholders' equity	1 518	979
151 867	146 876	Deposit, current accounts and other creditors	17 659	12 189
7 372	3 828	Long-term debt instruments	857	318
174 828	164 984	Total assets	20 329	13 692
17 479	15 741	Cash, short-term funds and securities	2 032	1 306
138 245	130 839	Advances and other accounts	16 075	10 858
1 120	973	Acceptances	130	81
3 544	3 323	Specific provisions for bad and doubtful debts	412	276
1 069	1 502	General provision	124	125
4 613	4 825	Specific and general provisions	536	400
<b>Key income statement items</b>				
8 007	9 560	Total income	931	793
1 658	982	Specific and general provisions	193	81
741	3 352	Profit from operations before exceptional capital items	86	278
(860)	(898)	Net loss for the year	(100)	(75)
447	2 878	Headline earnings	52	239
1 093	2 182	Core earnings	127	181
<b>Rand/US\$ exchange rate</b>			8.600	12.050

## Five-year review

		31 December 2002	31 December 2001	31 December 2000	31 December 1999	31 December 1998
<b>Key balance sheet items</b>						
Ordinary share capital	Rm	23	22	22	22	20
Total shareholder equity	Rm	13 056	11 796	12 230	7 171	5 800
Deposit, current accounts and other creditors	Rm	151 867	146 876	119 041	99 852	88 347
Total assets	Rm	174 828	164 984	132 852	108 533	96 337
Cash and short-term funds and securities	Rm	17 479	15 741	15 965	13 146	8 051
Advances and other accounts	Rm	138 245	130 839	101 707	88 412	81 793
Acceptances	Rm	1 120	973	851	866	898
Specific provisions for bad and doubtful debts	Rm	3 544	3 323	2 901	1 612	1 277
General provision	Rm	1 069	1 502	877	944	394
Specific and general provisions	Rm	4 613	4 825	3 778	2 556	1 671
<b>Key income statement items</b>						
Total income	Rm	8 007	9 560	7 540	6 565	5 878
Specific and general provisions	Rm	1 658	982‡	841	787	673
Net income before exceptional items	Rm	741	3 352	2 563	2 006	1 640
Headline earnings	Rm	447	2 878	2 233	1 632#	1 329
Core earnings	Rm	1 093	2 182	1 858	1 541	889
Net (loss)/profit for the year	Rm	(860)	(898)	5 518	1 148	1 329
<b>Selected returns and ratios</b>						
<b>Based on core earnings</b>						
Return on average shareholders funds (ROE)	%	11.5	18.5	19.2	23.8	17.2
Return of average total assets	%	0.78	1.50	1.54	1.51	1.00
Net interest income to interest earning assets§	%	2.80	3.36	3.67	3.88	4.93
Non-interest revenue total income	%	48.9	44.6‡	41.7	40.4	36.8
Efficiency ratio	%	65.3	57.0‡	57.7	58.3	64.9
<b>Based on headline earnings</b>						
Return on average shareholders funds (ROE)	%	5.9	24.3	23.0	25.2	25.8*
Return of average total assets	%	0.39	1.96	1.85	1.59	1.49*
Net interest income to interest earning assets§	%	2.80	3.36	3.67	3.88	3.99
Non-interest revenue total income	%	43.4	50.9‡	44.6	41.2	41.1
Efficiency ratio	%	72.4	50.5‡	54.9	57.5	60.6
<b>Capital adequacy</b>						
Primary capital to risk-weighted assets	%	10.1	8.7	10.2	9.5	7.5
Total capital to risk-weighted assets	%	12.8	11.6	12.0	10.6	9.7
<b>Employees</b>	(no)	17 390	18 005	17 455	16 023	17 063
<b>Rand/US\$ exchange rate</b>		8.600	12.050	7.550	6.150	5.880

\* Annualised

‡ Excluding exceptional items

§ Based on year-on-year simple averages

† Represents results for the 15 months ended 31 December 1998

# Adjusted headline earnings for 1999 have been calculated excluding exceptional items to ensure comparability

## Income statements for the year ended 31 December

	Notes	2002 R'm	2001 R'm	2000 R'm	1999 R'm
Interest income		16 048	13 920	12 232	13 031
Interest expense		11 514	9 229	8 054	9 174
Net interest income		4 534	4 691	4 178	3 857
Non-interest revenue	18.1	4 336	3 773	3 362	2 708
Foreign exchange translation (losses)/gains		(863)	1 096		
Total income		8 007	9 560	7 540	6 565
Specific and general provisions	7.4	1 658	982	841	787
Exceptional general risk provision	7.4	(400)	400		
Income after specific and general provisions		6 749	8 178	6 699	5 778
Operating expenses	18.2	5 796	4 826	4 136	3 772
Merger and reorganisation expenses		212			
Profit from operations before exceptional capital items		741	3 352	2 563	2 006
Exceptional capital items	20.1	(1 478)	(3 605)	3 261	(484)
(Loss)/Profit from operations		(737)	(253)	5 824	1 522
Attributable earnings of associate companies		142	163	223	113
Net (loss)/income before taxation		(595)	(246)	6 047	1 635
Taxation	19.1	241	592	551	485
Taxation: Merger and re-organisation expenses	19.2	(29)			
Exceptional capital items	19.3	(171)	171	(24)	
Net (loss)/income after taxation		(636)	(853)	5 520	1 150
Income attributable to minority shareholders		(224)	(45)	(2)	2
<b>(Loss)/Profit for the year</b>		<b>(860)</b>	<b>(898)</b>	<b>5 518</b>	<b>1 148</b>
<i>Adjusted for:</i>					
Exceptional capital items	20.1	1 478	3 605	3 261	484
Taxation: Exceptional capital items	19.3	(171)	171	24	
Headline earnings		447	2 878	2 233	1 632
<i>Adjusted for:</i>					
Exceptional non-core items	20.2	675	(696)	(375)	(91)
Taxation: Merger and re-organisation expenses	19.2	(29)			
Core earnings		1 093	2 182	1 858	1 541

## Balance sheets for the year ended 31 December

	Notes	2002 R'm	2001 R'm	2000 R'm	1999 R'm
<b>Assets</b>					
Cash and short-term funds	3	9 699	6 872	11 070	6 641
Other short-term securities	4	7 780	8 869	4 895	6 505
Government and public sector securities	5	10 491	8 596	4 163	2 713
Advances and other accounts	6	138 245	130 839	101 707	88 412
Deferred taxation assets	15	189	2		
Current taxation prepaid	16	363	151		
Associate and other investments	8, 9	2 985	4 206	7 729	1 680
Property and equipment	10.3	2 161	2 048	1 760	1 564
Intangible assets	11.1	1 460	1 163	677	152
Goodwill	11.2	335	1 265		
Customersindebtedness for acceptances		1 120	973	851	866
<b>Total assets</b>		<b>174 828</b>	<b>164 984</b>	<b>132 852</b>	<b>108 533</b>
<b>Shareholders' equity and liabilities</b>					
Ordinary share capital	12.1	23	22	22	22
Reserves		10 096	11 389	12 194	7 137
Ordinary shareholdersequity		10 119	11 411	12 216	7 159
Preference share capital and premium	12.3	1 987			
Shareholdersequity		12 106			
Minority shareholdersinterest	13	950	385	14	12
Total shareholdersfunds		13 056	11 796	12 230	7 171
Subordinated debt instruments	17	7 372	3 828	730	644
Deposit, current and other accounts	14	151 867	146 876	119 041	99 852
Liabilities under acceptances		1 120	973	851	866
Deferred taxation liabilities	15	1 371	1446		
Current taxation liabilities	16	42	65		
<b>Total liabilities</b>		<b>161 772</b>	<b>153 188</b>	<b>120 622</b>	<b>101 362</b>
<b>Capital, reserves and liabilities</b>		<b>174 828</b>	<b>164 984</b>	<b>132 852</b>	<b>108 533</b>
Guarantees on behalf of clients excluded from assets	21	8 176	8 134	6 392	5 594

**Statements of changes in ordinary and preference shareholders' interest for the year ended 31 December**

	2002 R'm	2001 R'm	2000 R'm	1999 R'm
<b>Analysis</b>				
<b>Share capital</b>	23	22	22	22
Balance at beginning of year	22	22	22	20
Issued during year	1			2
Foreign exchange movement				
<b>Share premium</b>	2 681	2 047	1 387	1 387
Balance at beginning of year	2 047	1 387	1 387	18
Issue of shares	635	663		1 516
Share issue expenses	(1)	(3)		(4)
Goodwill written-off				(144)
Other				1
Foreign exchange movement				
<b>Preference share capital and premium</b>	1 987			
Shares issued during year	2 000			
Share issue expenses	(13)			
<b>Distributable reserves</b>	7 127	8 871	10 612	5 643
Balance at beginning of year restated	8 889	10 612	5 643	5 668
Change in accounting policy	(18)	(13)	(115)	
Net loss for year	(860)	(898)	5 518	1 148
Goodwill written-off				(785)
Transfer to non-distributable reserves	(53)	(14)	23	(5)
Dividends to shareholders	(836)	(802)	(461)	(385)
Other	5	(14)	4	2
<b>Non-distributable reserves</b>	288	471	195	107
<b>Foreign currency translation reserve</b>	134	370	112	
Balance at beginning of year	370	112		
Foreign currency translation current year	(236)	258	112	
Foreign exchange movement				
<b>Other</b>	154	101	83	107
Balance at beginning of year	101	83	107	100
Transfer from/(to) distributable reserves	53	14	(23)	5
Other		4	(1)	2
Foreign exchange movement				
<b>Goodwill</b>				
Balance at beginning of year				(6)
Goodwill acquired				
Goodwill written-off				6
<b>Ordinary and preference shareholders interest</b>	12 106	11 411	12 216	7 159
<b>Summary</b>				
<b>Share capital</b>	23	22	22	22
<b>Preference share capital and premium</b>	1 987			
<b>Reserves</b>	10 096	11 388	12 194	7 137
Share premium	2 681	2 047	1 387	1 387
Distributable reserves	7 127	8 871	10 612	5 643
Non-distributable reserves	288	471	195	107
<b>Ordinary and preference shareholders interest</b>	12 106	11 411	12 216	7 159

## Cash flow statements for the year ended 31 December

	Notes	2002 R'm	2001 R'm	2000 R'm	1999 R'm
<b>Cash flow from operating activities</b>	23.1	2 327	5 173	3 806	3 144
Cash received from clients	23.2	19 330	18 573	15 556	15 656
Cash paid to clients, staff and suppliers	23.3	(17 039)	(13 671)	(11 826)	(12 668)
Dividends received on investments			1	1	67
Recoveries on loans previously written-off		36	270	75	89
<b>Change in working funds</b>		(3 503)	(9 369)	4 318	(882)
Increase in operating assets	23.4	(24 754)	(26 500)	(8 709)	(12 201)
Increase in operating liabilities	23.5	21 251	17 131	13 027	11 319
<b>Cash (utilised)/generated by operating activities</b>		(1 176)	(4 196)	8 124	2 262
<b>Taxation paid</b>	23.6	(641)	(365)	(204)	(210)
<b>Cash flow from investment activities</b>		(97)	(2 216)	(3 354)	(716)
Investment in fixed assets		(1 734)	(1 200)	(1 145)	(611)
Proceeds on sale of fixed assets		878	31	20	47
Net proceeds on sale of investment banking assets		191	215	51	
Net surplus on the sale of long-term assets					24
Net acquisition of associate and other investments		(2)	(241)	(2 291)	(318)
Disposal of investments in subsidiary	23.7	1 268			
Acquisition/Disposal of subsidiaries	23.8	(698)	(1 021)	11	142
<b>Cash provided/(utilised) by financing activities</b>		5330	2 106	(375)	1 129
Net proceeds of ordinary shares issued		635	660		1 514
Proceeds from issue of preference shares		1 987			
Net increase in subordinated debt instruments		3 544	2 248	86	
Dividends paid		(836)	(802)	(461)	(385)
<b>Effects of exchange rate changes on cash and cash equivalents – excluding foreign borrowings</b>		(589)	473	238	23
<b>Net cash (utilised)/generated</b>		2 827	(4 198)	4 429	2 488
Cash and short-term funds at beginning of year		6 872	11 070	6 641	4 153
<b>At end of year</b>	3	9 699	6 872	11 070	6 641

## 1. ACCOUNTING POLICIES

The consolidated financial statements are prepared in accordance with, and comply with, South African Statements of Generally Accepted Accounting Practice and the requirements of the South African Companies Act. The financial statements are prepared on the historical-cost basis, except for certain investments, and trading assets and liabilities that are carried at fair values. The accounting policies adopted and applied are set out below and are in all material respects consistent with those of the previous year, except as referred to in note 18.3 (change in accounting policy). The accounting policies of the subsidiaries are consistent with those of the holding company.

### 1.1 Consolidated financial statements

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

#### 1.1.1 *Investments in subsidiary companies*

Subsidiary companies are those enterprises controlled by the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Special-purpose entities are consolidated when the substance of the relationship between the group and the special-purpose entity indicates that the special-purpose entity is controlled by the group. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. Where necessary, the accounting policies of subsidiaries are changed at acquisition to ensure consistency with the policies adopted by the group.

#### 1.1.2 *Investments in associate companies*

Associate companies are those enterprises in which the group has a long-term interest and significant influence, but not control, over the financial and operating policies. The equity method of accounting for associates is adopted in the group financial statements. In applying the equity method, the group financial statements include the group's share of the accumulated retained earnings and movements in reserves of associates from the date significant influence commences until the date significant influence ceases. When the group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the group has incurred obligations in respect of the associate.

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

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

#### 1.1.3 *Investments in joint ventures*

Joint ventures are those enterprises over which the group exercises joint control in terms of a contractual agreement. Joint ventures are proportionately consolidated, whereby the group's share of the joint venture's assets, liabilities, income and expenses is combined with similar items, on a line-by-line basis, in the group financial statements. Adjustments are made to bring the accounting policies of jointly controlled entities in line with those of the group, where appropriate.

#### 1.1.4 *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the group financial statements.

## 1.2 Financial instruments

Financial instruments are carried on the balance sheet and include the following:

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

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

### 1.2.2 *Securities and other investments*

Securities having a fixed redemption value are stated at cost, adjusted for the difference between cost and redemption value, which is brought to account over the period to redemption date. No provision is made for the impairment of fixed-redemption-value securities where the group intends holding these securities until redemption. Securities and other investments held for trading purposes are stated at market value. Gains and losses on the remeasurement to market value are recognised in the income statement in the period in which the change arises.

Other investments held for long-term investment purposes are stated at cost, less any impairment adjustments. Realised gains and losses on these investments are recognised in the income statement and are disclosed as part of exceptional items. Unrealised losses and the subsequent recovery of those unrealised losses are recognised in the income statement and are disclosed as part of exceptional items. Where there is evidence that the recoverable amount of long-term investments is below the carrying amount thereof, an impairment loss is recognised.

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

### 1.2.3 *Advances*

Advances are stated net of amounts that, in the opinion of the directors, are required for specific and general provisions for bad and doubtful advances to reflect the estimated recoverable amounts thereof.

