NEDBANK LIMITED
ANNUAL REPORT 2009

MAKE THINGS HAPPEN

NEDBANK

A Member of the OLD MUTUAL Group

CONTENTS

'South Africa's banking system has remained resilient. This is reflected in our country's improvement from 15th to 6th place in the latest World Economic Forum Global Competitiveness Report ranking on the soundness of banks.

In 2009 capital ratios strengthened further and the liquidity position remained sound. This strength of our balance sheet positions us to capitalise on growth opportunities and to benefit from the expected turnaround in economic conditions.

During the economic downturn we have supported clients by advancing loans within prudent risk appetite parameters and this is reflected in the 8,4% growth of our loan book in the second half of the year. Pleasingly this resulted in modest market share gains. Nedbank Group has adopted a responsible approach to managing its staff complement by relying on natural attrition to achieve efficiencies and has not undertaken any retrenchment programmes. This has ensured stability and continuity in servicing our clients, and contributed to improved staff morale.

Nedbank continues to focus on balancing short-term profitability with our overriding goal of long-term sustainability. Our focus extends beyond purely economic and financial considerations, which is reflected in Nedbank Group being at the forefront of environmental sustainability and the first SA corporate to commit itself to becoming carbon-neutral.

Notwithstanding the increase in impairments, we believe that the operating condition of the group has strengthened during the year. The business clusters have performed well under difficult conditions.

Over the past six years the group has transformed into a sustainable business focusing appropriately on all stakeholders. This has allowed us to withstand the challenging economic environment and build our balance sheet strength to take advantage of opportunities when prospects improve. In recent months we've also seen a smooth transition to the new leadership team under Mike Brown. All the executives have significant experience in their areas of specialisation and the team is well-equipped to lead Nedbank Group strongly into the future.'

Tom Boardman
Chief Executive

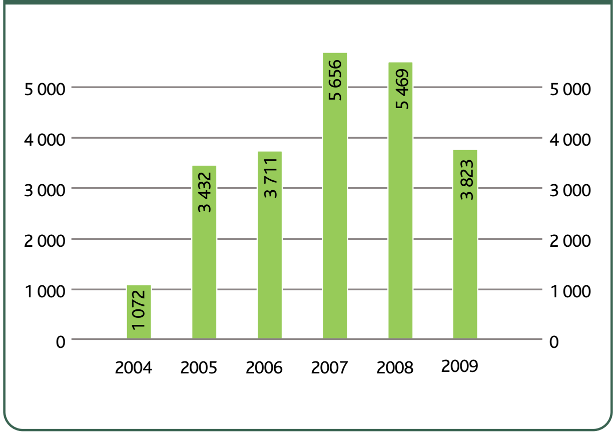
Mike Brown
Chief Executive Designate

FINANCIAL HIGHLIGHTS

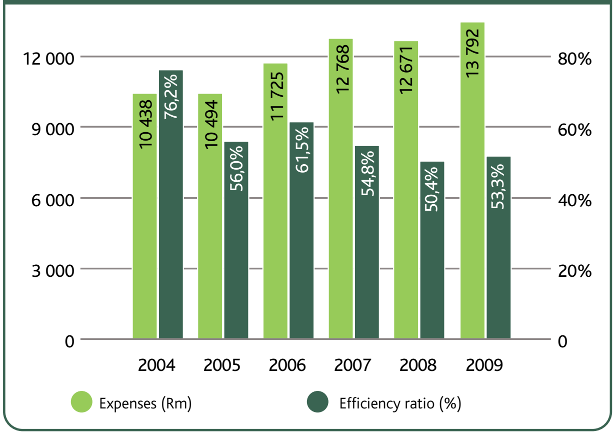
FOR THE YEAR ENDED 31 DECEMBER

		2009	2008
Headline earnings reconciliation			
Profit attributable to equity holders of the parent	Rm	**3 790**	6 106
Non-headline earnings items	Rm	**(33)**	637
Non-trading and capital items	Rm	**(32)**	745
Taxation on non-trading and capital items	Rm	**(1)**	(108)
Headline earnings	Rm	**3 823**	5 469
Key ratios			
Net interest income to average interest-earning banking assets	%	**3,47**	3,78
Credit loss ratio	%	**1,49**	1,20
Non-interest revenue to total income	%	**40,0**	39,3
Efficiency ratio	%	**53,3**	50,4
Total equity attributable to equity holders of the parent	Rm	**32 623**	31 376
Return on ordinary shareholders' equity	%	**11,9**	18,3
Average interest-earning banking assets	Rm	**447 928**	403 842
Total assets	Rm	**544 990**	547 132
Return on total assets	%	**0,70**	1,09
Total risk-weighted assets	Rm	**249 162**	278 333
Bank capital adequacy ratios: Basel II (including unappropriated profits)			
Core Tier 1	%	**9,6**	8,0
Tier 1	%	**11,7**	9,8
Total	%	**15,6**	13,1
Share statistics			
Number of shares in issue			
Ordinary shares	m	**27,2**	27,2
Preference shares	m	**349,1**	312,8
Weighted average number of ordinary shares	m	**27,2**	27,2
Headline earnings per ordinary share	cents	**14 034**	20 077
Nedbank – Dividends per preference share			
Declared per share	cents	**89,13698**	113,28893
– Interim		**48,98630**	55,02049
– Final		**40,15068**	58,26844
Paid per share	cents	**107,25474**	106,57528
Preference share traded price			
Closing	cents	**1 005**	990
High	cents	**1 068**	1 110
Low	cents	**940**	882
Number of preference shares traded	m	**74,1**	70,5
Imperial – Dividends per preference share			
Declared per share	cents	**831,94521**	1 060,64384
– Interim		**457,20548**	515,31507
– Final		**374,73973**	545,32877
Paid per share	cents	**1 002,53425**	996,49315
Preference share traded price			
Closing	cents	**9 900**	7 400
High	cents	**10 000**	9 200
Low	cents	**6 000**	6 800
Number of preference shares traded		**1 184 896**	763 316

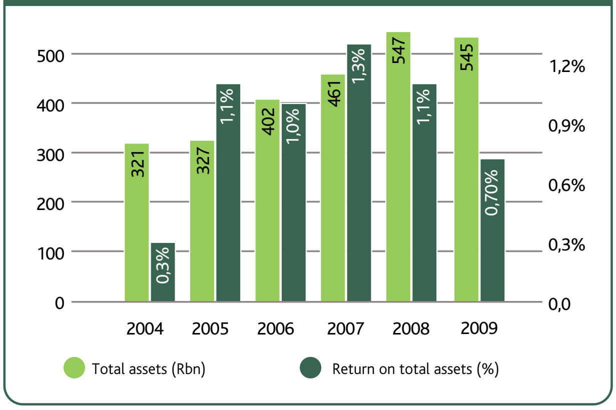
Headline earnings (Rm)



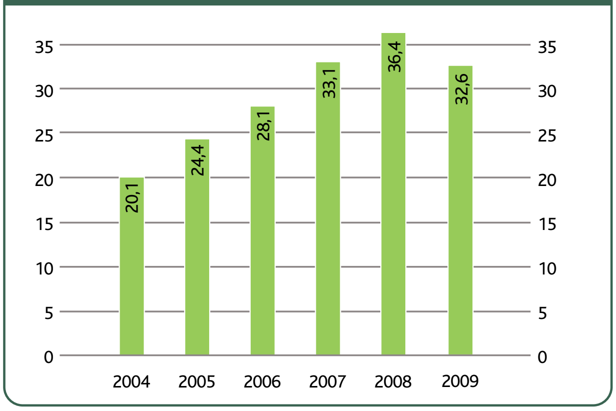
Expenses and efficiency ratio



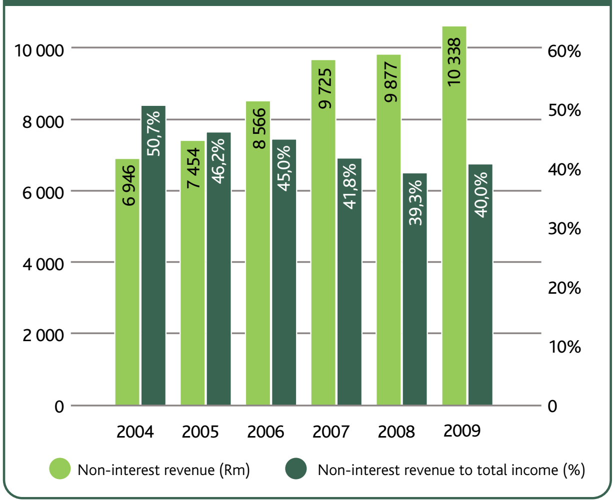
Total assets and return on total assets



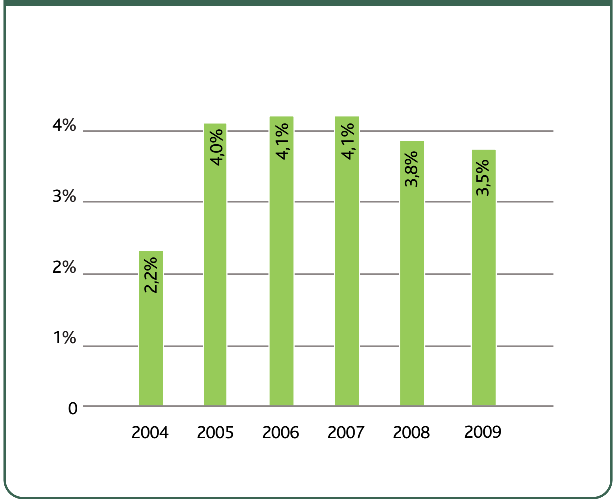
Total equity (Rbn)