### 1.2.4 *Instalment credit agreements*

Instalment credit assets are recognised in the balance sheet at an amount equal to the net investment in the agreement and are included in advances. The net investment is determined as the difference between the gross investment and unearned finance charges. Finance charges are recognised as income on a basis that reflects a constant periodic rate of return on the group's net investment outstanding in respect of the agreement. Instalment credit payments relating to the accounting period, excluding costs for services, are applied against the gross investment to reduce both the principal and the unearned finance income.

### 1.2.5 *Derivative financial instruments*

Derivative financial instruments include foreign exchange contracts, financial futures contracts, forward rate agreements, currency and interest rate swaps and currency and interest rate options (both written and purchased). The net carrying values of derivatives are included in the advances or deposits line item in the balance sheet.

Trading transactions include transactions undertaken for market making, for servicing client needs and for proprietary purposes. Trading positions on derivative financial instruments are marked to market value (fair value) and the resultant gains and losses are recognised in the income statement in the period in which the change arises. Non-trading transactions are undertaken for hedging purposes. Gains and losses on derivative financial instruments used for hedging purposes are deferred and recognised as income or expense on the same basis and over the same accounting period as those of the hedged items to which they relate. When it is not practicable, owing to constraints of timeliness or cost, to determine the fair value of a derivative financial instrument with sufficient reliability, such derivative is accounted for on an accrual basis. In terms of the latter basis, the carrying amount of the derivative instrument is determined by taking into account the original cost of the derivative and only subsequently realised gains and losses.



#### **1.2.6 Discounting transactions**

Promissory notes, acceptances and other bills drawn by clients and discounted are included under advances. Amounts rediscounted are included under the contra items for acceptances.

#### **1.2.7 Acceptances**

Liabilities under acceptances comprise undertakings by the group to pay bills of exchange drawn on clients. The group expects most acceptances to be settled simultaneously with the reimbursement from clients. Acceptances are accounted for and disclosed as a liability with an equal corresponding asset.

#### **1.2.8 Repurchase and resale agreements**

Where securities are sold under an agreement to repurchase those securities at a future date, the securities are retained in the financial statements and the corresponding liability to repurchase those securities is included in the deposits and current accounts line item in the balance sheet. Securities subject to repurchase agreements are valued in terms of the accounting policy set out in note 1.2.2. Securities purchased under an agreement to resell those securities at a future date are recorded as secured loans and included in the advances line item in the balance sheet. Profits and losses arising from the transaction are accounted for over the period of the contracts.

#### **1.2.9 Properties in possession**

Unsold properties in possession are included under advances and valued at the lower of cost and net realisable value. Cost includes the outstanding balance on repossession, which may or may not include capitalised interest incurred by the client, together with other charges relating to the repossession, provided that it is probable these charges will result in the increase of future economic benefits expected from these properties.

### **1.3 Specific and general provisions for bad and doubtful advances**

Specific provisions for bad and doubtful advances are made against identified doubtful advances, including amounts in respect of interest that is not serviced and are deducted from advances. In addition, a general provision is maintained against significant unforeseen losses and, in particular, against advances not specifically identified as doubtful, in order to reflect the potential inherent losses that may be present in any portfolio of advances. The provisions, both specific and general, made during the year, less recoveries of advances previously written-off, are charged to the income statement.

### **1.4 Provisions**

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

#### **1.4.1 Onerous contracts**

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

#### **1.4.2 Leave pay**

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

#### **1.4.3 Property and equipment**

Freehold land is carried at cost less accumulated impairment losses. Other items of property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided on the straight-line basis on all items of property and equipment, other than freehold land, over the estimated useful lives of these assets.

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

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

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

## **1.5 Intangible assets**

### **1.5.1 Computer software and development costs**

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

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

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

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

### **1.5.2 Goodwill and negative goodwill**

Goodwill arises as the excess of the cost of an acquisition over the group's interest in the fair value of the identifiable assets and liabilities of subsidiaries and associates acquired. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses, and is amortised on a straight-line basis over its estimated useful life with a maximum of 20 years. Any gain or loss on the disposal of an interest in an entity includes the carrying amount of goodwill relating to the disposal of that interest.

Negative goodwill arising on an acquisition represents any excess of the fair value of the group's share of the identifiable net assets acquired over the cost of the acquisition. To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, it is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill not exceeding the fair values of the non-monetary assets acquired is recognised in the income statement over the weighted average useful life of depreciable assets with a maximum of 20 years. The balance of negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the income statement.

## 1.6 Impairment of assets

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

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

The recoverable amount of an asset is the higher of its net selling price and its value in use. Net selling price is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. In assessing value-in-use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset of which the cash flows are largely dependent on those of other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

## 1.7 Leases

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

### 1.7.1 Finance leases

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payment at inception of the lease, and amortised over the estimated useful life of the asset. The capital element of future obligations under the leases is included as a liability in the balance sheet.

### 1.7.2 Operating leases

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

## 1.8 Taxation

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

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

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

## **1.9 Foreign currency**

### **1.9.1 Foreign currency transactions**

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

### **1.9.2 Foreign-entity financial statements**

Foreign-entity financial statements are translated into the reporting currency as follows:

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

Exchange differences arising from the translation of a foreign entity are taken directly to a foreign currency translation reserve. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are considered to be non-monetary foreign currency items of the acquiring company and are reported at the exchange rate ruling at the transaction date.

### **1.9.3 Integrated foreign-operation financial statements**

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

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

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

## **1.10 Borrowing costs**

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

## **1.11 Segment reporting**

A segment is defined as a distinguishable component of the group engaged in providing products or services that are subject to risks and rewards that are different from those of other segments. Segments with a majority of revenue earned from charges to external clients and whose revenue, results or assets are 10% or more of all segments are reported separately.

Segment results include revenue, provisioning, expenses and taxes directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to a segment, whether from external transactions or from transactions with other group segments. Inter-segment transfer pricing is based on cost. Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to a segment or can be allocated to the segment on a reasonable basis.

## **1.12 Employee benefits**

The group offers post-employment benefits, comprising retirement benefits and post-retirement medical benefits, to employees and their dependants in terms of various defined-contribution and defined-benefit plans.

### **1.12.1 Defined-contribution plans**

Benefits offered in terms of defined-contribution plans comprise retirement benefits. Contributions to defined-contribution plans are recognised as an expense in the income statement as incurred.

### **1.12.2 Defined-benefit plans**

Benefits offered in terms of defined-benefit plans comprise retirement benefits and post-retirement medical benefits. The group's defined-benefit obligation in respect of each plan is calculated by estimating the amount of future benefit that employees have earned in terms of each plan in return for their service in the current and prior periods. That benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The discount rate is the yield at balance sheet date on Government Bonds that have maturity dates approximating the term of the group's obligation. The calculation is performed by a qualified actuary using the projected-unit credit method. The present value of the defined-benefit obligation and the fair value of any plan assets are determined with sufficient regularity for the amounts recognised in the financial statements not to differ materially from the amounts that would be determined at the balance sheet date.

In calculating the group's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss at the beginning of the year exceeds 10% of the greater of the present value of the defined-benefit obligation (before deducting the fair value of plan assets) and the fair value of plan assets at the beginning of the year, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in a benefit to the group, the recognised asset is limited to the total of any cumulative unrecognised net actuarial losses and past-service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The following are recognised immediately to the extent that they arise while a defined-benefit asset is determined:

- net actuarial losses and past-service cost of the current period to the extent that they exceed any reduction in the present value of the economic benefits specified above. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past-service cost of the current period are recognised immediately; and
- net actuarial gains of the current period after the deduction of past-service cost of the current period to the extent that they exceed any increase in the present value of the economic benefits specified above. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period, after the deduction of past-service cost of the current period, are recognised immediately.

### **1.12.3 Equity compensation benefits**

The group grants share options to employees under two employee share incentive schemes. Other than costs incurred in administering the schemes, which are expensed as incurred, the schemes do not result in an expense to the group.

## **1.13 Managed funds and trust activities**

Certain companies in the group operate unit trusts, hold and invest funds on behalf of clients and act as trustees and in other fiduciary capacities. Assets and liabilities representing such activities are not reflected on the balance sheet, as these relate directly to clients. The values of these items are disclosed in the notes. Income from these activities is brought to account over the period to which the service relates.

## **1.14 Share capital**

### **1.14.1 Preference share capital**

Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary at the option of the directors. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, and dividends thereon are recognised in the income statement as an interest expense.

### **1.14.2 Dividends**

Dividends are recognised as a liability in the period in which they are declared.

## **1.15 Revenue recognition**

The group's revenue relates mainly to banking activities and comprises the following:

### **1.15.1 Interest income and expense**

Interest income and expense are recognised in the income statement as they accrue, taking into account the effective interest rates applied to lending-related assets, investments and liabilities. The accrual of interest on lending-related assets is suspended when the recovery thereof is considered to be doubtful. Interest income and expense include the amortisation of any discount or premium or other difference between the initial carrying amount of an interest-bearing instrument and its amount at maturity, calculated on an effective interest rate basis. Interest income includes income in respect of Government grants received as compensation for subsidised interest on advances to exporters, in line with the conditions set out in the SA Export Credit Support Agreement.

### **1.15.2 Non-interest revenue**

Non-interest revenue includes commission and fees, exchange and securities trading income, dividends from investments and net gains on the sale of investment banking assets. The net income from non-banking activities, which comprise property development, insurance-related activities, portfolio management activities and computer-related services, is included in non-interest revenue.

## **1.16 Offsetting**

Financial assets and liabilities are offset, and the net amount reported in the balance sheet, when there is a legally enforceable right to set-off the recognised amounts and the intention is to settle the amounts on a net basis or realise the asset and settle the liability simultaneously, except for derivative financial instruments as described in note 1.2.5.

## **1.17 Comparative figures**

Comparative figures are restated, where necessary, to afford a proper comparison.

## **2. RELATED-PARTY INFORMATION**

### **2.1 Parent company**

The holding company of Nedbank Limited is Nedcor Limited, which holds 100% of the company's ordinary shares. The ultimate holding company is Old Mutual plc, incorporated in England and Wales.

### **2.2 Identity of related parties with whom material transactions have occurred**

Material subsidiaries of the group are identified on page 48 (of the 2002 Nedbank annual financial statements) and the associates on page 46 (of the 2002 Nedbank annual financial statements). All of these entities are related parties.

### **2.3 Material related-party transactions**

Nedbank Limited and its subsidiaries, in the ordinary course of business, enter into various financial services transactions with associates and other entities within the greater Nedcor and Old Mutual group. These transactions are governed by terms no less favourable than those arranged with third parties.

- Loans to and from related parties with the company: Nedbank Limited advanced R5.7 billion to its holding company Nedcor Limited. This loan is interest free and has no terms of repayment.
- Dividends received from related parties total R154 million.
- Dividends paid to holding company: R836 million (2001: R802 million).
- The group sold its subsidiary, Gerrard Private Bank (Jersey), to its holding company Nedcor Limited at net investment value on 21 February 2002.

## 2.4 Director and director-related entities

Details of directors' shareholdings in the company are disclosed in the statutory report (see page 6 of the Nedbank 2002 annual financial statements). There are no material contracts with directors other than regarding the directors' emoluments.

	2002 R'm	2001 R'm
<b>3. CASH AND SHORT-TERM FUNDS</b>		
Coin and banknotes	1 084	3 141
Money at call and short notice	2 374	1 304
Balance with central banks	6 240	2 427
	9 699	6 872
<b>4. OTHER SHORT-TERM SECURITIES</b>		
<b>4.1 Analysis</b>		
Negotiable certificates of deposit	1 434	5 085
Treasury bills	4 671	2 956
Other	1 675	828
	7 780	8 869
<b>4.2 Book value</b>		
Investment portfolio	6 314	8 744
Trading portfolio	1 466	125
	7 780	8 869
<b>4.3 Market valuation</b>		
Investment portfolio	6 319	8 931
Trading portfolio	1 466	125
	7 785	9 056
<b>5. GOVERNMENT AND PUBLIC SECTOR SECURITIES</b>		
<b>5.1 Analysis</b>		
Government and Government guaranteed securities	7 833	8 195
Other dated securities	2 658	401
	10 658	8 596
<b>5.2 Carrying amount</b>		
Investment portfolio	10 320	8 550
Trading portfolio	171	46
	10 491	8 596
<b>5.3 Maturity structure</b>		
Maturing within one year	1 410	1 108
Maturing after one year	9 081	7 488
	10 491	8 596

	2002 R'm	2001 R'm
<b>5.4 Valuation</b>		
Listed securities		
– carrying value	10 297	7 669
– market value	10 412	7 736
Unlisted securities		
– carrying value	194	927
– directors' valuation	204	927
Total market/directors' valuation	10 616	8 663
Total redemption value	10 508	8 596
<b>5.5 Repurchase commitments</b>		
Securities sold subject to repurchase commitments	1 671	783
<b>6. ADVANCES AND OTHER ACCOUNTS</b>		
<b>6.1 Category analysis</b>		
Home loans	42 731	35 658
Properties in possession	552	672
Other loans to clients and overdrafts	70 720	75 043
Leases and instalment debtors	24 054	19 591
Less: Unearned finance charges on lease and instalment debtors	(4 376)	(3 019)
Preference shares and debentures	2 658	2 471
Factoring accounts	399	357
Trade, other bills and bankers' acceptances	1 461	913
Derivatives – net carrying amount	1 453	866
Remittances in transit	41	77
Sundry debtors and accrued interest	3 165	3 035
	142 858	135 664
Provision (note 7)	4 613	4 825
	138 245	130 839
<b>6.2 Sectoral analysis</b>		
Individuals	68 200	58 125
Home loans	42 731	36 330
Credit cards	3 057	3 987
Other	22 412	17 808
Manufacturing	10 410	10 401
Wholesale and trade	2 762	4 133
Retailers, catering and accommodation	1 810	1 418
Agriculture, forestry and fishing	774	561
Mining and quarrying	1 695	2 723
Banks	21 469	12 770
Financial services, insurance and real estate	12 354	14 478
Government and public sector	322	889
Building and property development	5 055	4 569
Transport, storage and communication	3 903	4 681
Other services	14 104	20 916
	142 858	135 664



				2002 R'm	2001 R'm	
<b>6.3 Maturity structure</b>						
Repayable on demand or at short notice				54 086	40 076	
Three months or less but not repayable on demand or at short notice				2 633	12 706	
One year or less but over three months				4 661	9 273	
Five years or less but over one year				40 374	34 423	
Over five years				41 104	39 186	
				142 858	135 664	
<b>6.4 Geographical analysis</b>						
South Africa				134 554	117 739	
Other African countries				2 700	2 951	
Europe				3 232	12 524	
Asia				1 197	1 378	
USA				417	387	
Other				758	685	
				142 858	135 664	
				2002 R'm	2001 R'm	
	Outstanding balance	Security	Provision raised	Outstanding balance	Security	Provision raised
<b>6.5 Non-performing advances</b>						
<i>Sectoral analysis</i>						
Individuals	2 604	1 021	1 583	1 530	684	846
Home loans	1 020	571	449	584	331	253
Credit cards	488	90	398	455	155	300
Other	1 096	360	736	491	198	293
Manufacturing	134	72	62	374	269	105
Wholesale and trade	348	133	215	947	618	329
Retailers, catering and accommodation	339	118	221	202	134	68
Agriculture, forestry and fishing	76	61	15	60	48	12
Mining and quarrying	18	8	10	37	20	17
Banks				8	7	1
Financial services, insurance and real estate	418	300	118	892	606	286
Government and public sector	3	1	2	10	4	6
Building and property development	737	222	515	885	294	591
Transport, storage and communication	228	103	125	284	178	106
Other services	989	534	455	1 453	497	956
	5 894	2 573	3 321	6 682	3 359	3 323