Non-interest revenue (NIR) and NIR to total income



Net interest income to average interest-earning banking assets



SIX-YEAR REVIEW: STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

Rm	2009	2008	2007	2006	2005	2004
Interest and similar income	**49 332**	55 154	40 185	27 089	22 574	22 252
Interest expense and similar charges	**33 795**	39 874	26 631	16 600	13 878	15 498
Net interest income	**15 537**	15 280	13 554	10 489	8 696	6 754
Impairments charge on loans and advances	**6 659**	4 755	2 115	1 465	987	1 358
Income from lending activities	**8 878**	10 525	11 439	9 024	7 709	5 396
Non-interest revenue	**10 338**	9 877	9 725	8 566	7 454	6 946
Operating income	**19 216**	20 402	21 164	17 590	15 163	12 342
Total operating expenses	**13 792**	12 671	12 768	11 725	10 494	10 438
Operating expenses	**13 674**	12 484	12 633	11 581	10 195	9 813
Merger and recovery programme expenses					121	625
BEE transaction expenses	**118**	187	135	144	178	
Indirect taxation	**402**	356	298	334	213	459
Profit from operations before non-trading and capital items	**5 022**	7 375	8 098	5 531	4 456	1 445
Non-trading and capital items	**(32)**	745	25	183	833	(47)
Profit from operations	**4 990**	8 120	8 123	5 714	5 289	1 398
Share of (losses)/profits of associates and joint ventures	**(1)**	9	54	68	67	121
Profit before direct taxation	**4 989**	8 129	8 177	5 782	5 356	1 519
Direct taxation	**960**	1 791	2 185	1 669	935	377
Profit for the year	**4 029**	6 338	5 992	4 113	4 421	1 142
Profit attributable to:						
Equity holders of the parent	**3 790**	6 106	5 681	3 870	4 228	1 025
Non-controlling interest – ordinary shareholders	**224**	217	298	243	193	117
– preference shareholders	**15**	15	13			
	4 029	6 338	5 992	4 113	4 421	1 142
Headline earnings	**3 823**	5 469	5 656	3 711	3 432	1 072

SIX-YEAR REVIEW: STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER

Rm	2009	2008	2007	2006	2005	2004
ASSETS						
Cash and cash equivalents	**6 823**	7 638	9 545	11 165	10 586	4 163
Other short-term securities	**14 408**	10 411	11 775	13 855	9 496	13 426
Derivative financial instruments	**12 871**	23 114	9 924	10 314	12 534	23 886
Government and other securities	**35 754**	41 834	29 271	22 031	22 505	26 035
Loans and advances	**444 403**	433 422	373 185	319 180	249 162	230 609
Other assets	**3 917**	4 731	4 920	5 120	5 088	5 512
Clients' indebtedness for acceptances	**2 025**	2 998	2 236	2 544	1 248	1 509
Current taxation receivable	**580**	314	29	138	119	182
Investment securities	**3 012**	2 743	2 739	2 385	2 419	2 614
Non-current assets held for sale	**12**	10		41	66	48
Investments in associate companies and joint ventures	**922**	913	735	690	397	437
Deferred taxation asset	**36**	71	65	48	626	1 220
Investment property	**102**	104	75	66	87	119
Property and equipment	**4 754**	4 124	3 757	3 323	3 039	2 767
Long-term employee benefit assets	**1 783**	1 667	1 305	1 357	1 225	1 184
Mandatory reserve deposits with central bank	**10 437**	10 061	8 351	7 026	5 732	5 419
Intangible assets	**3 151**	2 977	2 715	2 605	2 651	1 924
Total assets	**544 990**	547 132	460 627	401 888	326 980	321 054
EQUITY AND LIABILITIES						
Ordinary share capital	**27**	27	27	27	27	27
Ordinary share premium	**14 422**	14 422	14 422	14 422	14 422	13 945
Reserves	**18 174**	16 927	13 954	9 583	6 263	2 578
Total equity attributable to equity holders of the parent	**32 623**	31 376	28 403	24 032	20 712	16 550
Preference share capital and premium	**3 483**	3 122	3 122	2 770	2 770	2 770
Non-controlling interest attributable to:						
– ordinary shareholders	**1 796**	1 644	1 307	955	872	558
– preference shareholders	**91**	300	300	300		245
Total equity	**37 993**	36 442	33 132	28 057	24 354	20 123
Derivative financial instruments	**10 799**	23 077	10 336	11 549	15 463	25 979
Amounts owed to depositors	**465 899**	461 084	389 290	339 164	271 244	258 801
Provisions and other liabilities	**5 218**	6 145	10 419	9 098	5 224	5 158
Liabilities under acceptances	**2 025**	2 998	2 236	2 544	1 248	1 509
Current taxation liabilities	**162**	117	275	338	333	119
Deferred taxation liabilities	**1 514**	1 982	1 470	1 410	774	954
Long-term employee benefit liabilities	**1 298**	1 227	1 145	1 210	1 067	1 103
Long-term debt instruments	**20 082**	14 060	12 324	8 518	7 273	7 308
Total liabilities	**506 997**	510 690	427 495	373 831	302 626	300 931
Total equity and liabilities	**544 990**	547 132	460 627	401 888	326 980	321 054
Guarantees on behalf of clients	**27 827**	25 154	20 564	15 235	11 064	10 770

SHAREHOLDERS' ANALYSIS – PREFERENCE SHARES

FOR THE YEAR ENDED 31 DECEMBER

Register date: 31 December 2009
Authorised share capital: 1 000 000 000 shares
Issued share capital: 349 082 721 shares

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 - 1 000 shares	185	2,52	126 211	0,04
1 001 - 10 000 shares	3 010	41,07	19 637 940	5,62
10 001 - 100 000 shares	3 628	49,50	121 550 260	34,82
100 001 - 1 000 000 shares	468	6,39	111 082 616	31,82
1 000 001 shares and over	38	0,52	96 685 694	27,70
Total	7 329	100,00	349 082 721	100,00
Distribution of shareholders				
Banks	7	0,10	647 455	0,19
Close corporations	59	0,80	4 718 415	1,35
Endowment funds	65	0,89	6 303 080	1,81
Individuals	4 876	66,53	132 280 635	37,89
Insurance companies	26	0,35	32 450 647	9,30
Investment companies	6	0,08	13 266 870	3,80
Medical aid schemes	6	0,08	1 167 589	0,33
Mutual funds	51	0,70	31 960 096	9,16
Nominees and trusts	1 937	26,43	84 662 779	24,25
Other corporations	46	0,63	1 517 615	0,43
Private companies	216	2,95	28 906 449	8,28
Public companies	6	0,08	2 452 266	0,70
Retirement funds	28	0,38	8 748 825	2,51
Total	7 329	100,00	349 082 721	100,00
Public/Non-public shareholders				
Non-public shareholders	14	0,20	10 659 498	3,05
Directors and associates of the company	2	0,03	229 300	0,07
Old Mutual Life Assurance Company (South Africa) Limited and associates	7	0,10	5 701 744	1,63
Nedbank Group Limited and associates	5	0,07	4 728 454	1,35
Public shareholders	7 315	99,80	338 423 223	96,95
Total	7 329	100,00	349 082 721	100,00

Note: There are no beneficial shareholders holding 5% or more.

Major managers	Number of shares	Dec 2009 % holding	Dec 2008 % holding
Investec Securities (Pty) Limited (SA)	25 876 637	7,41	7,54
Sanlam Investment Management (SA)	24 948 549	7,15	7,68
Coronation Fund Managers (SA)	21 060 011	6,03	2,73
BoE Private Clients Investment Management (SA)	16 693 480	4,78	4,35
Melville Douglas Investment Management (SA)	10 073 714	2,89	3,22
RMB Private Bank (SA)	8 706 782	2,49	2,56
PSG Konsult (SA)	8 599 171	2,46	1,97
STANLIB Asset Management (SA)	8 011 558	2,30	2,73
Credit Suisse Standard Securities (SA)	7 679 119	2,20	2,01
Outsurance Insurance Company Limited (SA)	7 447 832	2,13	1,67
Sasfin Frankel Pollak Securities (SA)	7 165 913	2,05	2,23

DIRECTORS' RESPONSIBILITY

FOR THE YEAR ENDED 31 DECEMBER

The directors are responsible for the preparation and fair presentation of the group annual financial statements of Nedbank Limited, comprising the statement of financial position at 31 December 2009; the statement of comprehensive income; the statement of changes in equity and the statement of cashflows for the year then ended; the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes; and the directors' report in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The directors' responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements so as to be free from material misstatement, whether owing to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management, as well as preparing the supplementary schedules included in these financial statements.

The directors have made an assessment of the group's ability to continue as a going concern and there is no reason to believe that the group will not be a going concern in the year ahead.

The auditors are responsible for reporting on whether the group annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of group annual financial statements

The group annual financial statements of Nedbank Limited, as identified in the first paragraph, were approved by the Nedbank Board of Directors on 24 February 2010 and are signed on its behalf by:

Dr RJ Khoza
Chairman

TA Boardman
Chief Executive Officer

Sandown
24 February 2010

COMPANY SECRETARY'S CERTIFICATION

In terms of section 268G(d) of the Companies Act of South Africa, I certify that, to the best of my knowledge and belief, Nedbank Limited has lodged with the Registrar of Companies for all such returns as are required of a public company in terms of the Companies Act, and that all such returns are true, correct and up to date.

GS Nienaber
Company Secretary

Sandown
24 February 2010

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NEDBANK LIMITED

Report on the financial statements

We have audited the group annual financial statements of Nedbank Limited, which comprise the directors' report, the statement of financial position as at 31 December 2009, the statement of comprehensive income, the statement of changes in equity and cashflow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, and the Nedbank Group Limited Remuneration Report, as set out on pages 12 to 158.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of Nedbank Limited as at 31 December 2009, and of its consolidated financial performance and cashflows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc

KPMG Inc
Per TA Middlemiss
Chartered Accountant (SA)
Registered Auditor
Director

KPMG Crescent
85 Empire Road
Parktown, Johannesburg
2193

Policy board:
Chief Executive: RM Kgosana
Executive Directors: TH Bashall*, DC Duffield, A Hari, TH Hoole, FB Leith, JS McIntosh, AM Mokgabudi, D van Heerden
Other directors: LP Fourie, A Jaffer, E Magondo, CM Read, Y Suleman (Chairman of the Board), A Thunström, JM Vice
** British*

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection on request.

Sandown
24 February 2010

Deloitte & Touche

Deloitte & Touche
Per D Shipp
Registered Auditor
Partner

Building 8, Deloitte Place
The Woodlands, Woodlands Drive
Woodmead, Sandton
2128

National Executive:
GG Gelink (Chief Executive), AE Swiegers (Chief Operating Officer), GM Pinnock (Audit), DL Kennedy (Tax & Legal and Risk Advisory), L Geeringh (Consulting), L Bam (Corporate Finance), CR Beukman (Finance), TJ Brown (Clients and Markets), NT Mtoba (Chairman of the Board), CR Qually (Deputy Chairman of the Board)

A full list of partners and directors is available on request.

AUDIT COMMITTEE REPORT

The legal responsibilities of the Nedbank Group Audit Committee (the committee) are set out in the Companies Act, 61 of 1973 (as amended), and the Banks Act, 94 of 1990 (as amended). These responsibilities, together with the requirements of parent company Old Mutual plc's audit committee and compliance with appropriate governance and international best practice, are incorporated in the committee's charter, which is reviewed annually and approved by the board.

Composition of the committee

All independent non-executive directors, with the exception of the chairman of the board, are eligible to serve on the committee. The Directors' Affairs Committee recommends to the board any appointments to or removals from the board, which in turn is responsible for the composition of the committee. The committee has three or more members, all of whom are financially literate, with three members forming a quorum. Access to training is provided on an ongoing basis to assist members in discharging their duties.

The committee comprised the following members during the year and to the date of this report, except where noted otherwise:

- CJW Ball (Chairman)
- TCP Chikane
- NP Mnxasana
- PJ Moleketi (appointed 19 November 2009)
- MI Wyman (appointed 19 November 2009)
- JB Magwaza (resigned 19 November 2009)

Biographical details of the current members of the committee are set out on pages 222 to 227. Members' fees are included in the table of directors' remuneration on pages 21 to 23.

The Chief Executive, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer, Chief Internal Auditor, Chief Governance and Compliance Officer and representatives of the external auditors are invited to attend the committee meetings. The external auditors attend all committee meetings and separate meetings are held to afford them the opportunity to meet with the committee without the presence of management or internal auditors. The internal auditors attend all committee meetings and are similarly afforded separate meetings with the committee.

Internal audit

Internal audit is an independent assurance function, forming part of the third-line of defence as set out in the group's Enterprisewide Risk Management Framework (ERMF). The Chief Internal Auditor has a functional reporting line to the committee chairperson and an operational reporting line to the Chief Executive Officer. Further details on the internal audit function are contained in the Enterprise Governance and Compliance Report on pages 199 and 200 of the Nedbank Group Limited Annual Report.

External audit

The group's external auditors are Deloitte & Touche and KPMG Inc. Fees paid to the auditors are disclosed in note 15 to the annual financial statements on page 91. Further details are contained in the Enterprise Governance and Compliance Report on pages 200 and 201 of the Nedbank Group Limited Annual Report.

Key functions and responsibilities of the committee

The key functions and responsibilities of the committee as outlined in the charter are to:

- Assist the board of directors in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied within the group in the day-to-day management of its business;
- Facilitate and promote communication between the board, management, the external auditors and the Chief Internal Auditor;
- Introduce such measures as in the committee's opinion may serve to enhance the credibility and objectivity of financial statements and reports prepared with reference to the affairs of the group;
- Nominate for appointment as auditors of the company registered auditors who, in the opinion of the committee, are independent of the group;
- Determine the fees to be paid to the auditors and the auditors' terms of engagement;
- Ensure that the appointment of the auditors complies with the Companies Act and any other legislation relating to the appointment of auditors;
- Determine the nature and extent of any non-audit services to the group;

- Receive and deal appropriately with any complaints (whether from within or outside the group) relating either to the accounting practices and internal audit of the group or to the contents or auditing of its financial statements, or any other related matters thereto; and
- Perform such further functions as may be prescribed.

The committee reports that it has adopted appropriate formal terms of reference to discharge its responsibilities, has regulated its affairs in compliance with its charter and has discharged all its responsibilities as contained therein.

Effectiveness of internal control

The committee monitors the group's internal controls for effectiveness and adherence to the ERMF for pragmatic and consistent application, as these form the foundation of successful risk management.

The emphasis on risk governance is based on a three-lines-of-defence concept, which is the backbone of the group's ERMF. The ERMF places weight on accountability, responsibility, independence, reporting, communication and transparency, both internally and with all our key external stakeholders.

The functions of the three-lines of defence, as well as the principal responsibilities that extend across the group, are set out in the Risk and Balance Sheet Management Report on pages 160 to 221.

Specific responsibilities of the committee include the following:

Internal control

- Monitoring management's success at creating and maintaining an effective internal control environment throughout the group and at demonstrating and stimulating the necessary respect for this control environment.
- Monitoring the identification and correction of weaknesses and breakdowns of systems and internal controls.

Financial control, accounting and reporting

- Monitoring the adequacy and reliability of management information and the efficiency of management information systems.
- Delegating to the Board Strategic Information Technology Committee the monitoring of the adequacy and efficiency of the group's information systems and receiving from them reports thereon.
- Satisfy itself of the expertise, resources and experience of the finance function.
- Reviewing quarterly, interim and final financial results and statements and reporting for proper and complete disclosure of timely, reliable and consistent information.
- Evaluating on an ongoing basis the appropriateness, adequacy and efficiency of accounting policies and procedures, compliance with generally accepted accounting practice and overall accounting standards as well as any changes thereto.
- Discussing and resolving any significant or unusual accounting issues.
- Reviewing and monitoring capital expenditure throughout the group for adequate control, monitoring and reporting.
- Reviewing reports from the Group Credit Committee regarding the effectiveness and efficiency of the credit-monitoring process, exposures and related impairments and adequacy of impairment provisions to discharge its board and Banks Act obligations satisfactorily.
- Monitoring the management and reporting of tax-related matters.
- Monitoring the management and effectiveness of the accounting and taxation risks as set out in the group's ERMF.
- Reviewing and monitoring all key performance indicators to ensure the decisionmaking capabilities and the accuracy of the related reporting and financial results they aid are maintained at industry levels.

Internal audit

- Direct reporting by the Chief Internal Auditor to the chairman of the committee.
- Monitoring the effectiveness of the internal audit function in terms of its scope, plans, coverage, independence, skills, staffing, overall performance and position within the organisation.
- Monitoring and challenging, where appropriate, action taken by management with regard to adverse internal audit findings.
- Forming a view on the adequacy and effectiveness of the control environment.
- Monitoring the banks compliance with the Basel II Accord.

External audit

- Recommending to the board the selection of the external auditors and approving their audit fees.

- Monitoring the effectiveness of external auditors in terms of their skills, independence, audit plan, reporting and overall performance.
- Approving non-audit services to be rendered by the external auditors and monitoring conflicts of interest.
- Considering whether the extent of reliance placed on internal audit by the external auditors is appropriate and whether there are any significant gaps between internal and external audit.

Regulatory reporting

- Reviewing the adequacy of the regulatory reporting processes, including the quality of the Banks Act reporting and the adequacy of systems and people to perform these functions.
- Considering the contents of any regulatory reports relating to the key functions of the committee and monitoring management actions to resolve any issues identified.
- Performing such other functions as are prescribed in the regulations relating to the Banks Act.

Having considered, analysed, reviewed and debated information provided by management, internal audit and external audit, the committee confirmed that:

- The internal controls of the group have been effective in all material aspects throughout the year under review;
- These controls have ensured that the group's assets have been safeguarded;
- Proper accounting records have been maintained;
- Resources have been utilised efficiently; and
- The skills, independence, audit plan, reporting and overall performance of the external auditors are acceptable and that it recommends their reappointment in 2010.