	2002 R'm	2001 R'm
<b>7. PROVISIONS</b>		
<b>7.1 Analysis of provisions</b>		
Specific provision for bad and doubtful debts	3 544	3 323
General provision	1 069	1 502
Provisions at end of year	4 613	4 825
Total provisions	4 613	4 825
Specific provision in respects of non-performing advances	3 321	3 323
Specific and general provision in respect of performing advances	1 292	1 502
<b>7.2 Specific provisions for bad and doubtful debts</b>		
Balance at beginning of year	3 323	2 901
Income statement charge (note 7.4)	1 650	724
Debts written-off	(1 683)	(1 364)
Transfer from interest reserve	36	128
Debts recovered	211	270
Acquisition of subsidiary	8	664
Disposal of subsidiary	(1)	
Provision at end of year	3 544	3 323
<b>7.3 General provision</b>		
Balance at beginning of year	1 502	877
Income statement charge (note 7.4)	8	154
Income statement charge/(release) – exceptional	(400)	400
Acquisition of subsidiary	1	47
Other transfers	(45)	24
Foreign exchange movement	3	
Provision at end of year	1 069	1 502
<b>7.4 Specific and general provisions – income statement charge</b>		
Specific provision for bad and doubtful debts (refer note 7.2)	1 650	724
General provision (note 7.3)	8	154
Credit insurance premium		104
Specific and general provisions charge in income statement	1 658	982
Additional general provision (refer 7.3)	(400)	400
Income statement charge for the year	1 258	1 382
<b>7.5 Ratio of provisions to advances</b>		
Provisions available at end of year	4 613	4 825
Total advances and other accounts	142 858	135 817
Ratio (%)	3,2	3,6

	2002 R'm			2001 R'm		
	Outstanding balance	Security	Provision raised	Outstanding balance	Security	Provision raised
<b>7.6 Non-performing loans</b>						
<i>Sectoral analysis</i>						
Individuals	2 604	1 021	1 583	1 530	684	846
Homeloans	1 020	571	449	584	331	253
Credit cards	488	90	398	455	155	300
Other	1 096	360	736	491	198	293
Manufacturing	134	72	62	374	269	105
Wholesale and other trade	348	133	215	947	618	329
Retailers, catering and accommodation	339	118	221	202	134	68
Agriculture, forestry and fishing	76	61	15	60	48	12
Mining and quarrying	18	8	10	37	20	17
Banks				8	7	1
Financial services, insurance and real estate	418	300	118	892	606	286
Government and public sector	3	1	2	10	4	6
Building and property development	737	222	515	885	294	591
Transport, storage and communication	228	103	125	284	178	106
Other services	989	534	455	1 453	497	956
	5 984	2 573	3 321	6 682	3 359	3 323

	2002 R'm	2001 R'm
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## 8. ASSOCIATE AND OTHER INVESTMENTS

### 8.1 Carrying amount

Associate investments	1 310	1 806
Listed	639	773
Unlisted	671	1 033
Other investments	1 675	2 400
Listed	552	1 523
Unlisted	1 123	877
	2 985	4 206

### 8.2 Valuation

Associate investments	1 284	1 655
Listed at market value	525	582
Unlisted at directors valuation	759	1 073
Other investments	1 680	2 404
Listed at market value	557	1 527
Unlisted at directors valuation	1 123	877
	2 965	4 059

	2002 R'm	2001 R'm
<b>8.3 Analysis of associate investments</b>		
Book value at beginning of year	1 806	1 374
– Share of current year retained income	142	163
– Dividends received	(59)	(58)
– Goodwill amortised	(169)	(226)
– Impairment of losses	(49)	
– Net additions	(67)	159
– Foreign exchange	(294)	394
	1 310	1 806
<b>8.4 Analysis of carrying amount</b>		
Associate investments – on acquisition		
Listed: Net asset value	244	244
Goodwill	154	184
Unlisted: Net asset value	330	411
Goodwill	742	728
Share of distributable reserves since acquisition	516	376
Goodwill amortised/written-off	(705)	(436)
Dividends received	(154)	(95)
Foreign exchange movements	183	394
	1 310	1 806

	2002 R'm			2001 R'm		
	Cost or valuation	Accumulated depreciation/ amortisation	Book value	Cost or valuation	Accumulated depreciation/ amortisation	Book value

## 9. FIXED AND INTANGIBLE ASSETS

### 9.1 Fixed property

Freehold land and buildings*	1 485	106	1 379	1 447	73	1 374
Leasehold premises†	96	74	22	100	77	23
Write-down of fixed property						
	1 581	180	1 401	1 547	150	1 397

\* Amortised over 50 years.

† Amortised over 10 to 20 years.

Registers giving details required by the Act, are available for Registers providing the information regarding land and buildings, as required in terms of Schedule 4 to the Act, are available for inspection at the companies' registered offices.

Freehold land and buildings were previously considered to be investment property and were carried at cost and not depreciated. The accounting policy in respect of these assets was changed during the financial year ended 31 December 2002.

During the financial year ended 31 December 2002 an impairment loss of R45 million (2001: nil) was recognised in respect of freehold land and buildings owing to the recoverable amount of these assets being below their carrying amount.

The aggregate amount of leasehold equipment held by the group is included in equipment (refer note 9.2) and does not exceed R10 million.

Borrowing costs that are directly attributable to qualifying assets are capitalised. Capitalised borrowing costs incurred during the year are calculated at the group's average funding cost and are included in freehold land and buildings.

	Expected date for commissioning of assets	Borrowing costs capitalised during the year		Accumulated capitalised borrowing costs R'm
		2002 R'm	2001 R'm	
Freehold land and building:				
– new head office – phase 1	1 November 2002		43	170
– new head office – phase 2	1 January 2003	9		9
– foreshore development	1 April 2003	9	1	10
Software development costs	2003 – 2005	65	52	117

	2002			2001		
	Cost or valuation R'm	Accumulated depreciation/amortisation R'm	Book value R'm	Cost or valuation R'm	Accumulated depreciation/amortisation R'm	Book value R'm

## 9.2 Equipment

Computer equipment	1 097	814	283	1 047	751	296
Furniture and other equipment	902	439	463	808	465	343
Vehicles	22	8	14	20	8	12
	2 021	1 261	760	1 875	1 224	651

### Intangible assets

Computer software*	1 358	383	975	605	247	358
Computer development costs†	485		485	805		805
	1 843	383	1 460	1 410	247	1 163
<b>Goodwill‡</b>	429	94	335	1 312	47	1 265

\* Amortised over 2 to 7 years.

† Not amortised.

‡ Amortised over 5 to 20 years.

## 9.3 Borrowing costs

Borrowing costs that are directly attributable to qualifying assets are capitalised. Capitalised borrowing costs incurred during the year are calculated at the group's average funding cost and are included in computer development costs.

	Expected date for commission	Borrowing costs capitalised during the year		Accumulated capitalised borrowing costs R'm
		2002 R'm	2001 R'm	
Software development costs	2003 – 2005	65	52	117

## 10. MOVEMENTS IN FIXED ASSETS

	Freehold land and buildings R'm	Leasehold premises R'm	Computer equipment R'm	Furniture and other equipment R'm	Vehicles R'm	Total R'm
<b>2002</b>						
Carrying amount at beginning of year	1 374	23	296	343	12	2 048
Additions	892	3	155	251	7	1 308
Disposals	(893)		(12)	(35)	(2)	(922)
Acquisitions through business combinations	95			3	1	99
Depreciation charge for year	(64)	(4)	(156)	(99)	(4)	(327)
Impairment losses	(45)					(45)
Carrying amount at end of year	1 379	22	283	463	14	2 161
<b>2001</b>						
Carrying amount as previously stated	1 127	23	301	303	6	1 760
Change in accounting policy	(19)					(19)
Additions	316	5	194	139	10	664
Disposals	(37)		(16)	(7)	(1)	(61)
Acquisitions through business combinations						
Depreciation charge for year	(13)	(5)	(183)	(92)	(3)	(296)
Carrying amount at end of year	1 374	23	296	343	12	2 048

## 11. MOVEMENT OF INTANGIBLE ASSETS

	Computer software R'm	Computer development costs R'm	Goodwill R'm
<b>2002</b>			
Carrying amount at beginning of year	358	805	1 265
Additions	88	376	
Commissioned development costs	696	(696)	
Disposals	(11)		(941)
Acquisitions through business combinations			158
Arising on business combination			(70)
Amortisation charge for year	(156)		(77)
Carrying amount at end of year	975	485	335
<b>2001</b>			
Carrying amount at beginning of year	205	472	
Additions	245	333	1 312
Disposals	(7)		
Amortisation charge for year	(85)		(47)
Carrying amount at end of year	358	805	1 265

	2002 R'm	2001 R'm
<b>12. SHARE CAPITAL</b>		
<b>12.1 Ordinary shared capital</b>		
<b>12.1.1 Authorised</b>		
30 000 000 (2001: 30 000 000) ordinary shares of R1,00 each	30	30
<b>12.1.2 Issued</b>		
22 818 000(2001: 22 018 000) fully paid ordinary shares of R1,00 each	23	22
<b>12.2 Ordinary share movements during the year</b>		
Ordinary share capital at beginning of year	22 018 000	21 518 000
Share issued during year	800 000	500 000
Ordinary share capital at end of year	22 818 000	22 018 000
Subject to the restrictions imposed by the Act, the unissued shares are under the control of the directors until the forthcoming annual general meeting.		
<b>12.3 Preference share capital and premium</b>		
<b>12.3.1 Authorised</b>		
300 000 000 (2001: nil) non-redeemable, non-cumulative preference shares of R0,001 each	*	
<b>12.3.2 Issued</b>		
200 000 000 (2001: nil) non-redeemable, non-cumulative preference shares of R0,001 each	*	
<b>12.4 Preference share premium</b>	1 987	

\* Less than R1 million.

The preference shares were issued during the financial year ended December 2002 at a price of R10.00 per share. These shares are classified as equity instruments. The cash preference dividend will be calculated on a daily, non-compounding basis at 75% of the prime interest rate ruling at the date on which the dividend is declared

### 13. MINORITY SHAREHOLDERS' INTEREST

Balance at beginning of year	385	14
Current year income attributable to minorities	224	45
Acquisition of subsidiaries	(1)	327
Disposal of subsidiaries	321	
Other movements	21	(1)
Balance at end of year	950	385

		2002 R'm	2001 R'm
<b>14. LONG-TERM SUBORDINATED DEBT INSTRUMENTS</b>			
Subordinated debt instruments issued:			
R80 million repayable on 15 May 2002	14% pa		80
R850 million repayable on 12 March 2002	16% pa		850
R140 million repayable on 15 May 2003	14% pa	139	137
US\$40 million repayable on 17 April 2008	*	344	482
US\$18 million repayable on 31 August 2009	*	157	217
R240 million repayable on 4 December 2008	14% pa	239	
R2 billion repayable on 20 September 2011	11.3% pa	2 064	2 062
R4 billion repayable on 9 July 2012	13% pa	4 254	
Subordinated debt instruments repayable at Nedcor's discretion	Interest free	175	
		7 372	3 828

## 15. DEPOSIT, CURRENT AND OTHER ACCOUNTS

### 15.1 Analysis

Current accounts	24 605	20 803
Savings deposits	4 078	6 986
Other deposits and loan accounts	83 691	74 409
Foreign currency liabilities	14 409	26 910
Negotiable certificates of deposit	19 073	12 312
Liabilities in respect of repurchase agreements	1 885	1 151
Provision for onerous contracts	41	63
Provision for leave pay	233	219
Creditors and other accounts	3 852	4 023
	151 867	146 876

### 15.2 Sectoral analysis

Banks	29 142	25 095
Government and public sector	3 947	6 123
Individuals	46 622	48 926
Business sector	72 156	68 251
	151 867	148 395

### 15.3 Maturity structure

Repayable on demand	60 784	76 299
Three months or less but not repayable on demand	44 925	43 002
One year or less but over three months	35 159	20 696
Five years or less but over one year	6 215	6 999
Over five years	4 784	1 399
	151 867	148 395

### 15.4 Geographic analysis

South Africa	136 761	116 599
Other African countries	2 439	3 273
Europe	7 435	21 901
Asia	2 535	2 108
USA	709	1 833
Other	1 988	2 681
	151 867	148 395



	2002 R'm	2001 R'm
<b>16. DEFERRED TAXATION</b>		
Balance at beginning of year	1 444	979
Deferred tax liability	1 454	1 059
Adjustment for change in accounting policy	(8)	(6)
Deferred tax asset	(2)	(74)
Current year temporary differences	(345)	471
Client credit agreements	251	395
General provision	10	(70)
Income and expenditure accruals	(287)	(107)
Taxation losses	(173)	71
Other	(146)	182
Other movements	83	(6)
Balance at end of year	1 182	1 444
Deferred tax liability	1 371	1 446
Deferred tax asset	(189)	(2)
<b>16.1 Analysis of deferred taxation</b>		
Client credit agreements	2 377	2 043
General provision	(321)	(331)
Income and expenditure accruals	(709)	(422)
Taxation losses	(173)	
Other	8	154
	1 182	1 444
<b>17. CONTINGENT LIABILITIES</b>		
Confirmed letters of credit and discounting transactions	1 998	2 303
Liabilities under guarantees	8 176	8 134
Unutilised facilities and other	10 486	5 545
	20 660	15 982
<b>18. COMMITMENTS</b>		
<b>18.1 Capital expenditure approved by directors</b>		
Contracted	139	576
Not yet contracted	89	443
	228	1 019

Funds to meet capital expenditure commitments will be provided from group resources. In addition, capital expenditure is incurred in the normal course of business throughout the year.

## 18.2 Operating lease commitments

Companies in the group have entered into leases over fixed property, furniture and other equipment for varying periods. The charges will increase in future in line with negotiated escalations and expansions.

	2007 and thereafter R'm	2006 R'm	2005 R'm	2004 R'm	2003 R'm	2002 R'm	2001 R'm
Land and buildings	752	330	305	278	253	228	197
Furniture and other equipment	328	147	137	131	130	124	173
Total operating lease commitments	1 080	477	442	409	383	352	370

## 18.3 Commitments under derivative instruments

The group enters into option contracts, financial futures contracts, forward rate and interest rate swap agreements and other financial agreements in the normal course of business.

	2002 R'm	2001 R'm
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## 19. INCOME AND EXPENSES

### 19.1 Non-interest revenue

Commission and fees	3 032	2 660
Securities trading	216	219
Exchange trading	600	468
Surplus on sale of investment banking assets	191	215
Other income	297	210
Dividends from other investments		1
	4 336	3 773

### 19.2 Expenses

Auditors remuneration	18	12
Current	16	10
Prior	1	
Other	1	2
Depreciation and amortisation	483	381
Freehold land and buildings	64	13
Leasehold improvements	4	5
Computer equipment	156	183
Furniture and other equipment	99	92
Vehicles	4	3
Computer software	156	85
Staff costs	3 081	2 588
Operating lease charges	228	197
Fixed property	88	73
Computer equipment	36	32
Furniture and other equipment	1 862	1 543
Other expenses	5 796	4 826

### 19.3 Change in accounting policy

Freehold land and buildings were previously classified as investment property and were carried at cost including any revaluations and less any impairment losses. Buildings were not depreciated. These properties are all used by group companies in the supply of goods or services or for administrative purposes and are considered "owner-occupied" properties in terms of AC 135, Investment Property, which became effective for financial periods commencing on or after 1 April 2001. These properties are now accounted for in accordance with AC 123, Property, Plant and Equipment. As a result the group has changed its accounting policy to carry such properties at cost less accumulated depreciation and accumulated impairment losses. This change has been accounted for by restating comparatives and adjusting the opening balance of retained earnings at 1 January 2001. The impact of the change in accounting policy on the results previously reported in 2001 was as follows:

Distributable reserves	2002 R'm	2001 R'm
Balance at beginning of year as previously reported		10 612
Change in accounting policy:		
Depreciation on owner-occupied property previously classified as investment property		(19)
Taxation – deferred		6
Balance at beginning of 2001 as restated		10 599
Net loss for the year prior to change in accounting policy		
Change in accounting policy		(893)
Depreciation on owner-occupied property classified as investment property		(7)
Taxation – deferred		2
		(898)

### 19.4 Directors' emoluments

From the company for services as non-executive directors	7	6
From subsidiary companies for services as executive directors	34	30
Salaries	16	13
Bonuses	18	17
Gains on exercise of share options	73	6
	114	42

	2002 R'm	2001 R'm
<b>20. TAXATION</b>		
<b>20.1 Charge for the year</b>		
<i>Taxation on income:</i>		
South African normal taxation – current	37	33
South African normal taxation – deferred	(133)	381
Secondary Tax on Companies	22	68
Foreign taxation	46	30
Current and deferred taxation on income	(28)	512
Prior year overprovision – deferred	(1)	(87)
<b>Total taxation on income</b>	<b>(29)</b>	<b>425</b>
<i>Transaction and other taxation</i>		
Regional Services Council levies	32	27
Value-added tax charge in respect of current expenditure net of input credits	167	115
Stamp duty	20	25
Irrecoverable employees' tax	50	
Other transaction taxes	1	
<b>Total transaction and other taxation</b>	<b>270</b>	<b>167</b>
<b>Total taxation, excluding exceptional capital items</b>	<b>241</b>	<b>592</b>
<b>20.2 Taxation – Merger and reorganisation expenses:</b>		
Current	2	
Deferred	(31)	
	<b>29</b>	
<b>20.3 Taxation – exceptional capital items</b>		
Provision for onerous contracts		
Foreign exchange gains	(171)	171
<b>Total taxation – exceptional capital items</b>	<b>(171)</b>	<b>171</b>
<b>20.4 Total taxation, including exceptional capital items</b>	<b>41</b>	<b>763</b>
<b>20.5 Tax rate reconciliation (excluding exceptional items)</b>	<b>%</b>	<b>%</b>
<i>Standard rate of South African normal taxation</i>	30	30
Dividend income	(18)	(3)
Other permanent differences	(7)	(11)
Differences in foreign tax rates and South African tax rate	(7)	(2)
Non-taxable investment income and translation gains	35	(7)
Recognition of tax loss	(42)	
Other	7	(2)
Current and deferred taxation on income as a percentage of income before taxation and exceptional items	(5)	16
<b>Total taxation as a percentage of income before taxation – excluding all exceptional items</b>	<b>27</b>	<b>18</b>

	2002 R'm	2001 R'm
<b>21. CASH FLOW INFORMATION</b>		
<b>21.1 Cash receipts from clients</b>		
Interest income and dividends from finance facilities	16 048	13 920
Commission and fees	3 032	2 664
Trading Income	816	
Other income	(566)	1 989
	19 330	18 573
<b>21.2 Cash payments to clients, staff and suppliers</b>		
Interest expense	11 514	9 229
Staff costs	3 081	2 588
Other payments	2 444	1 854
	17 039	13 671
<b>21.3 Increase in operating assets</b>		
Other short-term securities	2 130	3 791
Government and public sector securities	1 892	4 421
Advances and other accounts	20 732	18 288
	24 754	26 500
<b>21.4 Increase in operating liabilities</b>		
Current and savings accounts	894	5 645
Other deposit, loan and foreign currency liabilities	12 715	6 561
Negotiable certificates of deposit	6 761	3 486
Liabilities in respect of repurchase agreements	734	805
Creditors and other liabilities	147	634
	21 251	17 131
<b>21.5 Taxation paid</b>		
Amounts prepaid at beginning of year	86	79
Income statement charge	(377)	(298)
Other movements	5	(25)
Disposal of subsidiary	24	
Acquisition of subsidiary	7	(17)
Portion of taxation on fixed assets acquired to be depreciated in future years	(65)	(18)
Amounts pre-paid at end of year	(321)	(86)
	(641)	(365)

	2002 R'm	2001 R'm
<b>21.6 Cash inflow from operating activities – reconciliation</b>		
Net income before taxation	(737)	(253)
<i>Adjusted for:</i>		
Depreciation	327	296
Amortisation: Computer software	156	85
Goodwill	247	273
Loss on sale of fixed assets	35	37
Provision for bad and doubtful debts	1 294	1 652
Impairment on long-term investments	1 080	3 298
Impairment losses on property and equipment	94	
Net income on investment banking assets	(191)	(215)
Other non-cash items	22	
	<b>2 327</b>	<b>5 173</b>

#### 21.7 Acquisition of subsidiaries

Operating assets		
Cash and cash equivalents		(161)
Government and public sector securities	(3)	
Advances and other debtors	(782)	(12 789)
Other investments		(67)
Property, plant and equipment	(72)	(24)
Deposits, current accounts and other creditors	325	12 328
Current taxation liabilities	(7)	
Minority shareholders' interest	(1)	850
Net assets acquired	(540)	137
Goodwill	(158)	(1 319)
Consideration paid	(698)	(1 182)
Less: Cash and cash equivalent acquired		161
Net cash outflow	<b>(698)</b>	<b>(1 021)</b>

#### 21.8 Dividends paid

Recognised in statement of changes in equity	<b>(836)</b>	<b>(802)</b>
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### 22. MANAGED FUNDS

#### 22.1 Fair value of funds under management – by type

Unit trusts	385	629
Third party		1 137
Private clients		2 308
Other financial services		11 212
	<b>385</b>	<b>15 286</b>

	2002 R'm	2001 R'm
<b>22.2 Fair value of funds under management – by geography</b>		
South Africa	385	636
Rest of Africa		556
United Kingdom		605
United States		168
Rest of world		13 321
	385	15 286

The group, through a number of subsidiaries, operates unit trusts, holds and invests funds on behalf of clients and acts as trustee in a number of fiduciary capacities. In addition, companies in the group operate securities and custodial services on behalf of clients.

## 23. EMPLOYEE BENEFITS

The group has a number of defined-benefit and defined-contribution plans whereby it provides pension and post-retirement medical benefits to employees and their dependants on retirement or death. All eligible employees and former employees are members of trustee-administered or underwritten pension schemes within the group, financed by company and employee contributions. All South African plans are governed by the Pension Funds Act, 1956. The defined-benefit funds are actuarially valued using the projected unit credit method. Any deficits are funded to ensure the ongoing financial soundness of the funds.

The benefits provided for by the defined-benefit schemes are based on years of membership and/or salary levels. These benefits are provided from contributions by employees and the group and income from the assets of these schemes. The benefits provided for by the defined-contribution schemes are determined by the accumulated contributions and investment earnings. The benefits are provided from contributions by employees, the group and income from the assets of these schemes. At the dates of the latest valuations the group pension funds were in sound financial position in terms of section 16 of the Pension Funds Act, 1956. During 1998 active members in the Nedcor (defined benefit) Pension Fund were granted a further option to transfer to one of the defined-contribution funds and approximately three-quarters of the then valuation surplus was allocated to members and pensioners.

### 23.1 Group defined-benefit plans

The group has recorded an asset of R275 million (2001: R275 million) in advances and other debtors in respect of defined-benefit plans in accordance with the requirements of AC 116.

#### *Nedcor*

At 31 December 2002, the date of the latest actuarial calculation, the Nedcor Pension Fund had assets totalling R2 212 million at market value. The actuarial valuation of the liabilities was R1 879 million resulting in a surplus of R333 million.

#### *Nedbank London*

At 31 December 2002, the date of the latest actuarial calculation, the Nedcor Pension Fund had assets totalling R158 million at market value. The actuarial value of the liabilities was R246 million resulting in a net liability of R88 million.

#### *Nedbank Swaziland*

At 31 December 2002, the date of the latest actuarial calculation, the Nedbank Swaziland Pension Fund had assets totalling R29 million at market value. The actuarial valuation of the liabilities was R19 million resulting in a net surplus of R10 million.

#### *Nedbank Lesotho*

At 31 December 2002, the date of the latest actuarial calculation, the Nedbank Lesotho Pension Fund had assets totalling R27 million at market value. The actuarial value of the liabilities was R25 million, resulting in a surplus of R2 million.

	2002 R'm	2001 R'm
<b>23.2 Employee benefit obligations: defined benefit pension plan</b>		
<b>23.2.1 Net assets of pension plan</b>		
Present value of funded obligations	2 169	1 733
Fair value of plan assets	(2 425)	(2 238)
Funded status	(256)	(505)
Unrecognised actuarial losses	(268)	(34)
Unrecognised asset due to the application of asset ceiling as required by paragraph 59 of AC 116	249	264
<b>Net asset at end of year</b>	<b>(275)</b>	<b>(275)</b>
<b>23.2.2 Amounts recognised in the income statement</b>		
Current service costs	28	19
Interest on obligation	199	196
Expected return on plan assets	(270)	(265)
Net actuarial gains recognised during year	(9)	
Effect of applying the asset ceiling	81	63
<b>Total recognised employee remuneration cost</b>	<b>29</b>	<b>13</b>
<b>23.2.3 Movements in the net assets of pension plan</b>		
Net assets at beginning of year	(275)	(275)
Net expense recognised in the income statement	29	13
Contributions	(29)	(13)
<b>Net assets at end of year</b>	<b>(275)</b>	<b>(275)</b>
<b>23.2.4 Principal actuarial assumptions at balance sheet date</b>		
Price inflation	6.50	6.50
Salary inflation	8.00	8.00
Pensions in payment and deferred pensions inflation	6.62 – 15.00	12.14
Interest rate used to discount liabilities	11.50	11.50
Expected rates of return on plan assets	11.00 – 12.10	6.50



	Trading contracts			Non-trading		
	Notional principal R'm	Positive value R'm	Negative value R'm	Notional principal R'm	Positive value R'm	Negative value R'm
2002						

## 24. COMMITMENTS UNDER DERIVATIVE FINANCIAL INSTRUMENTS

### 24.1 The notional principal amount of instruments entered into with third parties

#### *Exchange rate contracts*

Spot, forwards and futures	25 125	14 096	11 029	94 610	46 479	48 131
Currency swaps	9 733	4 488	5 245			
Options purchased						
Options written	17		17			
	34 875	18 584	16 291	94 610	46 479	48 131

#### *Interest rate contracts*

Interest rate swaps	75 110	36 895	38 215	5 902	2 778	3 124
Forward rate agreements	77 072	37 598	39 474			
Options purchased						
Options written						
Futures	2 272	721	1 551			
Caps, collars and floors	894	404	481			
Credit linked notes	1 436	1 323	122			
Credit default swaps				86	86	
	156 784	76 941	79 843	5 988	2 864	3 124
Total notional principal	191 659	95 525	96 134	100 598	49 343	51 255

	Trading contracts			Non-trading		
	Notional principal R'm	Positive value R'm	Negative value R'm	Notional principal R'm	Positive value R'm	Negative value R'm
2001						

#### *Exchange rate contracts*

Spot, forwards and futures	22 202	12 372	9 830	123 533	63 336	60 197
Currency swaps	10 552	4 049	6 503			
Options purchased	464	464		246	246	
Options written	388		388	246	246	
	33 606	16 885	16 721	124 025	63 828	60 197

#### *Interest rate contracts*

Interest rate swaps	83 643	42 357	41 286	6 152		6 152
Forward rate agreements	56 790	27 835	28 955			
Caps, collars and floors	1 145	379	766			
Options purchased	301	301				
Futures	872	603	269			
Credit linked notes	1 908	1 750	158			
Credit default swaps				36	36	
	144 659	73 225	71 434	6 188	36	6 152
Total notional principal	178 265	90 110	88 155	130 212	63 865	66 349

	Trading contracts			Non-trading		
	Net carrying value R'm	Carrying value of assets R'm	Carrying value of liabilities R'm	Net carrying value R'm	Carrying value of assets R'm	Carrying value of liabilities R'm
2002						
<b>24.2 Fair value assets and liabilities in respect of derivative financial instruments</b>						
<i>Exchange rate contracts</i>						
Spot, forwards and futures	(45)	1 762	1 807	(221)	24 141	24 362
Currency swaps	(919)	4 333	5 252			
Options purchased	2	2				
Options written	(962)	6 097	7 059	(221)	24 141	24 362
<i>Interest rate contracts</i>						
Interest rate swaps	(41)	1 296	1 337	(279)		279
Forward rate agreements	3	88	85			
Caps, collars and floors	(1)	4	5			
Futures	(5)	1	6			
Credit linked notes	2 493	2 703	210			
	2 449	4 092	1 643	(279)		279
Total carrying value	1 487	10 189	8 702	(500)	24 141	24 641
2001						
	Trading contracts			Non-trading		
	Net carrying value R'm	Carrying value of assets R'm	Carrying value of liabilities R'm	Net carrying value R'm	Carrying value of assets R'm	Carrying value of liabilities R'm
<i>Exchange rate contracts</i>						
Spot, forwards and futures	(3)	2 006	2 009	185	36 902	36 717
Currency swaps	(2 293)	4 240	6 533			
Options purchased	44	44				
Options written	(42)		42			
	(2 294)	6 290	8 584	185	36 902	36 717
<i>Interest rate contracts</i>						
Interest rate swaps	33	1 627	1 594	(493)		493
Forward rate agreements	(1)	56	57			
Caps, collars and floors		4	4			
Futures	(5)	1	6			
Credit linked notes	3 082	3 361	279			
	3 109	5 049	1 940	(493)		493
Total	815	11 339	10 524	(308)	36 902	37 210