CLAA requirements

As a widely held company as set out in the Companies Act, 61 of 1973 (as amended) the committee is responsible, as set out above, for all subsidiary companies without their own Audit Committees, including the following:

- Reviewing formalised process to perform functions on behalf of subsidiaries; and
- Ratifying list of subsidiaries for which responsibility is assumed, annually.

Appropriateness of the expertise and experience of the Chief Financial Officer

In terms of the JSE Listings Requirements the committee had, at its meeting held on 25 January 2010, satisfied itself as to the appropriateness of the expertise and experience of the Chief Financial Officer.

Annual financial statements

The committee has:

- Reviewed and discussed the audited annual financial statements included in the annual report with the external auditors, the Chief Executive and the Chief Financial Officer;
- Reviewed the external auditors' management letter and management's response thereto;
- Reviewed significant adjustments resulting from external audit queries and accepted any unadjusted audit differences; and
- Received and considered reports from the internal auditors.

The committee concurs with and accepts the external auditors' report on the annual financial statements and has recommended the approval thereof to the board. The board has subsequently approved the financial statements, which will be open for discussion at the forthcoming annual general meeting.

CJW Ball
Audit Committee Chairman

24 February 2010

DIRECTORS' REPORT 2009

FOR THE YEAR ENDED 31 DECEMBER

Nature of business

Nedbank Limited ('Nedbank' or 'the company') is a widely held company and a registered bank that, through its subsidiaries, provides a wide range of banking and financial services. Nedbank's non-redeemable non-cumulative non-participating preference shares are listed on JSE Limited ('the JSE').

Financial results

Full details of the financial results are set out on pages 16 to 158 of these annual financial statements.

Year under review

The year under review is fully covered in the Chairman's Statement, Chief Executive's Report, operational reviews and the Chief Financial Officer's Report which are included in the Nedbank Group Limited 2009 Annual Report, and are available on request at www.nedbank.co.za.

Share capital

Details of the authorised and issued share capital, together with details of shares issued and options granted during the year, appear in note 37 to the annual financial statements.

Ownership

The issued preference shares are listed on the JSE. The holding company of Nedbank is Nedbank Group Limited, the registered bank controlling company that holds 100% of the issued ordinary shares. The ultimate holding company is Old Mutual plc, incorporated in England and Wales.

Dividends

Details of the dividends appear in note 20 to the annual financial statements.

Directors

Biographical details of the current directors appear on pages 222 to 227. Details of directors' remuneration and shareholdings appear on pages 16 to 29.

During the period under review, and also subsequent to year-end, the following changes occurred to the Nedbank Board:

- A de VC Knott-Craig was appointed as a non-executive director (1 January 2009).
- R Harris resigned as a non-executive director (31 March 2009).
- MM Katz and ML Ndlovu stepped down from their positions as vice-chairmen (as the role of vice-chairman was no longer considered to be necessary following the creation of the position of senior independent non-executive director) and continued to serve on the boards as independent non-executive directors at group level and as non-executive directors of Nedbank (14 May 2009).
- WE Lucas-Bull, PJ Moleketi and MI Wyman were appointed as non-executive directors (1 August 2009).
- GW Dempster was appointed as an executive director and Chief Operating Officer (5 August 2009).
- RK Morathi was appointed as an executive director and Chief Financial Officer (1 September 2009).
- MWT Brown was appointed as Chief Executive Designate and remained an executive director (1 September 2009). He will be appointed as Chief Executive on 1 March 2010.
- ML Ndlovu resigned as a non-executive director (16 October 2009).
- MM Katz, JB Magwaza and ME Mkwanazi retired as non-executive directors (19 November 2009).
- DI Hope and JVF Roberts were appointed as non-executive directors (1 December 2009).
- RM Head resigned as a non-executive director (19 February 2010).
- TA Boardman will step down as Chief Executive (1 March 2010), but will remain on the board as a non-executive director.

The directors who, in terms of the articles of association, are required to seek reelection at the annual general meeting are CJW Ball and TCP Chikane. Being eligible, they make themselves available for reelection.

GW Dempster, DI Hope, WE Lucas-Bull, PJ Moleketi, RK Morathi, JVF Roberts and MI Wyman were appointed by the board of directors during 2009, and in terms of the articles of association their appointments terminate at the close of the annual general meeting. They are available for election and separate resolutions to seek their election as directors will be submitted for approval at the annual general meeting to be held on 3 May 2010.

In terms of Nedbank policy, non-executive directors who have served on the board for a period longer than nine years are now required to retire from the board. At 31 December 2009, none of the non-executive directors on the Nedbank Board have been in office for a period longer than nine years.

Details of the members of the board who served during the year are given below:

Name	Position as director	Date appointed as director	Date resigned/ retired as director (where applicable)
CJW Ball*	Non-executive director	1 November 2002	
TA Boardman	Chief Executive and executive director, becoming non-executive director on 1 March 2010	1 November 2002	
MWT Brown	Chief Executive Designate, becoming Chief Executive Officer on 1 March 2010	17 June 2004	
TCP Chikane*	Non-executive director	1 November 2006	
A de VC Knott-Craig*	Non-executive director	1 January 2009	
GW Dempster	Chief Operating Officer and executive director	5 August 2009	
MA Enus-Brey	Non-executive director	16 August 2005	
B de L Figaji*	Non-executive director	25 November 2002	
R Harris (British)	Non-executive director	10 December 2007	31 March 2009
RM Head (British)	Non-executive director	1 January 2005	19 February 2010
DI Hope (New Zealand)	Non-executive director	1 December 2009	
MM Katz*	Non-executive director	4 November 1997	19 November 2009
RJ Khoza	Chairman and non-executive director	16 August 2005	
WE Lucas-Bull*	Non-executive director	1 August 2009	
JB Magwaza*	Non-executive director	1 December 2000	19 November 2009
ME Mkwanazi*	Non-executive director	1 December 2000	19 November 2009
NP Mnxasana*	Non-executive director	1 October 2008	
PJ Moleketi*	Non-executive director	1 August 2009	
RK Morathi	Chief Financial Officer and executive director	1 September 2009	
ML Ndlovu*	Non-executive director	1 January 2001	16 October 2009
JFV Roberts (British)	Non-executive director	1 December 2009	
GT Serobe	Non-executive director	16 August 2005	
MI Wyman*	Non-executive director	1 August 2009	

** These directors are deemed non-executive, but not independent, only by virtue of the fact that they are also independent directors of Nedbank's holding company, Nedbank Group Limited.*

Audit committee

The Audit Committee Report appears on pages 9 to 11.

Company secretary and registered office

The Company Secretary is Mr GS Nienaber and his addresses and the registered office are as follows:

Business address
Nedbank Group Limited
Nedbank Sandton
135 Rivonia Road
Sandown, Sandton, 2196
South Africa

Registered address
135 Rivonia Road
Sandown, Sandton
2196

Postal address
Nedbank Group Limited
PO Box 1144
Johannesburg, 2000
South Africa

Property and equipment

There was no material change in the nature of the fixed assets of the Nedbank Group companies or in the policy regarding their use during the year.

Contracts

Nedbank entered into a contract with Group Five Building (Pty) Limited in 2008 for the construction of the second phase of the headoffice campus situated at 135 Rivonia Road. The building will comprise 43 258m² of mainly office space and a portion of retail space. The contract is due for completion on 30 April 2010.

Details of other contracts material to the affairs of Nedbank are discussed in the operational reviews included in the Nedbank Group Limited 2009 Annual Report.

Contracts in which directors and officers of the company have an interest

No contracts in which directors and officers of the company had an interest and that significantly affected the affairs or business of the company or any of its subsidiaries were entered into during the year.

In 2005 the Wiphold Consortium and the Brimstone Consortium were chosen as active black business partners to assist in growing and repositioning the Nedbank Group business and driving its internal transformation. Aka Capital (Proprietary) Limited ('Aka Capital') fulfils the role of business development partner. Consequently, performance agreements were entered into between Nedbank Group Limited and the aforementioned parties, which govern, inter alia, the setting of the performance criteria, their evaluation and the resultant performance fees in respect of the black business partners. Dr RJ Khoza is a director and 27% shareholder of Aka Capital. Mrs GT Serobe is founder, executive director and 10% shareholder of Women Investment Portfolio Holdings Limited (WIPHOLD) and Chief Executive of Wipcapital (Pty) Limited, a wholly owned subsidiary of WIPHOLD. Mr MA Enus-Brey is Chief Executive of Brimstone Investment Corporation Limited and a director on various Brimstone subsidiary companies.

Directors' service contracts

There are no service contracts with the directors of the company, other than for the Chairman and executive directors as set out below. The directors who entered into these service contracts remain subject to retirement by rotation in terms of Nedbank's articles of association.

The key responsibilities relating to Dr RJ Khoza's position as Chairman of Nedbank are encapsulated in a contract, which also addresses, inter alia, his remuneration and term for occupying the position as Chairman.

Mr TA Boardman's employment is governed by a service contract, which has a termination date of 28 February 2010. This service contract stipulates a maximum notice period of six months under most circumstances.

Similar service contracts have been entered into for Messrs MWT Brown and GW Dempster and Ms RK Morathi. These service contracts are effective until the executive directors reach the normal retirement age and stipulate a maximum notice period of six months (12 months for Mr Brown) under most circumstances.