	Trading contracts			Non-trading contracts		
	Exchange rate contracts R'm	Interest rate contracts R'm	Total R'm	Exchange rate contracts R'm	Interest rate contracts R'm	Total R'm
2002						

## 24.3 Analysis of trading derivative instruments

### 24.3.1 Replacement value of over-the-counter derivatives

#### Maturity analysis

Under one year	1 954	226	2 180	22 073		22 073
One to five years	1 958	1 457	3 415	2 031		2 031
Over five years	2 185	2 409	4 594	37		37
	6 097	4 092	10 189	24 141		24 141

#### Counterparty analysis

Financial institutions	6 045	4 043	10 088	24 141		24 141
Non-financial institutions	52	49	101			
	6 097	4 092	10 189	24 141		24 141

	Trading contracts			Non-trading contracts		
	Exchange rate contracts R'm	Interest rate contracts R'm	Total R'm	Exchange rate contracts R'm	Interest rate contracts R'm	Total R'm
2001						

#### Maturity analysis

Under one year	2 055	289	2 344	34 032		34 032
One to five years	1 934	1 970	3 904	2 825		2 825
Over five years	2 301	2 790	5 091	45		45
	6 290	5 049	11 339	36 902		36 902

#### Counterparty analysis

Financial institutions	6 130	4 945	11 075	36 868		36 868
Non-financial institutions	160	104	264	34		34
	6 290	5 049	11 339	36 902		36 902

	Trading contracts			Non-trading contracts		
	Exchange rate contracts R'm	Interest rate contracts R'm	Total R'm	Exchange rate contracts R'm	Interest rate contracts R'm	Total R'm
	2002					

#### 24.3.2 Negative value of over-the-counter derivatives

##### Maturity analysis

Under one year	1 939	212	2 151	22 358	11	22 369
One to five years	2 327	819	3 146	1 967	162	2 129
Over five years	2 793	612	3 405	37	106	143
	7 059	1 643	8 702	24 362	279	24 641

##### Counterparty analysis

Financial institutions	7 041	1 619	8 660	24 362	95	24 457
Non-financial institutions	18	24	42		184	184
	7 059	1 643	8 702	24 362	279	24 641

	Trading contracts			Non-trading contracts		
	Exchange rate contracts R'm	Interest rate contracts R'm	Total R'm	Exchange rate contracts R'm	Interest rate contracts R'm	Total R'm
	2001					

##### Maturity analysis

Under one year	2 065	265	2 330	33 814	22	33 836
One to five years	2 824	1 108	3 932	2 858	269	3 127
Over five years	3 695	567	4 262	45	202	247
	8 584	1 940	10 524	36 717	493	37 210

##### Counterparty analysis

Financial institutions	8 245	1 909	10 154	36 709	67	36 776
Non-financial institutions	339	31	370	8	426	434
	8 584	1 940	10 524	36 717	493	37 210

	Trading contracts			Non-trading contracts		
	Exchange rate contracts R'm	Interest rate contracts R'm	Total R'm	Exchange rate contracts R'm	Interest rate contracts R'm	Total R'm
2002						

### 24.3.3 Notional principal

#### Maturity analysis

Under one year	26 247	104 496	130 743	86 065	877	86 942
One to five years	4 556	42 610	47 166	8 426	2 504	10 930
Over five years	4 072	9 678	13 750	119	2 607	2 726
	34 875	156 784	191 659	94 610	5 988	100 598

#### Counterparty analysis

Financial institutions	33 951	153 546	187 497	75 224	3 121	78 345
Non-financial institutions	924	3 238	4 162	19 386	2 867	22 253
	34 875	156 784	191 659	94 610	5 988	100 598

	Trading contracts			Non-trading contracts		
	Exchange rate contracts R'm	Interest rate contracts R'm	Total R'm	Exchange rate contracts R'm	Interest rate contracts R'm	Total R'm
<i>Maturity analysis</i>						
Under one year	23 092	92 184	115 276	115 889	3 381	119 270
One to five years	5 341	41 810	47 151	7 974	1 441	9 415
Over five years	5 173	10 665	15 838	162	1 366	1 528
	33 606	144 659	178 265	124 025	6 188	130 213
<i>Counterparty analysis</i>						
Financial institutions	31 035	140 123	171 158	83 769	709	84 478
Non-financial institutions	2 571	4 536	7 107	40 256	5 479	45 735
	33 606	144 659	178 265	124 025	6 188	130 213

## 25. FOREIGN CURRENCY CONVERSION GUIDE

Monetary figures in these financial statements are expressed to the nearest million South African Rand. The approximate value of the South African Rand as at 31 December against the following currencies was:

	2002	2001
United States dollar	0.1163	0.0830
Pound sterling	0.0722	0.0573
Euro	0.1110	0.0938
Deutschmark	0.2577	0.1835
Japanese yen	13.8058	10.8988

## Associates and other investments

	Method used to account for investment	Percentage holding		Acquisition date	Year-end	Date to which equity income accounted for	Equity accounted earnings		Carrying amount		Market value/ Directors' valuation		Net indebtedness of loans to/ (from) associates	
		2002 %	2001 %				2002 R'm	2001 R'm	2002 R'm	2001 R'm	2002 R'm	2001 R'm	2002 R'm	2001 R'm
<b>Listed</b>														
<b>Banking</b>														
State Bank of Mauritius Limited	Equity	20.1	20.1	Nov 97	June	Dec 02	61	55	482	630	327	377		
<b>Technology</b>														
Net 1 Applied Technology Holdings Limited	Equity	25.7	26.1	July 00	June	Dec 02	31	27	157	143	198	204		176
<b>Unlisted</b>														
<b>Banking</b>														
Merchant Bank of Central Africa Limited†††	Equity	29.3	29.3	Dec 93	Dec	Dec 02		8	43	94	43	94		
HSBC Equator Holdings plc	Equity	40.0	40.0	May 94	Dec	Dec 02	(2)	9	50	111	50	116		
Commercial Bank of Namibia Limited	Equity	47.3	43.6	Dec 94	Dec	Dec 02	32	26	93	71	93	71	17	70
Finance Corporation of Malawi Limited§	Equity		45.3	July 99	Dec	Dec 02	3	(4)	(1)	39	*	39		
BNP Nedbank Mozambique SARL†	Equity		40.0	Oct 99	Dec	Dec 02	*	2	34	34		34		
Banque SBM Madagascar	Equity	20.0	20.0	Dec 99	July	Dec 02	2	3	9	13	9	13		
SBM Nedbank International Limited	Equity	50.0	50.0	July 99	Dec	Dec 02	8	6	93	140	93	140		
<b>Technology</b>														
The Internet Solution (Pty) Limited§*	Equity	20.0	20.0	June 00	Sept	Dec 02	12	8	145	200	200	200	19	(46)
The IQ Business Group (Pty) Limited	Equity	23.5	25.1	July 00	March	Dec 02	(6)	8	62	127	62	127		
Miraculum (Pty) Limited	Equity	31.7	31.7	July 00	Sept	Dec 02	(3)	(5)	*	3	*	3		
Nashua NedTel Communications (Pty) Limited†	Equity			Jan 99	Sept	Dec 02		24						
Acturis Ltd	Equity	60.0	40.0	March 01	Sept	Dec 02			139	60	139	60	6	
Hatch Investments (Mauritius)Ltd	Equity	37.5	74.9	March 01	March	Dec 02	(3)	(13)	15	68	15	68	6	
<b>Other</b>														
Syffrets Trust Limited	Equity	50.0	50.0	Oct 99	Dec	Dec 02	4	2	9	5	9	5		
Virgin Active††	Equity		30.0	March 01	Dec	Dec 02			57	57	46	47	156	
Other	Equity					Dec 02	3	7	14	11	46	47	9	11
							142	163	1 310	1 806	1 284	1 655	57	367

\* Represents an amount less than R1 million.

† Disposed of in 2002.

‡ Disposed of in 2001, but still reflects equity income.

§ Consolidated as a subsidiary from 1 January 2002.

§\* The Group's former 33.3% interest in Linx Holdings (Pty) Limited was effectively sold as part payment to acquire a 20% interest in The Internet Solution (Pty) Limited.

† All investments in associates are accounted for on the equity method.

†† No longer accounted for as an associate.

††† As of 1 July 2001 income from Zimbabwe associates were no longer accounted for.

\* Disposed of in 2002

## Analysis as at 31 December

	Banking R'm	Technology R'm	Other R'm	Total R'm
<b>Associate</b>				
<b>Analysis</b>				
<b>2002</b>				
Listed shares, at cost – net asset value	198	46		244
Listed shares, at cost – goodwill	76	78		154
Unlisted shares, at cost – net asset value	150	180		330
Unlisted shares, at cost – goodwill	115	567	60	742
Share of retained earnings since acquisition	435	58	23	516
Goodwill written-off	(239)	(405)	(61)	(705)
Dividends received	(147)	(7)		(154)
Foreign exchange movements	182		1	183
<b>Net interest in associate companies</b>	<b>770</b>	<b>517</b>	<b>23</b>	<b>1 310</b>
<b>2001</b>				
Listed shares, at cost – net asset value	198	46		244
Listed shares, at cost – goodwill	106	78		184
Unlisted shares, at cost – net asset value	195	157	59	411
Unlisted shares, at cost – goodwill	111	563	54	728
Share of retained earnings since acquisition	335	28	13	376
Goodwill written-off	(111)	(271)	(54)	(436)
Dividends received	(95)			(95)
Foreign exchange movements	393		1	394
<b>Net interest in associate companies</b>	<b>1 132</b>	<b>601</b>	<b>73</b>	<b>1 806</b>
<b>Summarised financial information</b>				
<b>2002</b>				
Total assets	15 182	1 046	134	16 362
Total liabilities	12 793	398	104	13 295
Operating results	1 416	114	5	1 535
<b>2001</b>				
Total assets	22 069	991	151	23 211
Total liabilities	19 435	289	132	19 856
Operating results	364	143	(64)	443
<b>Other investments</b>			<b>2002 R'm</b>	<b>2001 R'm</b>
<b>Listed</b>				
Dimension Data plc			414	1 495
Apexhi			94	
Others*			44	28
			<b>552</b>	<b>1 523</b>
<b>Unlisted</b>				
Insurance policies			762	702
Others*			361	175
			<b>1 123</b>	<b>877</b>

\*Less than R50 million.

## RECENT TRADING HISTORY

The recent trading history of the Nedbank preference shares on the JSE is set out below.

The high, low and closing price of Nedbank preference shares on the JSE and the aggregated monthly values and volumes traded since 2 January 2003 were as follows:

Month ended	High (cents per share)	Low (cents per share)	Close (cents per share)	Value (R'million)	Volume (number of shares)
January 2003	1 120	1 030	1 120	148.21591	13 861 124
February 2003	1 155	1 120	1 150	58.55306	5 145 777
March 2003	1 172	1 140	1 170	58.16009	5 060 989
April 2003	1 200	1 168	1 192	47.23292	3 974 109
May 2003	1 200	1 135	1 151	29.70875	2 530 083
June 2003	1 220	1 150	1 180	43.39038	3 651 261
July 2003	1 185	1 115	1 150	35.62878	3 073 537
August 2003	1 190	1 050	1 110	74.78686	6 673 180
September 2003	1 115	1 020	1 035	44.67318	4 195 458
October 2003 (until 25 October)	1 090	1 040	1 065	35.67810	3 356 226

The high, low and closing price of Nedbank preference shares on the JSE for each trading day commencing from 25 July 2003 to the last practicable date, and the daily trading values and volumes, are as follows:

Daily	High (cents per share)	Low (cents per share)	Close (cents per share)	Value (R'million)	Volume (number of shares)
25/07/03	1 170	1 150	1 170	1.993074	172 400
28/07/03	1 170	1 169	1 170	0.932484	79 700
29/07/03	1 170	1 155	1 160	1.519818	130 925
30/07/03	1 155	1 150	1 155	0.144350	12 500
31/07/03	1 155	1 150	1 150	2.796490	242 500
01/08/03	1 160	1 150	1 160	2.084899	180 725
04/08/03	1 164	1 160	1 160	0.603338	52 000
05/08/03	1 170	1 160	1 165	1.958407	168 125
06/08/03	1 170	1 165	1 170	0.568375	48 700
07/08/03	1 170	1 166	1 170	1.027060	87 800
08/08/03	1 179	1 170	1 172	0.481135	41 000
11/08/03	1 180	1 175	1 180	2.682775	227 375
12/08/03	1 185	1 170	1 170	2.481636	210 600
13/08/03	1 180	1 175	1 180	2.022200	171 420
14/08/03	1 178	1 172	1 178	1.589484	135 321
15/08/03	1 190	1 178	1 190	7.609224	643 200
18/08/03	1 123	1 094	1 100	7.612726	684 070
19/08/03	1 110	1 100	1 100	6.581739	594 480
20/08/03	1 100	1 090	1 100	7.135971	652 000
21/08/03	1 095	1 075	1 075	3.441335	316 500
22/08/03	1 080	1 050	1 080	2.814645	263 750
25/08/03	1 085	1 070	1 070	1.779851	164 825
26/08/03	1 080	1 070	1 080	3.452361	321 189
27/08/03	1 110	1 085	1 110	7.807965	714 800
28/08/03	1 115	1 100	1 115	4.876340	439 500



Daily	High (cents per share)	Low (cents per share)	Close (cents per share)	Value (R'million)	Volume (number of shares)
29/08/03	1 115	1 109	1 110	6.175399	555 800
01/09/03	1 115	1 110	1 115	0.711899	63 878
02/09/03	1 108	1 105	1 105	0.636542	57 500
03/09/03	1 115	1 105	1 115	0.700761	63 182
04/09/03	1 115	1 110	1 110	1.019715	91 631
05/09/03	1 110	1 096	1 096	1.365325	123 500
08/09/03	1 100	1 090	1 090	1.278475	117 000
09/09/03	1 100	1 080	1 100	0.774440	71 000
10/09/03	1 100	1 085	1 090	1.774251	162 700
11/09/03	1 100	1 090	1 099	3.031146	276 575
12/09/03	1 099	1 090	1 095	1.927046	176 042
15/09/03	1 100	1 095	1 095	2.055202	187 417
16/09/03	1 095	1 060	1 070	4.032431	373 000
17/09/03	1 070	1 045	1 050	3.757383	357 400
18/09/03	1 050	1 030	1 040	3.122204	299 100
19/09/03	1 055	1 040	1 040	2.231723	212 633
22/09/03	1 050	1 045	1 050	0.59805	57 100
23/09/03	1 049	1 040	1 040	2.14651	206 100
25/09/03	1 052	1 035	1 044	6.07059	579 250
26/09/03	1 040	1 020	1 020	4.491239	435 850
29/09/03	1 037	1 021	1 035	0.130696	12 700
30/09/03	1 037	1 035	1035	2.817584	271 900
01/10/03	1 055	1 040	1 055	1.85629	177 850
02/10/03	1 066	1 055	1 066	1.072369	100 800
03/10/03	1 070	1 065	1 070	0.67205	63 000
06/10/03	1 090	1 085	1 090	0.50766	46 600
07/10/03	1 085	1 080	1 080	1.516129	139 816
08/10/03	1 080	1 073	1 073	1.5418	142 900
09/10/03	1 073	1 065	1 065	1.341709	125 550
10/10/03	1 065	1 055	1 055	2.117645	199 350
13/10/03	1 060	1 050	1 055	12.43696	1 176 600
14/10/03	1 070	1 055	1 065	1.084995	101 850
15/10/03	1 079	1 069	1 075	3.552794	330 629
16/10/03	1 080	1 066	1 066	2.62563	244 181
17/10/03	1 070	1 060	1 065	0.581949	54 700
20/10/03	1 060	1 050	1 055	0.786628	74 600
21/10/03	1 056	1 050	1 050	1.037916	98 450
22/10/03	1 055	1 050	1 050	1.207750	115 000
23/10/03	1 055	1 053	1 055	1.085670	103 000
24/10/03	1 065	1 060	1 065	0.652153	61 350

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## EXTRACTS FROM THE ARTICLES OF ASSOCIATION OF NEDBANK

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### 1. BORROWING POWERS

- "35. The board of directors may, from time to time, and in such manner and on such terms as they deem fit exercise all the powers of the Company to borrow, raise or secure the payment of money, either with or without any specific security on the undertaking or property of the Company; provided, however, that if the Company has a holding Company whose shares are listed on the JSE the total amount at any one time owing by the Company in respect of moneys so borrowed, raised or secured shall not exceed the amount authorised by such holding Company.
36. The directors may raise or secure the repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit, and in particular by the issue of bonds, perpetual or redeemable debentures or debenture stock, or any mortgage, charge or other security on the undertaking of the whole or any part of the property of the Company (both present and future), provided that no special privileges as to allotment of shares or stock, attending and voting at general meetings, appointment of directors or otherwise shall be given, save with the sanction of the Company in general meeting."