Insurance

The group has placed cover in the London traditional insurance market of up to R1,85 billion for losses in excess of R50 million. Group captive insurers provide cover for losses that may occur below the R50 million level, retaining R100 million. Certain layers of the group insurance programme are shared with the Old Mutual Group. These arrangements are unchanged from those entered into in 2007.

Subsidiary companies

Details of principal subsidiary companies are reflected on page 158 of the annual financial statements.

Special resolutions by subsidiaries

Nedbank neither considered nor adopted any special resolutions during the year under review. Details of special resolutions adopted by principal subsidiary companies are:

On 2 March 2009 National Debt Administrators (Pty) Limited passed a special resolution changing its name to Nedgroup Security Services (Pty) Limited and changing its main object and business to that of providing security services.

On 13 May 2009 Upbeatprops 46 (Pty) Limited passed a special resolution changing its main business and object to security holding and investments in all its aspects and also changing its name to BPCC Security Company (Pty) Limited with effect from 4 June 2009.

On 11 August 2009 First Venture (Pty) Limited passed a special resolution changing its quorum requirements for general meetings.

On 24 November 2009 Nedbank (Swaziland) Limited passed a special resolution increasing its authorised share capital in order to facilitate the establishment of an employee share ownership scheme. The share capital increase became effective on 9 December 2009.

In addition, a number of dormant subsidiary companies adopted the prescribed special resolutions to enter into voluntary liquidation as part of the Nedbank Group Rationalisation Project, a project with the aim of streamlining the number of subsidiary companies and special-purpose vehicles during the course of the year under review.

A number of subsidiary companies, registered as dormant share block companies, amended their articles of association to incorporate use agreements as part of the articles of association in compliance with the Share Block Control Act, while some registered special resolutions on the disposal of assets on winding-up.

Acquisition of shares

The company neither acquired any of its issued shares nor did it acquire any shares issued by a subsidiary company.

Events after the reporting period

Acquisition of remaining stake in Imperial Bank Limited

During 2009 the group announced its intention to acquire the remaining 49,9% shareholding in Imperial Bank Limited (Imperial Bank) from non-controlling shareholders. The group held 50,1% of the shares in Imperial Bank before the transaction commenced. On 5 February 2010 approval for this transaction was obtained from the SA Reserve Bank.

The entities being merged are Nedbank Limited and Imperial Bank Limited. Imperial Bank's businesses will be combined, in principle, with the following clusters:

– The Motor Finance Corporation will be included in Nedbank Retail.

– Supplier Asset Finance will be included in Nedbank Business Banking.

– Property Finance will be included in Nedbank Corporate.

– Professional Finance will be included in both Nedbank Wealth Management and Nedbank Retail.

The purchase price is R1 853 million (R1 775 million plus a JIBAR factor applied up to 5 February 2010) which excludes total transaction costs of R5 million that will be recognised in the statement of comprehensive income. These transaction costs exclude costs associated with the integration of the above business units into the group.

The total purchase consideration will be settled in four instalments. The estimated total amount, which will include interest at the three-month JIBAR rate, amounts to R1 889 million and will be settled by 13 August 2010.

Other events

The directors are not aware of any material post-balance-sheet events that have occurred between balance sheet date and 24 February 2010.

Directors' interests

Nedbank Group Limited holds the issued ordinary shares. The directors' interests in the listed non-redeemable, non-cumulative non-participating preference shares in Nedbank at 31 December 2010 are set out in the Remuneration Report on page 29.

Statement from the Chairman of the Group Remuneration Committee

This remuneration report was prepared by the Group Remuneration Committee (the 'committee') and approved by the board.

This report describes the Nedbank Group total reward philosophy and the key elements of reward for staffmembers and executive and non-executive directors. In summary, the overall philosophy and practices remained unchanged from the previous year, aside from the introduction of the Bonus Deferral Scheme. During 2009, other than the normal course of business, the committee attended to the following matters:

- Determination of the remuneration structures for the new Group Executive and Chief Executive appointments.
- An initial review of Nedbank Group's compliance with relevant corporate governance frameworks on remuneration (King III, Financial Services Board, Basel II, EU Commission Executive and the Financial Services Authority) and concluding on amendments required to existing remuneration arrangements in order to ensure compliance.
- Review of the short-term and long-term incentive schemes.
- Implementation of the compulsory deferral of annual performance bonus amounts in excess of a predetermined amount.
- A review of the composition of the non-executive directors' fees.
- The vesting of the first tranche of the Nedbank Eyethu Black Executive and Black Management Schemes.

The committee will continue to ensure that total reward in Nedbank remains appropriately competitive, provides an incentive for individual and team performances, aids the retention of staff and supports the implementation of the overall business strategy. The committee reviewed the remuneration schemes and practices to ensure that these do not encourage excessive risk taking.

The challenges for 2010 are as follows:

- Compliance with King III and other relevant governance frameworks as these continue to evolve.
- The vesting of the Eyethu Broad-based Scheme in July 2010.
- The vesting of the second tranche of the Nedbank Eyethu Black Executive and Black Management Schemes.
- The continual monitoring of total remuneration for executive directors, management and staffmembers to ensure that it remains market-related and equitable.
- Changes in remuneration practices globally and the impact thereof on SA-based reward systems.
- The continual upholding of the principles in the Remuneration Committee Charter while taking cognisance of remuneration challenges.
- Responding to the improvements suggested in the annual evaluation of the committee's effectiveness.

I wish to thank my fellow committee members for their commitment to and support of the business during this challenging period.

Bfigaji

Prof Brian de Lacy Figaji
24 February 2010

Total-reward philosophy

The overall purpose of remuneration in Nedbank Group is to attract, retain, motivate and reward all our people. Furthermore, the remuneration philosophy is aimed at encouraging sustainable long-term performance and at all times aligning performance with the strategic direction and specific value drivers of the business, as well as the interests of stakeholders in a manner that does not encourage excessive risk taking.

Nedbank Group has adopted a total-reward philosophy as part of an enterprisewide human resources (HR) strategy, which in turn supports the group's business strategy. Total reward, comprising fixed and variable pay, plays a critical role in attracting, motivating and retaining high-performing and talented individuals who are required to achieve Nedbank Group's objectives. This total-reward approach within Nedbank Group is integrated into its people management processes, such as transformation, performance management, recognition, work-home balance, learning and development, career development, talent management and organisational development. Furthermore, this approach takes into account the importance and positioning of the risk management function within the organisation.

The group's market position is to pay for performance, while ensuring that there is a distribution of remuneration around the market median when performance is on par with predetermined financial and non-financial targets. Performance in excess of these targets is rewarded through additional incentives created through Nedbank Group's short-term incentive (STI) scheme, as well as Nedbank Group's recognition programme. Performance is measured at a group and business unit level against agreed targets after the finalisation of the year-end results. Both financial and non-financial results drive the creation of STI pools in the group and in each business unit. Distribution of these STI pools to individuals is on a discretionary basis, is aligned with market practice and utilises individual performance measured against agreed targets as stated in individual and team performance scorecards. To take full cognisance of long-term sustainability of performance, a portion of the cash bonus earned is deferred and remains at risk over a future settlement period.

Nedbank Group's long-term incentive (LTI) schemes are primarily aimed at the retention of key, high-impact staffmembers. They are intended to provide additional motivation for high performers to remain with Nedbank Group and also to align the interests of staffmembers with shareholders.

Nedbank Group benchmarks remuneration in terms of the roles staffmembers are required to perform by comparison with the external market and in relation to individual performance. Credible information on external remuneration is critical to ensure that remuneration is market-related, and substantial effort is made to ensure that market information is sourced from a number of different remuneration surveys on an annual basis.

Remuneration governance

The global financial crisis precipitated a number of initiatives aimed at improving the governance and management of remuneration. The recommendations, guidance and practice notes are primarily aimed at the remuneration of executive directors, but the underlying principles and statements of good practice can be applied to most incentive arrangements for the majority of staffmembers.

The main sources of recently published material in this regard include:

- King III on governance for South Africa 2009 (September 2009).
- Implementation standards for the Financial Stability Board principles for sound compensation practices (September 2009).
- Enhancements to the Basel II Framework (July 2009).
- EU Commission Executive Remuneration Guidelines (April 2009).
- The Financial Services Authority publication on reforming remuneration practices in financial services (March 2009).

The committee has undertaken a comprehensive review of all Nedbank Group remuneration schemes and arrangements to assess the current level of compliance with the codes of good remuneration practices. The findings indicated a high level of compliance with nearly all of the recommended practices.

Certain areas have been identified as requiring further investigation, including:

- The structure and timing of adjustments to non-executive directors' fees.
- The use of vesting corporate performance targets in the LTI schemes.
- Additional remuneration disclosure requirements, other than those currently required for executive directors.

To ensure independence of the Group Risk and Group Finance functions, the committee paid particular attention to the total rewards of senior staffmembers in these functions in order to ensure that their own individual performance significantly impacts the determination of their overall package.

The committee will evaluate proposals for amending current practice in these areas in the course of 2010 and amend where necessary.

Remuneration committee membership and charter

The committee functions according to a charter approved by the Nedbank Group Limited Board. The board delegates responsibility to the committee for the investigation and benchmarking of remuneration practices and for considering and approving proposals made on remuneration practices within the group.

For 2009 the committee initially comprised three independent non-executive directors, namely JB Magwaza (Chairman), Chris Ball, Brian Figaji and one non-executive director, namely Bob Head. Nomavuso Mnxasana, an independent non-executive director, was appointed as a member of the committee with effect from 31 July 2009. JB Magwaza, having reached retirement age, resigned as Chairman and member of the committee, and Brian Figaji was appointed Chairman with effect from 19 November 2009. Tom Boardman (Chief Executive), Mike Brown (Chief Executive Designate), Shirley Zinn (Group Executive: Human Resources), and Graham Dempster (Chief Operating Officer) are permanent invitees to the committee meetings and recuse themselves from discussions on their own remuneration. Bob Head, Chief Executive Officer of Old Mutual Wealth Management, Old Mutual plc, advised of his intention to resign as a non-executive director of Nedbank Group Limited and Nedbank Limited with effect from 19 February 2010 and will thereafter no longer be a member of the committee. Don Hope was appointed as a non-executive director on 19 February 2010 to the committee and Malcolm Wyman was appointed as an independent non-executive director to the committee on 1 March 2010. The committee met six times during 2009.

The committee's responsibilities include:

- Investigating and benchmarking remuneration practices and broad terms and conditions of employment for all permanent staffmembers to ensure that these are fair and competitive, and approving the cost of annual remuneration increases awarded to staffmembers.
- Reviewing, monitoring and approving the design principles supporting incentive arrangements and the quantification of final STI pools for distribution to eligible staffmembers.
- Reviewing, monitoring and approving the Nedbank Group Employee Share Scheme rules, including the Eyethu Employee Scheme rules.
- Approving the design principles supporting the LTI arrangements and the granting of LTIs to staffmembers, as well as the financial targets linked to these incentives, where applicable.
- Making recommendations to the board on guaranteed remuneration adjustments, as well as STIs and LTIs for the executive directors and members of the Group Executive Committee. The Chief Executive's remuneration is subject to final confirmation by the Remuneration Committee of Old Mutual plc.
- Establishing a subcommittee to make recommendations on the fees paid to the Chairman, Senior Independent Non-executive Director and non-executive directors.
- Approving performance scorecards for the Chief Executive and members of the Group Executive Committee.

The committee applies the guiding principles of the remuneration policy as far as is feasible, but both the board and the committee retain the right to use their discretion to deviate from this policy in exceptional circumstances.

The committee provides the board with feedback on decisions taken after each meeting or more frequently, if deemed necessary.

As in previous years, a self-assessment of the committee was conducted in July 2009 to evaluate the committee's effectiveness against the objectives of the committee's charter and to highlight and therefore focus on areas where its performance could be enhanced.

Overall the results of the evaluation regarding the effectiveness of the committee were positive and indicated that the committee is functioning well. High-level feedback confirmed the following:

- The committee performs its responsibilities according to its charter and often exceeds the objectives that have been set.
- There is good interaction between the board and the committee.
- The committee meetings are productive and well-facilitated, with appropriately robust discussions and debate.

Areas of improvement relate to the committee ensuring that the terms and conditions of staffmembers' employment are fair and competitive and devoting more time to the evaluation of Group Executive Committee members' scorecards to ensure that these deliver on the business strategy. In terms of meeting logistics, it was recommended that documentation should be streamlined, allowing more focus and discussion time on key issues.

Advisers to the committee

The committee is informed of market-related information on guaranteed packages (remuneration on a total cost-to-company basis), as well as STIs and LTSs, based on a number of remuneration surveys in which the group participates. These include Remchannel, the Global Remuneration Solutions Top Executive Remuneration Survey, the LMO Executive Remuneration Survey, the Hay Investment Banking Survey and a number of smaller niche remuneration surveys. Specialists within the Group Remuneration Services Department collate and analyse the information sourced from external service providers and prepare documentation for consideration and approval by the committee. Where appropriate, the committee has access to independent executive remuneration consultants, and has utilised the services of Vasdex Associates and PricewaterhouseCoopers during the year. During 2009, as in previous years, the Old Mutual plc Remuneration Unit provided the committee with input from the perspective of the Old Mutual plc Remuneration Committee.

Education of committee members

As part of the ongoing education of directors, a training session on the latest international executive remuneration practices was facilitated by PricewaterhouseCoopers.

Total remuneration

Guaranteed remuneration for all staffmembers

All staffmembers in the Nedbank Group are remunerated on a total-cost-to-company basis ('the guaranteed package'), which includes a basic salary, 13th cheque (if selected), allowances and contributions to benefit funds. From the guaranteed package contributions are made to the Nedgroup Medical Aid Scheme, a postretirement medical aid fund (applicable only to qualifying staffmembers), retirement funds, a disability fund and a death benefit scheme. A car allowance/company car contribution may be structured into the package where the employee is required to travel on group business, subject to the requirements of SA Revenue Service (SARS).

Increases in guaranteed remuneration

Annual increases in the guaranteed remuneration are performance- and market-related, based on the rate of inflation, increases awarded by other major banks and the financial services industry, and the group's remuneration position against the banking and financial services markets. To maintain appropriate remuneration competitiveness relative to the labour market, remuneration is reviewed at least annually and annual increases take effect on 1 April.

Non-managerial staffmembers form part of a bargaining unit, and annual increases granted for this grouping depend on negotiations with the recognised trade unions, SASBO and IBSA. In April 2009 the non-managerial remuneration bill was increased by 10,2% and the managerial and executive remuneration bill increased by 8%. Individual increases are granted on the basis of personal performance and market comparisons within the overall adjustment percentage.

Retirement schemes

Nedbank Group has a closed defined-benefit pension scheme, called the Nedgroup Pension Fund, and at 31 December 2009 had 397 members. The majority of staffmembers as well as all new appointees since 1 January 1994 are members of the Nedgroup Defined-contribution Pension and Provident Fund: Flexible Investment Choice.

Short-term incentive scheme

STIs are intended to encourage particular behaviours and obtain desired results within the agreed risk appetite framework. Nedbank Group's STI schemes are structured to support collaborative work across different clusters. The committee has agreed a set of principles and all group and cluster incentive schemes are designed according to those principles.

The incentive pools for all support clusters are based on a combination of performance relative to the target in respect of Nedbank Group economic profit (EP), Nedbank Group headline earnings and non-financial performance drivers.

In the income-generating clusters incentive pools are structured with a weighting linked to the group, cluster and, where appropriate, divisional performance. The five income-generating clusters within Nedbank (Corporate, Capital, Business Banking, Retail and Bancassurance and Wealth) were measured against a combination of relevant EP targets, headline earnings targets and non-financial driver targets, with these pools being calculated independently of one another. Independent calculations are done to ensure that the total amount calculated on the group's EP, headline earnings and non-financial drivers and the amounts calculated taking into consideration each cluster's and division's independent performance do not differ by more than 10%. Distribution of these pools is based on individual performance relative to the agreed deliverables in the performance management process.

Executive bonuses are based on group, cluster and individual performance measured against agreed financial and non-financial targets as approved by the committee.

To align with the group's three-year business plan targets and its approach to risk management, the STI targets were aligned to include EP targets from 2008. At a group level EP is calculated using International Financial Reporting Standards, headline earnings and simple average shareholders' funds (excluding goodwill) together with an appropriate group cost of equity. Similar calculations are performed in the income-generating clusters using allocated economic capital and group cost of equity.

Bonus deferral scheme

In line with the recent trends regarding executive remuneration, the committee agreed, for financial year 2009, to introduce the compulsory deferral of part of the annual performance bonus earned in excess of R1 million. Going forward the deferral rates are 25% of the excess above R1 million and up to R3 million, and 50% of the excess above R3 million. All deferred amounts will attract interest at the prevailing call rate or can be invested in the Matched Share Scheme, subject to the rules of the scheme. The deferred amount will be forfeited should the employee resign before the end of the deferral period as well as in cases where, in the sole opinion of the board, material irregularities or misrepresentation of financial results come to light during the deferral period. The board will have absolute discretion as to the nature of any action to be taken as well as to the individual, or grouping of individuals, who may be affected by the transgression in question. The deferral policy will be reviewed annually.

Deferred short-term incentive scheme

Since 2006 Nedbank has operated a deferred short-term incentive (DSTI) scheme aimed at the retention of key staffmembers for a 24- or 36-month period in specific areas where these skills were in demand. The Chief Executive Officer is granted a pool for the financial year, within which he may make discretionary allocations to specific individuals where flight risk is a concern. The Chief Executive and members of the Group Executive Committee are excluded from participating in the scheme, except in circumstances where they received an allocation prior to their appointment as a Group Executive Committee member.

During 2009 allocations totalling R14 million were made to 25 staffmembers. Participants leaving the service of the group before the termination date of the scheme are required to reimburse Nedbank Group the gross initial amount awarded.