### 2. NUMBER OF DIRECTORS

- "65. Unless and until otherwise determined by the Company in general meeting, the number of directors excluding alternate directors shall not be less than 9 (nine) and not more than 25 (twenty-five), subject to the provisions of the Banks Act, 1965. If the Company has a holding company, one of the directors shall be a representative of the holding company. The first directors shall be appointed in writing by a majority of the subscribers to the Memorandum.
66. The Company in general meeting may, from time to time, increase or reduce the number of directors and may also determine in what rotation the directors of such increased or reduced number shall retire from office. Whenever an increase in the number of directors is made the members at the same meeting may elect directors to take the new offices created."

### 3. FILLING OF CASUAL VACANCIES ON AND ADDITIONS TO BOARD OF DIRECTORS

- "67. The directors shall have power at any time to appoint any other person as a director, either to fill a casual vacancy or as an addition to the board, but so long as the total number of directors shall not at any time exceed the maximum number laid down in Article 65; and provided that every appointment made in terms of this Article shall be subject to confirmation at the annual general meeting succeeding such appointment.
68. Any person appointed director to fill a casual vacancy or as an additional director shall retain office only until the next ordinary meeting of the Company following such appointment, but shall then be eligible for election. No director who retires under this regulation shall be taken into account in determining the directors who are to retire by rotation at such meeting.
69. When the directors intend either to fill a casual vacancy on, or to appoint an additional director to, the board of directors no appointment shall take effect unless at least 7 (seven) clear days' notice of the intention to propose any person as a director shall have been given to all directors prior to the meeting of the directors called to make the decision. Such notice shall set out the full names, occupation and address of the person to be proposed at such meeting."

### 4. QUALIFICATION OF DIRECTORS

- "70. It shall not be necessary for a director to hold any shares in the Company in order to qualify him to act as such."

## 5. REMUNERATION OF DIRECTORS

- "71. The directors shall be entitled to and shall be paid out of the funds of the Company such remuneration for their services and such additional remuneration as the Company in general meeting shall, from time to time, determine, and such remuneration shall be divided among the directors in such manner and such proportions as the board of directors may determine, or in default of such determination, equally, except that in such event any director holding office for less than one year shall rank in such division only in proportion to the period during which he has held office during that year.
72. An alternate director shall look for his remuneration to the director appointing him and not to the Company unless the Company shall be instructed in writing by the director concerned to pay any portion of his remuneration to such alternate director.
73. Each director shall be entitled to be reimbursed his travelling and all reasonable out-of-pocket expenses properly incurred by him in and about the business of the Company and including expenses of travelling to and from meetings of the Company and meetings of the directors or of any committee, as the board of directors may determine.
74. Any director, local or otherwise, who shall perform at the request of the Company or of the board of directors any special services or duties or who shall be required for the purposes of the Company's affairs to go or reside abroad, shall, unless otherwise expressly resolved by the Company in general meeting, be entitled to receive and shall be paid therefor such extra remuneration by way of a fixed sum annually or otherwise or in such other manner as the board of directors may determine, which remuneration shall, unless the board of directors shall otherwise resolve, be charged as part of the Company's ordinary working expenses.
75. With the concurrence of the board of directors and approval of the Company in general meeting, any managing director, whether or not he remains a director of the Company after ceasing to be managing director, may be included and participate in any pension or assurance scheme for the benefit of the Company's employees, whether the Company contributes thereto or not. In addition or alternatively, the board of directors with the approval of the Company in general meeting, may make such grant or pay such pension, superannuation allowance or retirement allowance or similar payment, whether in one sum or by way of periodic payment, to any managing director or such of his relatives, connections or dependants as it may decide and upon such terms as it may think fit. Any managing director may vote as a director on any resolution affecting or relating to any matter dealt with under this regulation notwithstanding his interest therein."

## 6. DISQUALIFICATION OF DIRECTORS

- "77. The office of director shall *ipso facto* be vacated:
- 77.1 if he becomes insolvent, is sequestered, assigns his estate, suspends payment or compounds with his creditors;
- 77.2 if he becomes lunatic or of unsound mind;
- 77.3 if he absents himself from the meetings of the directors for a period of 6 (six) months without special leave of absence from the board, and is not represented at any such meeting by an alternate director, and the board resolves that his office be vacated, provided that the board of directors shall have power to grant any director leave of absence for any period not exceeding 1 (one) year;
- 77.4 if by notice in writing to the Company he resigns his office;
- 77.5 if he be removed from office on a resolution of the board of directors in favour of which at least  $\frac{4}{5}$ ths (four-fifths) of the total number of directors for the time being, shall have voted;
- 77.6 if he is directly or indirectly interested in any contract with the Company or participates in the profits of any contract with the Company, subject, however, to the provisions of Article 79 hereof;
- 77.7 if he becomes prohibited from being a director by reason of any order made pursuant to section 219 of the Act;
- 77.8 if he reaches the retirement age determined from time to time by the board of directors.

78. A director may:

- 78.1 hold any other office or place of profit in the Company;
- 78.2 act as a director of and/or hold any other office or place of profit in any subsidiary company of the Company;
- 78.3 act by himself or by his firm in a professional capacity (other than as auditor) for the Company or any subsidiary company of the Company;
- 78.4 act as a director of any company promoted by the Company or in which the Company is interested;  
or
- 78.5 subscribe for, guarantee the subscription of, or otherwise acquire shares in any such company as is referred to in sub-Articles 78.2 and 78.4 above,

and shall be entitled to receive remuneration, profit or benefits therefor which he shall not be obliged to account for or pay over to the Company, provided always, however, that a director shall not be otherwise employed by the Company nor shall he act as a director of or be otherwise employed by any subsidiary company of the Company unless his appointment and remuneration in any such respect shall have been determined or approved by a majority of the disinterested directors of the Company.

79. Subject to the provisions of Article 77.6, no director shall be disqualified by his office from holding any office or place of profit in the Company (except as auditor) or in any other company, and no director or officer of the Company who has been authorised by the directors of the Company to enter into any contract or proposed contract, which is of significance in relation to the Company's business, shall be disqualified by his office from contracting or dealing with the Company or any other company, nor shall any contract or arrangement entered into by or on behalf of the Company in which any director or such officer shall be in any way directly or indirectly interested be avoided, nor shall any director or such officer be liable to account to the Company for any profit arising from any such office or place of profit or any such contract or arrangement, and any director or such officer may vote as such or act on behalf of the Company in respect of any such contract or arrangement between the Company and himself or any other person including any other company in which he is in any way directly or indirectly interested or of which he is a director, officer or employee and in respect of any matter relating to or arising out of such contract or arrangement, and any officer of the Company may within the limits of his authority as such cause the Company to enter into any contract or arrangement with any such person (except himself) or with any other such company in which he is in any way directly or indirectly interested or of which he is a director, officer or employee, provided always that in the case of every contract or proposed contract or arrangement between the Company and any director or officer aforesaid or any other company in which any director or officer aforesaid of this Company is or becomes in any way directly or indirectly interested or of which any director or officer aforesaid of this Company is or becomes a director, officer or employee, the director or officer aforesaid concerned, makes full disclosure in the manner and at the times required by sections 234 to 238 inclusive of the Act of the nature and extent of his direct or indirect interest in any such contract or arrangement and/or of the fact that he is a director, officer or employee of such other company."

## **7. PERIOD OF OFFICE OF DIRECTORS**

"80. The Company in general meeting may, from time to time, determine the number of directors, their terms of office and the manner of their retirement, provided that the number shall not be less than the minimum number and not more than the maximum number laid down in Article 65, one of whom shall be a representative of the holding Company."

## **8. REMOVAL OF DIRECTORS**

"81. Notwithstanding the provisions of any contract for the time being existing, the Company may by ordinary resolution remove any director from office and may by ordinary resolution appoint another person in his stead. The provisions of section 220 of the Act shall be complied with in connection with the removal of a director."

## 9. NOMINATION OF NEW DIRECTORS

- "82. Save as provided in Article 67, new directors shall be appointed by ordinary resolution of the Company in general meeting, provided, however, that no such resolution for the appointment of a new director shall be passed except at a meeting in respect of which sufficient notice of the intention to pass a resolution for the appointment of a new director has been given to enable nominations for the new director made after receipt of such notice to reach the Company's Office at least 7 (seven) days before the date of the meeting from any part of the Republic of South Africa."

## 10. MANAGING DIRECTORS

- "83. A disinterested quorum of directors may, from time to time, appoint one or more of their body to the office of managing director or managing directors or manager for such term and at such remuneration as they may think fit, and may revoke such appointment subject to the terms of any agreement entered into in any particular case, provided that the period of office of a managing director appointed in terms of an agreement shall be for a maximum period of 5 (five) years at any one time. A director so appointed shall be subject to retirement in the same manner as the other directors except during the period of his agreement, and his appointment shall terminate if he ceased for any reason to be a director.
84. A managing director shall, while he continues to hold that office, unless otherwise provided in any contract between him and the Company or in the terms of his appointment, be subject to the same provisions as to retirement by rotation and as to removal from office as the other directors of the Company, and if he ceased to hold office as director from any cause he shall *ipso facto* and immediately cease to be a managing director.
85. The board of directors may, from time to time, entrust to and confer upon a managing director, for the time being, such of the powers exercisable under these presents by the directors as it may think fit, and may confer such powers for such time and to be exercised for such objects and purposes, and upon such terms and conditions and with such restrictions, as it may think expedient and it may confer such powers either collaterally with or to the exclusion of an in substitution for all or any of the powers of the directors in that behalf, and may, from time to time, revoke, withdraw, alter or vary all or any of such powers."

## 11. ROTATION OF DIRECTORS

- "101. Save as otherwise provided in any contract between the Company and a managing director, at the first ordinary meeting of the Company to be held all the directors of the Company shall retire from office. Thereafter, subject to the provisions of Article 67 of these Articles, at every ordinary meeting of the Company one-third of the directors for the time being, or if the number of directors for the time being, or if the number of directors be not a multiple of three then the number nearest to but not less than one-third thereof, shall retire from office. The directors so to retire in each year shall be those who have been longest in office since their election, but as between persons elected directors on the same day, those to retire, unless they otherwise agree among themselves, shall be determined by lot, provided that notwithstanding anything herein contained, if, at the date of any ordinary meeting any director shall have held office for a period of 3 (three) years since his last election he shall retire at such meeting, either as one of the directors to retire in pursuance of the foregoing provisions, or additionally thereto. The length of time a director has been in office shall, subject to the provisions of these Articles, be computed from his last election. A retiring director shall hold office until the conclusion of the meeting at which he retires.
102. A person other than an elected director retiring by rotation at an ordinary meeting shall not be eligible for election at such meeting to fill the vacancy occasioned by such retirement unless, within 30 (thirty) days after the financial year-end of the Company, a nomination signed by five members shall have been lodged with the secretary at the Office and been accepted in writing within the said period by the person so nominated.
103. The Company at the general meeting at which any director shall retire shall, subject to any resolution reducing the number of directors, fill all of the vacated office by electing a like number of directors.
104. The Company in general meeting may by an ordinary resolution remove any director before the expiration of his period of office and may at the same meeting or by another ordinary resolution appoint another director in his stead. The director so appointed shall hold office during such time only as the director in whose place he is appointed would have held the same if he had not been removed, but this provision shall not prevent him from being eligible for re-election."