Executive directors

Increases in guaranteed remuneration

Chief Executive Tom Boardman's guaranteed package was reviewed in February 2009 and adjusted to R5 200 000 per annum with effect from 1 April 2009. This increase took into account an annual increase in line with the consumer price index (CPI), as well as a market adjustment based on his performance and remuneration levels relative to his peer group. Chief Financial Officer Mike Brown's guaranteed package was reviewed and adjusted to R2 900 000 per annum with effect from 1 April 2009, using the same CPI, individual performance and market-related criteria. Following Mike Brown's appointment to Chief Executive Designate, his guaranteed package was adjusted to R4 000 000 per annum with effect from 1 July 2009. Graham Dempster was appointed Chief Operating Officer with effect from 5 August 2009 on an annual guaranteed package of R3 500 000. Raisibe Morathi was appointed as the Chief Financial Officer with effect from 1 September 2009 on an annual guaranteed package of R2 600 000. These increases and appointments for executive directors cover the period from 1 April 2009 to 31 March 2010.

Retirement schemes

All executive directors are members of Nedgroup Defined-contribution Pension and Provident Fund: Flexible Investment Choice. There are therefore no defined-benefit liabilities in respect of the executive directors. Contributions to the retirement funds form part of the guaranteed package.

Short-term incentive scheme

For the Chief Executive, the Chief Executive Designate, the Chief Operating Officer and the Chief Financial Officer the STI amounts provided for 2009 were based on a combination of performance against target in respect of the level of group EP, group headline earnings and performance against their individual performance scorecards. The current Chief Operating Officer was Managing Executive: Nedbank Corporate for the majority of 2009 and hence the cluster performance also played a role in the determination of his bonus.

The individual performance of Tom Boardman, Mike Brown, Graham Dempster and Raisibe Morathi are measured across five dimensions to determine their respective share of the bonus pool, namely financial, clients, internal processes, transformation and organisational learning. Raisibe Morathi was only in the employ of the group for the last four months of the year, so increased judgement was applied.

The specific objectives for each of these dimensions were as follows:

- Financial – delivering sustainable financial outperformance.
- Clients – investing for growth by expanding into the mass and middle markets, the public sector and business banking, and implementing the three-tiered African strategy; improving Nedbank's client relations by empowering our clients through delivery of affordable banking; and finally leading as a corporate citizen.
- Internal processes – enhancing productivity and execution; managing risk as an enabler; growing regulatory and government relationships; and growing stakeholder relations.
- Transformation – accelerating transformation in support of achieving the group's transformation targets and objectives.
- Organisational learning – building an innovative and differentiated culture and becoming an employer of choice by creating a great place to work.

In 2008 Nedbank measured the bonus pool based purely on an EP basis. This approach resulted in a large year-on-year reduction in the 2008 bonus pool in line with the reduction in EP. This was, in hindsight, out of line with the approach taken by competitors and resulted in a 2008 bonus pool well below market levels. During 2009 the committee approved changes to the Nedbank STI scheme to take EP, headline earnings and non-financial performance into account relative to targets set by the board in order to ensure more market-related alignment.

As part of our philosophy of sustainability we subscribe to the balanced scorecard approach. Our remuneration schemes are not excessive and are conservative when measured by both local and global standards. In 2008 the group's headline earnings declined 3% and our bonus pools were reduced by 33%. Bonus schemes were refocused in 2009 to recognise headline earnings and EP performance against predetermined targets, as well as increased capital and liquidity weightings in scorecards. Bonus pools in 2009 consequently increased by 5%. Therefore, using 2007 as a base, headline earnings in 2009 are 28% lower than 2007 and bonus pools are 29% lower.

Performance across all five scorecard dimensions in 2009 was satisfactory in the light of prevailing market conditions. Targets across four of the major focus areas, namely clients, internal processes, transformation and organisational learning, were exceeded. Financial targets which were set taking into account the deteriorating macroenvironment, were largely met despite group EP declining compared with that of 2008 and being below target.

The net result of the STI, when taking the financial performance and non-financial performance into account, is a total bonus pool for 2009 that is largely in line with that approved for 2008, but is still less than in 2007.

Service contracts

Tom Boardman's service contract expires on 28 February 2010. Mike Brown's appointment as Chief Executive Officer will become effective on 1 March 2010, with a notice period of 12 months and retirement age of 60 years.

The service contracts of all other executive directors include a maximum notice period of six months.

Severance arrangements

In the event of their services being terminated as a no-fault termination, executive directors will be entitled to a severance pay equal to two weeks' guaranteed remuneration per completed year, with no maximum.

Total remuneration

The remuneration of executive directors for the years ended 31 December 2009 and 31 December 2008 was as follows:

Table 1: Executive directors' remuneration – year to 31 December 2009

Name	Basic salary and other benefits* (R000)	Defined-contribution Retirement Fund (R000)	Guaranteed remuneration (R000)	Performance bonus (R000)	Total (R000)	2009-on-2008 change (%)
TA Boardman	4 697	354	5 051	9 500**	14 551	40%
MWT Brown	2 984	417	3 401	4 250***	7 651	31%+++
GW Dempster+	1 239	219	1 458	1 667****	3 125	–
RK Morathi++	761	106	867	1 000	1 867	–
Total	**9 681**	**1 096**	**10 777**	**16 417**	**27 194**	**–**

* *This salary includes contributions to the medical aid, postretirement medical aid subsidy, disability insurance and car allowance/company car benefits structured into the package. No additional benefits are offered to executive directors.*

** *Bonus relates to performance in 2009 as well as recognition of Tom Boardman's role during his tenure as CE, where a minimum of R3,750 million will be deferred in terms of the bonus deferral scheme.*

*** *Bonus relates to performance in 2009, where a minimum of R1,125 million will be deferred in terms of the bonus deferral scheme.*

**** *Bonus relates to performance in 2009, where a minimum of R1 million will be deferred in terms of the bonus deferral scheme. The bonus indicated in the table reflects a pro rata portion of the total bonus received of R4 million in his roles as MD Nedbank Corporate and Chief Operating Officer for 2009.*

\+ *Graham Dempster was appointed as Chief Operating Officer and executive director to both boards from 5 August 2009. As part of the Nedbank employee benefits, Graham Dempster encashed leave to the value of R99 617. Furthermore, a dependent family member received a study grant of R8 000.*

++ *Raisibe Morathi was appointed as Chief Financial Officer and executive director to both boards from 1 September 2009. She received a relocation payment of R216 667 based on the terms and conditions of Nedbank's relocation policy.*

+++ *The bonus awarded in 2009 took into account both MWT Brown's role as Chief Financial Officer up until 30 June 2009 and as CEO Designate for the rest of the year.*

Tom Boardman earned fees of R125 000 for board membership of Mutual & Federal in 2009, which fees were ceded to Nedbank Group.

Table 2: Executive directors' remuneration – year to 31 December 2008

Name	Basic salary and other benefits* (R000)	Defined-contribution Retirement Fund (R000)	Guaranteed remuneration (R000)	Performance bonus** (R000)	Total (R000)	2009-on-2008 change (%)
TA Boardman	4 104	309	4 413	6 000***	10 413	(11,5)
MWT Brown	2 282	319	2 601	3 250	5 851	(19,3)
Total	**6 386**	**628**	**7 014**	**9 250**	**16 264**	**(14,5)**

* *This salary includes contributions to the medical aid, postretirement medical aid subsidy, disability insurance and car allowance/company car benefits structured into the package. No additional benefits are offered to executive directors.*

** *Bonus relates to performance in 2008, paid in March 2009.*

*** *The committee recommended a bonus of R6 624 million payable in cash to Tom Boardman. Following a request by Tom Boardman, the committee amended the proposal to a cash bonus of R6 million and an additional allocation of restricted shares to the value of R624 000. The board accepted the committee's revised proposal.*

Tom Boardman earned fees of R235 000 and R159 000 for board and committee membership of Mutual & Federal in 2008 and 2007, which fees were ceded to Nedbank Group.

Non-executive directors

The terms of engagement of the non-executive directors (excluding the Chairman) cover a period of three years, as determined by the rotation requirements of the Nedbank Group articles of association. A non-executive director is required to retire at age 70, unless the board determines otherwise. Any non-executive director serving for a period in excess of nine years is required to retire from the board.

Based on this policy, Michael Katz, JB Magwaza and Mafika Mkwanazi retired as non-executive directors of Nedbank Group Limited and Nedbank Limited with effect from 19 November 2009 as they have each served on these boards for periods in excess of nine years.

The Chairman's appointment was effective from 4 May 2006. In terms of the articles of association the chairman is reelected annually by the board.

In January 2009 Alan Knott-Craig was appointed as an independent non-executive director to the Nedbank Group Limited and Nedbank Limited Boards.

In August 2009 Jabu Moleketi, Wendy Lucas-Bull and Malcolm Wyman were appointed as independent non-executive directors to the Nedbank Group and Nedbank Limited Boards.

In October 2009 Lot Ndlovu resigned as an independent non-executive director due to a potential conflict of interest with other business activities as well as having served for a period in excess of nine years as a boardmember.

In December 2009 Julian Roberts and Don Hope were appointed as non-executive directors to the Nedbank Group Limited and Nedbank Limited Boards.