## 12. TERMS OF THE NON-REDEEMABLE, NON-CUMULATIVE, NON-PARTICIPATING PREFERENCE SHARES

"142. The following are the rights, privileges, restrictions and conditions which attach to the non-redeemable, non-cumulative, non-participating, preference shares in the capital of the Company (the "preference shares"):

- 142.1 Each preference share shall rank as regards dividends and a repayment of capital on the winding-up of the Company prior to the ordinary shares and any other class of shares in the capital of the Company not ranking prior to or *pari passu* with the preference shares;
- 142.2 For the purpose of this Article 142.2, the "prime rate" means the publicly quoted basic rate per annum ruling from time to time at which the Company lends on overdraft. Each preference share shall confer upon the holder thereof the right to receive out of the profits of the Company which it shall determine to distribute, in priority to any payment of dividends to the holders of any other class of shares in the capital of the Company not ranking prior to or *pari passu* with the preference shares, a non-cumulative preference cash dividend. The rate of such preference dividend will not exceed 75% of the prime rate multiplied by the "deemed value" of the preference shares, calculated daily during the appropriate period referred to in Article 142.3, but never compounded. The deemed value of each preference share, for purposes of calculation of the preference dividend, shall always be an amount of R10,00 (ten Rand), notwithstanding the actual issue price of the preference share (i.e. the nominal value of the preference share plus a premium thereon), which may vary because of a difference in the premium at which the preference shares are issued from time to time;
- 142.3 The preference dividends shall, if declared, accrue half-yearly in arrear on 30 June and 31 December each year ("preference dividend accrual date") and, if declared, shall be payable, in respect of the appropriate period ending on those dates, on dates being 7 (seven) business days prior to the dates on which Nedcor Limited pays its ordinary dividends (if any) in respect of the same periods, but in any event, if declared, shall be payable not later than 120 (one hundred and twenty) business days after 30 June and 31 December, respectively (preference dividend payment dates) and, if declared, failing payment by the relevant dividend payment date, shall be considered to be in arrear. "Business days" shall mean all days, excluding Saturdays, Sundays and public holidays in the Republic of South Africa. Preference dividends on preference shares issued between the dates on which the preference dividends accrue shall, if declared, accrue on the first preference dividend accrual date after their issue and shall be calculated from the day following the last preference dividend accrual date until the date on which they accrue. Notwithstanding the foregoing, the first preference dividend on the preference shares issued prior to 31 December 2002 shall, if declared, accrue on 30 June 2003 and shall be calculated from the date on which the preference shares were issued until 30 June 2003 (both dates inclusive);
- 142.4 If a preference dividend is not declared by the Company in respect of the period to which such preference dividend accrual date relates, the preference dividend shall not accumulate and shall accordingly never become payable by the Company, whether in preference to payments to any other class of shares in the Company or otherwise. Notwithstanding the foregoing, the Company shall, if it fails to declare a preference dividend in respect of any applicable period, be obliged to retain in reserve an amount equivalent to the aggregate amount of profits generated by the Company during such applicable period;
- 142.5 If there is an amendment (or amendments) to the Income Tax Act, No. 58 of 1962 (the Income Tax Act), which results in the preference dividends being taxable in the hands of the preference shareholders and which results in payment of the preference dividends becoming a deductible expense for the company, then (provided such amendment is uniformly applicable to all corporate tax payers and not only because of the particular circumstances of the company or any preference shareholder) the percentage of the prime rate referred to in Article 142.2 shall be increased by the Company. The extent of such increase shall be limited to such an increase that the company does not incur savings in the costs of servicing the preference shares, which savings it would not have incurred but for such amendments to the Income Tax Act. If such amendments to the Income Tax Act do not result the Company incurring lesser costs in servicing the preference shares, then, notwithstanding that such amendment may result in a decrease in the returns of any preference shareholder on its preference share investment, no amendment shall be made to the percentage of the prime rate contemplated in Article 142.2. The Company shall be entitled to require its auditors to verify whether it is obliged to increase the percentage of the prime rate referred to in Article 142.2 in accordance with this Article 142.5. The auditors, in deciding whether such increase is required in terms of this Article 142.5, shall act as experts and not as arbitrators and their decision shall be final and binding on the Company and all preference shareholders. The costs of such auditors shall be borne and paid by the Company;

- 142.6 Each preference share shall confer on the holder the right to a return of capital on the winding-up of the Company, in priority to any payment in respect of any other class of shares in the Company's capital, of an amount equal to the issue price thereof;
- 142.7 Save as set out in Articles 142.2, 142.3, 142.4, 142.5 and 142.6, the preference shares shall not be entitled to any further participation in the profits or assets of the company nor, on a winding-up, to any surplus assets of the Company;
- 142.8 The holders of the preference shares shall not be entitled to be present or to vote, either in person or by proxy, at any meeting of the Company, by virtue of or in respect of the preference shares, unless either or both of the following circumstances prevail at the date of the meeting:
- 142.8.1 the preference dividend or any part thereof remains in arrear and unpaid after 6 (six) months from the due date thereof;
- 142.8.2 a resolution of the Company is proposed (in which event the preference shareholders shall be entitled to vote only on such resolution) which directly affects the rights attached to the preference shares or the interests of the holders thereof, including a resolution for the winding-up of the Company or for the reduction of its capital;
- 142.9 At every general meeting of the Company at which holders of preference shares as well as other classes of shares are present and entitled to vote a preference shareholder shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by him bear to the aggregate amount of the nominal value of all shares issued by the Company;
- 142.10 Notwithstanding the provisions of Article 142.6, no shares in the capital of the Company ranking, as regards rights to dividends or, on a winding-up, as regards return of capital, in priority to the preference shares, shall be created or issued, without the prior sanction of a resolution passed at a separate class meeting of the holders of the preference shares in the same manner *mutatis mutandis* as a special resolution. At every meeting of the holders of the preference shares the provisions of these Articles relating to general meetings of ordinary members shall apply *mutatis mutandis*, except that a quorum at any such general meeting shall be any person or persons holding or representing by proxy at least 2 (two) of the preference shares, provided that, if at any adjournment of such meeting a *quorum* is not so present, the provisions of the Articles relating to adjourned general meetings shall apply *mutatis mutandis*."



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## DETAILS OF NEDCOR AND NEDBANK DIRECTORS' REMUNERATION

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The following are relevant extracts from Nedcor's annual financial statements for the year ended 31 December 2002 regarding directors' remuneration:

### Remuneration Committee terms of reference

The committee operates in terms of a mandate approved by the board. Membership consists of only non-executive directors and the committee is chaired by an independent non-executive director.

In terms of authority, this committee is also charged with the supervision of the Nedcor Group Employee Incentive Scheme.

The committee is authorised to approve the aggregate of adjustments to the remuneration of staff below executive director and divisional director level. Adjustments to divisional directors' total remuneration are to be individually approved by the Group Remuneration Committee. Adjustments to executive directors' total remuneration are to be individually approved by the board with Group Remuneration Committee recommendation.

Total remuneration is defined as all elements of emoluments, i.e. guaranteed remuneration, performance bonuses, share options and any other material benefits received.

The committee considers remuneration in its totality in an integrated and holistic manner, thereby assisting the board in discharging its corporate governance duties related to remuneration strategy, structure and costs.

The committee specifically addresses:

- remuneration mix;
- guaranteed remuneration;
- performance bonuses;
- share options; and
- executive succession planning.

### Remuneration philosophy

The purpose of remuneration is to attract, retain, motivate and reward staff to achieve Nedcor's objectives.

Nedcor's philosophy is to encourage sustainable long-term performance.

Remuneration is reviewed at appropriate intervals to motivate staff to perform to a required standard and to retain their services by offering and maintaining at least market-related remuneration in line with their performance and outputs for particular jobs. The group's intention is to move progressively to a position where a greater portion of remuneration is linked to variable pay as opposed to guaranteed remuneration.

### Remuneration policies

With the integration of Nedcor, BoE, Nedcor Investment Bank and Cape of Good Hope Bank, significant work has taken place during the year to align terms and conditions of employment across the new group. 90% of the recommended new policies has been completed and extensive consultations with the trade unions and staff have taken place.

The target date for implementing a new set of terms and conditions is 1 April 2003.



## Executive directors' remuneration

For the period 1999 – 2001 annual increases to guaranteed remuneration were linked to the achievement of pre-determined financial targets and backdated for the period under review if targets were met. During 2001 this approach was reviewed and found to be out of line with general market practices of granting guaranteed remuneration increases. Therefore from April 2002 this practice was discontinued for all staff and guaranteed-remuneration increases are now granted on an annual basis, taking cognisance of individual performance and output and the appropriate market increases. Share option vesting and performance bonuses remain dependent on the achievement of financial targets.

## Executive directors' emoluments

Year to 31 December 2002

Name	Benefits, salary and fees (R000)	Retirement fund contributions (R000)	Other benefits (R000)	Guaranteed remuneration (R000)	Bonus paid in 2002 for the financial year ended 31/12/01 \$ (R000)	Total (R000)	Bonus paid in 2003 for the financial year ended 31/12/02 \$ (R000)
T A Boardman*	803	133	84	1 020	–	1 020	750=
I J Botha†	1 398	194	207	1 799	–	1 799	3 500#
B J S Hore	1 428	275	22	1 725	2 250	3 975	1 500
M M Katz	2 274	480	243	2 997	2 000	4 997	1 750
R C M Laubscher	2 224	430	38	2 692	2 750	5 442	1 500
M J Leeming‡	592	138	51	781	2 000	2 781	–
S G Morris	1 273	265	124	1 662	2 250	3 912	1 500
D G S Muller	1 346	282	139	1 767	2 250	4 017	1 500
M L Ndlovu	1 283	250	35	1 568	2 250	3 818	1 500
A A Routledge	1 393	268	18	1 679	2 250	3 929	1 500
	14 014	2 715	961	17 690	18 000	35 690	15 000

\* T A Boardman was previously an executive director of BoE. The above table reflects his remuneration from 1 July 2002, the effective date of the merger, notwithstanding the fact that he only became an executive director of Nedcor on 1 November 2002. Please see the additional note below relating to bonus payments for 15 months.

† I J Botha's remuneration relates to the full-year, notwithstanding the fact that he only became an executive director of Nedcor on 1 November 2002.

‡ Resigned from the board of directors on 28/05/2002.

§ The bonus reflected as paid in 2002 relates to performance in the financial year ended 31 December 2001. The bonus reflected as paid in 2001 relates to performance in the financial year ended 31 December 2000. Bonus payments relating to the financial year ended 31 December 2002 were determined and paid only in March 2003.

= The R0.75 million bonus payment to T A Boardman relates to the six-month period ended 31 December 2002. In addition, T A Boardman received a R1.5 million bonus payment in terms of the BoE performance bonus plan for the nine-month period ended 30 June 2002. He also received a R1.5 million special bonus relating to the period ended 30 June 2002 in recognition of his role in guiding BoE through the run on BoE Bank and his contribution to concluding the Nedcor transaction. The total for the 15-month period would then be R3.75 million.

# A R2.0 million bonus payment to I J Botha relates to the six-month period ended 31 December 2002. In addition, I J Botha received a R1.5 million bonus payment in terms of the Nedcor Investment Bank Holdings performance bonus plan for the six-month period ended 30 June 2002. The total for the 12-month period would then be R3.5 million.

## Executive directors' emoluments

Year to 31 December 2001

R000	Benefits, salary and fees	Retirement fund contributions	Other benefits	Guaranteed remuneration	\$ Bonus paid	Total
B J S Hore	1 257	250	55	1 562	2 247::	3 809
M M Katz	2 289	436		2 725	2 000	4 725
R C M Laubscher	2 032	394	37	2 463	3 889::	6 352
M J Leeming‡	1 374	321	120	1 815	2 000::	3 815
S G Morris	1 132	240	128	1 500	1 750	3 250
D G S Muller	1 203	255	145	1 603	1 748::	3 351
M L Ndlovu	1 173	229	30	1 432	2 025::	3 457
A A Routledge	1 273	246	24	1 543	1 750	3 293
	11 733	2 371	539	14 643	17 409	32 052

‡ Resigned 28/05/2002.

§ Refer to 2002 emoluments table.

:: Includes deferred bonus payments relating to 2000 and paid in 2001.

R C M Laubscher received UK£100 080 (2001: UK£58 333) as benefits, salary and fees in respect of his executive responsibilities as an executive director of Old Mutual plc as well as a UK£33 000 performance bonus relating to the 2002 financial year. He received no fees for 2002 (2001: US\$30 000) as a director of Nedcor's offshore subsidiaries.

#### **Executive directors' retirement fund**

All executive directors are members of the defined-contribution retirement funds and therefore there are no defined-benefit liabilities.

#### **Executive directors' performance bonuses**

Nedcor has an organisational bonus plan that offers short-term incentives to executives and management, based on group performance levels that determine the size of the available performance bonus pool. A pool will be created only if certain criteria/financial standards are met. The size of the bonus pool is a function of productivity and improved performance in real terms.

The executive directors and management are allocated bonuses from the organisational pool based on the following:

- divisional performance;
- individual performance; and
- market for executive compensation.

The CEO's performance was reviewed by the Chairman and the board and the performances of the other executive directors were reviewed by the Chief Executive and the Chairman.

#### **Executive directors' share option grants**

Share option allocations to executives are considered annually, based on individual performance. Options are allocated to a value within an agreed range of multiples of annual guaranteed remuneration. Executives within three years of normal retirement date are not generally eligible for the annual allocation. Since November 2000 these annual allocations have been linked to performance-based vesting principles, based on earnings per share growth targets and will vest only if the group meets the performance criteria established.

The vesting criteria are as follows:

- If the increase in earnings per share growth in the performance period (3 – 4 years) is equal to the rate of inflation (CPI) plus 4% per annum, 50% of any allocation will vest;
- If the increase in earnings per share growth in the performance period (3 – 4 years) is equal to the rate of inflation (CPI) plus 5% per annum, 75% of any allocation will vest; and
- If the increase in earnings per share growth in the performance period (3 – 4 years) is equal to the rate of inflation (CPI) plus 6% per annum, 100% of any allocation will vest.

In addition to executive directors, all levels of management qualify to participate in the share option scheme, and at 31 December 2002 there were 3 368 participants and 23,16 million Nedcor share options outstanding.

#### **Service contracts**

Directors have no service contracts and conditions of employment are governed by an engagement letter. Executive directors are subject to short-term notice periods (30 days). An executive director is required to retire from the board at age 60, while a non-executive director is required to retire at age 70.

## Share options

Name	Opening balance at Dec 2001			Options issued during 2002			Exercised during 2002#=#			Closing balance at Dec 2002			
	Number of options	Date of issue	Issue price	Number of options	Date of issue	Issue price	Number of options	Date exercised	Gains on options exercised (R000)	Number of options	Issue price	Vested	Expiry date
R C M Laubscher:	754 007		5 862	40 600		12 500	341 607		31 493#	453 000	9 425	261 224	
	86 300	02/01/1992	1 560				86 300	09/09/2002	7 105				
	100 000	04/09/1992	1 487				100 000	09/09/2002	8 163				
	38 000	01/03/1994	2 650							38 000	2 650	38 000	01/03/2004
	70 000	08/11/1994	3 525							70 000	3 525	70 000	08/11/2004
	63 000	29/05/1996	5 800				63 000	30/05/2002	4 410				
	50 000	06/08/1997	9 500							50 000	9 500	50 000	06/08/2003
	101 400	14/08/1998	9 875							101 400	9 875	66 924	14/08/2004
	110 000	01/06/1999	12 500							110 000	12 500	36 300	01/06/2005
	92 307†	04/08/1999	100*				92 307†	31/05/2002	11 815				
	43 000	06/11/2001	13 100							43 000	13 100	–	06/11/2007
				40 600	15/04/2002	12 500				40 600	12 500	–	15/04/2008

: R C M Laubscher has also received the following share options from Old Mutual plc in his capacity as executive director, under its share option and deferred-delivery plan (DDP).

# As indicated in a SENS announcement in September 2002 the share options granted to R C M Laubscher in 1992, partly in respect of his appointment as Chief Executive of Nedcor Bank Limited, came up for expiry on 7 September 2002 having vested between 1993 and 1997. R C M Laubscher held the options for the full 10 years to expiry, in line with his customary holder pattern and the gain reflects the share price performance over that period.

Date of grant	Number of shares	Exercise price	Date exercisable or receivable (subject to the fulfilment of performance targets)
08/03/01	92 500	162.25p	08/03/04 – 08/03/07
04/03/02	210 000	95.25p	04/03/05 – 04/03/08

Name	Opening balance at Dec 2001			Options issued during 2002			Exercised during 2002#			Closing balance at Dec 2002			
	Number of options	Date of issue	Issue price	Number of options	Date of issue	Issue price	Number of options	Date exercised	Gains on options exercised (R000)	Number of options	Issue price	Vested	Expiry date
J J Botha ‡	135 030		7 950				135 030			135 030	7 950	135 030	
	135 030	01/10/1997	7 950				135 030			135 030	7 950	135 030	26/08/2005
				126 200		12 360	126 200			126 200	12 360	–	
T A Boardman				126 200	02/07/2002	12 360	126 200			126 200	12 360	–	02/07/2008
	400 543		7 421	25 000		12 500	132 443		14 862	293 100	10 583	150 600	
B J S Hore	34 020	04/09/1992	1 487				34 020	19/03/2002	3 818	1 900	2 650	1 900	01/03/2004
	1 900	01/03/1994	2 650							30 000	3 525	30 000	08/11/2004
	30 000	08/11/1994	3 525										
	21 500	29/05/1996	5 800				21 500	30/05/2002	1 505				
	6 200	01/07/1997	10 075							6 200	10 075	6 200	01/07/2003
	30 000	06/08/1997	9 500							30 000	9 500	30 000	06/08/2003
	75 000	14/08/1998	9 875							75 000	9 875	49 500	14/08/2004
	100 000	01/06/1999	12 500							100 000	12 500	33 000	01/06/2005
	76 923†	04/08/1999	100*				76 923†	13/03/2002	9 539				
	25 000	31/03/2001	13 620							25 000	13 620	–	31/03/2007
D G S Muller				25 000	15/04/2002	12 500				25 000	12 500	–	15/04/2008
	306 613		7 787	25 000		12 500	105 013		12 394	226 600	11 455	100 356	
	9 588	29/05/1996	5 800				9 588	30/05/2002	671				
	30 000	06/08/1997	9 500							30 000	9 500	30 000	06/08/2003
	66 600	14/08/1998	9 875							66 600	9 875	43 956	14/08/2004
	80 000	01/06/1999	12 500							80 000	12 500	26 400	01/06/2005
	92 307†	04/08/1999	100*				92 307†	30/05/2002	11 723				
	3 118†	01/03/2000	12 700				3 118†	31/03/2002	–*				
	25 000	31/03/2001	13 620							25 000	13 620	–	31/03/2007
				25 000	15/04/2002	12 500				25 000	12 500	–	15/04/2008
M L Ndlovu	292 154		8 159	25 000		12 500	109 454		11 804	207 700	11 608	86 182	
	38 000	08/11/1994	3 525				38 000	23/05/2002	3 866				
	25 300	29/05/1996	5 800				25 300	23/05/2002	1 938				
	25 000	06/08/1997	9 500							25 000	9 500	25 000	06/08/2003
	52 700	14/08/1998	9 875							52 700	9 875	34 782	14/05/2004
	80 000	01/06/1999	12 500							80 000	12 500	26 400	01/06/2005
	46 154†	04/08/1999	100*				46 154	26/03/2002	6 000				
	25 000	31/03/2001	13 620							25 000	13 620	–	31/03/2007
				25 000	15/04/2002	12 500				25 000	12 500	–	15/04/2008

Name	Opening balance at Dec 2001			Options issued during 2002			Exercised during 2002#=(R000)			Closing balance at Dec 2002			
	Number of options	Date of issue	Issue price	Number of options	Date of issue	Issue price	Number of options	Date exercised	Gains on options exercised	Number of options	Issue price	Vested	Expiry date
S G Morris	121 900		13 605	55 000		12 500				176 900	13 261	30 327	
	91 900	01/07/1999	13 600							91 900	13 600	30 327	01/07/2005
	30 000	31/03/2001	13 620							30 000	13 620	–	31/03/2007
				55 000	15/04/2002	12 500				55 000	12 500	–	15/04/2008
A A Routledge	192 500		12 013	30 000		12 500				222 500	12 078	95 700	
	81 500	01/02/1998	12 280							81 500	12 280	53 790	01/02/2004
	38 500	14/08/1998	9 875							38 500	9 875	25 410	14/08/2004
	50 000	01/06/1999	12 500							50 000	12 500	16 500	01/06/2005
	22 500	31/03/2001	13 620							22 500	13 620	–	31/03/2007
				30 000	15/04/2002	12 500				30 000	12 500	–	15/04/2008
M J Leeming\$	207 320		10 044				30 375		2 042	176 945	10 883	62 927	
	8 600	08/11/1994	3 525				8 600	22/03/2002	718				
	21 775	29/05/1996	5 800				21 775	22/03/2002	1 324				
	30 000	06/08/1997	9 500							30 000	9 500	19 800	
	65 400	14/08/1998	9 875							65 400	9 875	21 582	
	60 000	01/06/1999	12 500							60 000	12 500	–	
	13 153†	05/11/1998	9 560							13 153	9 560	13 153	
	8 392†	31/03/2001	14 200							8 392	14 200	8 392	

\* Options forfeited.

† Bonus options.

‡ As disclosed in Nedcor's scheme of arrangement circular to NIBH shareholders in September 2002. 4 054 955 NIB share options were converted into Nedcor options in the ratio of 30:1 in terms of a scheme of arrangement by Nedcor to acquire the entire issued capital of NIB.

§ Resigned on 28/05/2002 from the Nedcor board of directors. Option closing balance is stated at this date. Options will expire 18 months from date of retirement.

# The share options with a strike price of 100 cents were granted on 1 June 1999 in lieu of cash bonuses for the 1996, 1997 and 1998 financial years, when earnings grew by 4% to 6% more than those of the peer group and market capitalisation grew from R9.6 billion to R23.3 billion. The trust was empowered, in terms of an amendment to the trust deed approved by the JSE and by shareholders, to grant such options and the cash that would have been paid as bonuses was used to buy these options from the trust. All such options were conditional, on a time : proportional basis, on continued service from 1 June 1999 until 31 May 2002 and one-third of such options was conditional on earnings per share being grown by more than 20% for the 1999 and 2000 financial years.

## Severance arrangements

In the event of an executive's services being terminated due to reasons beyond his control the following formula will apply to calculating a severance package: two weeks' pensionable remuneration per completed year of service, with a minimum of two months and a maximum of 12 months. In addition the executive will receive one month's notice, which he may/may not be required to work. With the integration of Nedcor, BoE, Nedcor Investment Bank and Cape of Good Hope Bank, this policy is currently under review as part of the alignment of terms and conditions for the new Nedcor Group.

## Nomination Committee

During 2002 the Remuneration Committee also acted as a Nomination Committee. This entailed making recommendations to the Nedcor Board on the appointment of new executive and non-executive directors, including making recommendations on the general composition of the board and the balance between executive and non-executive directors appointed to the board. In November 2002 a separate Board Nomination Committee was established.

## Executive succession planning

This committee is also responsible for putting in place succession plans for the Chief Executive and executive directors. During the year plans for succession and development requirements were reviewed and agreed.

## Non-executive directors' remuneration

Name	Board meeting fees R000	Committee fees R000	2002 R000	2001 R000
G H Bulterman*				110
C J W Ball	17	27	44	
W A M Clewlow	100	101	201	130
R G Cottrell				
P T W Curtis‡	83	121	204	245
B E Davison		7	7	
N Dennis		9	9	
B de L Figaji		10	10	
P G Joubert		400	400	366
M J Levett#	100	44	144	150
C F Liebenberg	1 420		1 420	1 420
J B Magwaza	100	40	140	132
M E Mkwanazi#	100	82	182	173
E Molobi†	83		83	100
P F Nhleko		5	5	
T H Nyasulu	50	12	62	
C C Parkert	83	104	187	218
J V F Roberts#	100	69	169	150
J H Sutcliffe#	100	12	112	
C M L Savage	17	8	25	
A J Trahar *				33
G S van Niekerkt	83	25	108	125
Dr W P Venter†	83	17	100	105
	2 519	1 093	3 612	3 457

\* Resigned during 2001.

† Resigned during 2002.

‡ Retired during 2002.

# Fees accrue to the corporate entity where the director is employed.

During the year the recommended fees for the non-executive board and committee members for 2003 were reviewed. The review was based on the number of hours' preparation work required per committee, the duration of committee meetings and reputational risk. Cognisance was also taken of the bank market. The last review was in November 2000 and the recommended increases therefore cover a two-year period. An independent committee has now been established to consider non-executive directors' fees and finalise recommendations to be approved by the shareholders.

<b>Board/Committee</b>	<b>Current annual fee R</b>	<b>Recommended annual fee R</b>
Nedcor Limited	60 000	70 000
Nedbank Limited	40 000	40 000
Group Audit, Risk and Compliance	45 000	65 000
Corporate Audit		30 000
Retail Audit		30 000
Chairman's	30 000	25 000
Nomination		5 000
Governance		10 000
Remuneration	20 000	50 000
Credit	50 000	65 000
Market Risk	25 000	30 000
Strategic Innovation Management	25 000	30 000
Social and Environment	20 000	25 000
Corporate Advisory		20 000
Retail Advisory		20 000
Human Resources Advisory		20 000
Pension Funds	20 000	20 000

Chairmen of committees will receive double the member fees. These recommended fees are now subject to approval by the shareholders of Nedcor Limited at the forthcoming annual general meeting. (Effective, if approved, from 1 January 2003.)

#### **Statement by independent remuneration adviser**

I have acted as an independent adviser to the Group Remuneration Committee since 1 September 2001 and in so doing have:

- assessed the processes and mechanisms that have been put in place to ensure good governance of remuneration policy and practice;
- monitored all procedures related to the governance of executive remuneration;
- reviewed all decisions and recommendations made in this regard by the Group Remuneration Committee;
- assessed the quantum of reward levels of all directors in terms of directors' fees, guaranteed remuneration, annual bonuses and share option allocations; and
- monitored the process whereby recommendations and input have been given to the Group Remuneration Committee.

It is my opinion that the standards of governance and disclosure meet or exceed all requirements of a group of Nedcor's standing. Adherence to the stated reward philosophy of the group is rigorous.

The remuneration levels of directors are market-related and take into cognisance the performance of the group and the individual.

**Michael John Olivier**







**NEDBANK**

**NEDBANK LIMITED**

(formerly Nedcor Bank Limited)

(Incorporated in the Republic of South Africa)

(Registration number 1951/000009/06)

Share code: NBKP ISIN: ZAE000043667

("Nedbank")

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## APPLICATION FORM

An offer for subscription of Nedbank non-redeemable non-cumulative preference shares at an issue price of R10,68 per preference share subject to a minimum subscription of R100 000 per single subscriber acting as principal

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Please refer to the instructions set out overleaf before completing this application form.

This application form, when completed, should be sent to the relevant addresses set out below.

### *Certificated preference shares:*

In respect of those placees opting for certificated preference shares, send this completed application form to Computershare Limited in an envelope marked "**Nedbank: Offer for subscription**" together with a cheque (crossed "not negotiable" and "not transferable") or banker's draft in South African currency and drawn in favour of "**Nedbank Limited: Offer for subscription**" either by post (PO Box 61051, Marshalltown 2107), or by hand marked "**Nedbank: Offer for subscription**" (70 Marshall Street, Johannesburg, 2001) to be received by no later than 12:00 on Friday, 14 November 2003.

### *Dematerialised preference shares:*

In respect of those placees opting for dematerialised preference shares, application must be made through your duly appointed CSDP, or broker, in the manner stipulated in the agreement governing your relationship with your CSDP or broker, the method of payment will be in terms of the relevant agreement with such CSDP or broker.

Each application submitted must be in one name only and show only one address. The directors of Nedbank reserve the right to accept any application, in whole or in part (in accordance with the procedure set out in paragraph 6.9 of the attached document) or to reject an application, particularly, but not limited to, if the instructions overleaf and as set out in the attached document are not properly complied with.

The offer for subscription is for a minimum subscription amount of R100 000 per single subscriber acting as principal. Nedbank will reject any application that does not comply with this condition.

### **To the directors: Nedbank Limited**

I/We, the undersigned, confirm that I/we have full legal capacity to contract and, having read the attached document, hereby irrevocably apply for and request you to accept my/our application for the undermentioned number of preference shares in Nedbank or any lesser number that may, in accordance with the procedure set out in paragraph 6.9 of the attached document, be allotted to me/us subject to the articles of association of Nedbank.

I/We enclose a crossed cheque/banker's draft made out in favour of "**Nedbank Limited – Offer for subscription**", for the appropriate amount due in terms of this application. (This does not apply to applicants wishing to receive their allocated shares in dematerialised form.)

Dated

2003

Telephone number (office hours) ( )

Signature

Assisted by

(where applicable)

Surname of individual or Name of corporate body	Mr Mrs Miss Other title
First names in full (if an individual)	
Postal address (preferably PO Box address) Refund cheque (if any) and preference share certificate (if applicable) will be sent to this address	Postal code
Total number of preference shares applied for SUBSCRIPTIONS MUST BE FOR AT LEAST 9 364 PREFERENCE SHARES	(Enter figures only – not words)
Total amount of cheque or banker's draft to cover the number of preference shares applied for herein at R10,68 per preference share (This does not apply to applicants applying for dematerialised preference shares)	R (Enter figures only – not words)

Please note the preference shares that will be allocated relative to this application will be in certificated form.

Subscribers who wish to receive uncertificated shares must contact their chosen CSDP or broker. The CSDP or broker will add their confirmation that they hold a securities account in their books in your name and forward an application, duly authenticated, in terms of STRATE for processing the issue. Payment will be effected on a delivery versus payment basis.

If you do not wish to receive the allocated preference shares in uncertificated form, kindly insert your details in the space provided and the preference share certificate will be sent to you, per registered post at your own risk.

N.B. Preference shares will only be traded on the JSE in electronic form and, as such, all preference shareholders who elect to receive certificated preference shares will have to dematerialise their certificated preference shares should they wish to trade therein.

#### SUBSCRIBERS WISHING TO RECEIVE CERTIFICATED SHARES

☐ I wish to receive my preference shares in certificated form and I acknowledge that these preference shares will not be tradable on the JSE until dematerialised.

Broker stamp

Kindly post the preference share certificate to the following address

Name:

Address:

#### INSTRUCTIONS

- Applications for certificated shares may be made on this application form or copies or reproductions hereof only. Copies or reproductions of the application form will be accepted.
- Applications are irrevocable and may not be withdrawn once submitted to the transfer secretaries.
- Please refer to the terms and conditions of the offer for subscription set out in paragraph 6 of the attached document. Applicants should consult their stockbroker, banker or other professional adviser in case of doubt as to the correct completion of this application form.
- Applicants must submit only one application form and one cheque or banker's draft in respect of each application.
- Receipts will be issued for application forms, application monies or any supporting documentation.
- If any cheque or banker's draft is dishonoured, Nedbank may, in its sole discretion, regard the relevant application as invalid or take such other steps in regard thereto as it may deem fit.
- All alterations on this application form must be authenticated by a full signature.
- Blocked Rand may be used by former residents of the common monetary area (comprising the Republics of South Africa and Namibia and the Kingdoms of Swaziland and Lesotho) for payment in terms of this offer and reference should be made to paragraph 6.7 of the attached document which deals with South African Exchange Control Regulations.