Non-executive directors' remuneration

Non-executive directors' remuneration for the years ended 31 December 2009 and 31 December 2008 was as follows:

Name	Note	Board meeting fees (R000)	Committee meeting fees (R000)	2009 (R000)	2008 (R000)
CJW Ball	1, 2	480	823	**1 303**	1 328
TCP Chikane		264	235	**499**	439
BE Davison	b	0	0	**0**	308
MA Enus-Brey	1	264	312	**576**	416
B de L Figaji		264	210	**474**	430
R Harris	4	66	23	**89**	326
RM Head	2, 4	276	182	**458**	564
DI Hope	g, 4	22	8	**30**	0
MM Katz		233	309	**542**	635
RJ Khoza	c	0	3 300	**3 300**	3 000
A de VC Knott-Craig	e	264	59	**323**	0
WE Lucas-Bull	f	110	51	**161**	0
JB Magwaza	3	233	312	**545**	1 170
NP Mnxasana	1	334	201	**535**	173
ME Mkwanazi		233	211	**444**	455
PJ Moleketi	f	110	26	**136**	0
ML Ndlovu	2, d	209	300	**509**	1 349
CML Savage		0	0	**0**	164
GT Serobe	2, 5	543	122	**665**	571
JH Sutcliffe	4, a	0	0	**0**	235
JVE Roberts	4, g	22	4	**26**	0
MI Wyman	f	110	13	**123**	0
Total		4 037	6 701	**10 738**	11 563

1 Includes fees for board, subsidiary board and committee memberships (including Imperial Bank) for the years 2008 and 2009. MA Enus-Brey resigned from the board of Imperial Bank in January 2008.

2 Includes fees for board and committee memberships (including Mutual & Federal) for the years 2008 and 2009.

3 Includes fees for board and committee memberships (and additional services to Mutual & Federal) for the year 2008.

4 Fees for RM Head, JH Sutcliffe, R Harris, JVF Roberts and DI Hope were paid to Old Mutual (SA) Limited for 2008 and 2009.

5 Includes fees for board and committee memberships (including Old Mutual Life Company South Africa) for the years 2008 and 2009.

a JH Sutcliffe resigned as a non-executive director from the boards of Nedbank Group Limited and Nedbank Limited with effect from 9 September 2008 following his resignation as Chief Executive of Old Mutual plc.

b BE Davison resigned as non-executive director with effect from 2 August 2008.

c From 1 January 2008 to 29 February 2008 RJ Khoza's fees were paid directly to Aka Capital (Pty) Limited.

d As part of the negotiations to conclude the termination of ML Ndlovu's services as a consultant to Nedbank Group, it was agreed that he would receive a payment of R500 000 in 2008.

e In January 2009 A de VC Knott-Craig was appointed as an independent non-executive director.

f In August 2009 PJ Moleketi, WE Lucas-Bull and MI Wyman were appointed as independent non-executive directors.

g In December 2009 JVF Roberts and DI Hope were appointed as non-executive directors to the Nedbank Group Limited and Nedbank Limited Boards.

The remuneration for non-executive directors for committee membership is as follows:

Committee Boards	Proposed (with effect from 1 July 2010)*** (R)	Annual fee 2009 (R)	Annual fee** 2008 (R)
Chairman of the board*	3 578 000	3 300 000	3 000 000
Vice-chairmen premium****		100 000	100 000
Senior Independent Director*****	112 000	105 600	96 000
Nedbank Group Limited	152 000	143 000	130 000
Nedbank Limited**	128 000	121 000	110 000
Committees			
Group Audit Committee**	120 000	114 000	105 000
Group Finance and Oversight Committee	21 000	20 000	20 000
Group Remuneration Committee**	75 000	64 800	60 000
Group Risk and Capital Management Committee**	105 000	90 000	75 000
Executive Credit Committee******	100 000	67 500	Not applicable
Group Credit Committee	70 000	67 500	65 000
Group Directors' Affairs Committee	49 000	44 000	40 000
Board Strategic Innovation Management Committee**	49 000	42 000	40 000
Group Transformation and Sustainability Committee**	70 000	65 000	65 000

** The Nedbank Group Chairman's fees include his fees for board, subsidiary board and committee memberships.*
*** At the annual general meeting held on 14 May 2009 approval was granted to increase non-executive directors' fees in order to align the board fees with local market practices.*
**** Subject to shareholders' approval at the annual general meeting on 4 May 2010.*
***** This function was terminated at the close of the May 2009 annual general meeting.*
****** An additional fee of 40% of the Nedbank Group Limited and Nedbank Limited Board member fee is paid to the senior independent director.*
******* Represents a new fee payable from 1 January 2010 to 30 June 2010, subject to approval at the annual general meeting on 4 May 2010.*

Committee chairmen (other than the Chairman of the Nedbank Group Directors' Affairs Committee) receive double the member fees. Fees payable to the non-executive directors and the Nedbank Group Chairman are reviewed annually and adjustments are considered by a subcommittee of the Remuneration Committee. After deliberation, the board has resolved to reconsider the composition of the non-executive fees, as suggested in King III, in the ensuing years. The above increases are effective from 1 July 2010, subject to shareholders' approval at the 4 May 2010 annual general meeting. As the proposed fees will be applicable from 1 July 2010 to 30 June 2011, the committee members will be paid the 2009 fees from 1 January 2010 to 30 June 2010, until the increase is approved by the shareholders. Board and board committee meeting attendance is recorded in the Enterprise Governance and Compliance Report on pages 204 and 205 of the Nedbank Group Limited Annual Report.

Long-term incentive schemes

LTIs are intended to achieve two strategic objectives: to retain high-impact staffmembers and provide long-term reward that is aligned with the interests of the shareholders. The value of the incentive issued is based on the most recent performance review, individual career path planning, scarcity of skills and the organisation's need for retaining the individual. The value of the instrument allocated is also benchmarked to the external market. The overall affordability and lock-in values are further considerations.

1994 Nedcor Group Employee Incentive Scheme

The scheme is closed and no further allocations have been granted since April 2005. The scheme will terminate during April 2011.

2005 Nedbank Employee Share Scheme

Since August 2007 no new share options were issued.

During 2009 the committee issued restricted shares to eligible participants. Restricted shares granted for retention purposes were granted with either entry or exit performance vesting targets.

An allocation under this scheme may be granted, subject to committee approval, under the following circumstances:

- On-appointment allocations (internal and external appointments)

  On-appointment restricted share allocations are offered at the discretion of the committee to new senior managers and also to staffmembers who have been appointed to more senior positions and have been recommended for an allocation by the Group Executive Committee. On-appointment allocations take place three trading days after the announcement of the annual and interim financial results (typically in February and August), subject to the Nedbank Group Personal Account and Insider Trading Policy. The vesting period for on-appointment allocations is three years from the date of allocation, subject to the achievement of corporate performance targets, where applicable.

- Annual allocations

  Annual restricted share allocations apply to qualifying staffmembers in terms of criteria recommended by the Group Executive Committee and approved by the committee.

  Annual allocations take place once a year (typically in February), subject to the Nedbank Group Personal Account and Insider Trading Policy.

  At 31 December 2009 share options and restricted shares in issue under the Nedbank employee schemes (vested and unvested), as a percentage of issued share capital, was 2,5%. Following amendments to Schedule 14 of the JSE Limited ('the JSE') Listings Requirements, changes to the 2005 Nedbank Employee Share Scheme in terms of issued share capital requirements will be submitted to the annual general meeting on 4 May 2010 for approval.

This scheme consists of three parts:

- Share Option Scheme

  No new share options were granted to staffmembers since August 2007.

- Matched Share Scheme

  The Matched Share Scheme allows staffmembers an opportunity to allocate up to 50% of their after-tax bonus towards the acquisition of Nedbank Group shares or to deposit Nedbank Group shares to the equivalent value into the trust that administers this scheme. The incentive to do so is a matching of this investment to the equivalent value by the 2005 Nedbank Employee Share Scheme on a one-for-one basis. The trust's obligation to deliver or procure the delivery of the matched shares rests on two conditions, namely that:

  – staffmembers are still in the service of the group on the vesting date (three years after acquisition) for 50% of the matched shares; and

  – the group has met an agreed performance target over a three-year period for the remaining 50% of the matched shares.

  In May 2008 enhancements to the Matched Share Scheme were approved at the annual general meeting. The scheme, of which the principles remain unchanged, now incorporates:

  – the Bonus Share Scheme (being the previous Matched Share Scheme); and

  – the Matched Investment Plan (MIP).

  The MIP is available as a scheme with a different risk profile. The MIP was not offered as an option to staffmembers in 2009. The committee retains the discretion to implement the MIP based on business and market conditions.

- Restricted Share Plan

  During 2009 Nedbank issued restricted shares for performance reasons with time-based and performance-based vesting criteria, as well as restricted shares for retention purposes with individual-performance criteria as entry/selection criteria and only time-based criteria for vesting purposes.

  The Restricted Share Plan offers awards to new staffmembers and internal appointments (on-appointment allocations) and annually to existing staffmembers (annual allocations).

  Annual allocations were made to 1 147 staffmembers on 3 March 2009. On-appointment allocations were made to 94 staffmembers on 3 March 2009 and 11 August 2009 respectively.

  The committee agreed that a combination of the following three corporate performance targets will be used for the period 2009 to 2011 on a graduated scale of vesting, namely return on equity (excluding goodwill), fully diluted headline earnings per share growth and the cost-to-income ratio. As part of the Restricted Share Plan rules participants are entitled to receive dividends.

  For purposes of the Restricted Share Plan the allocation price is based on the weighted-average (by volume) market price of an ordinary share in the company, as shown by the official trading price list published by the JSE , over the three most recent trading days on the JSE immediately preceding the allocation date.

Phantom Share Plan

During 2007 the committee approved the Phantom Share Plan (cash-settled) for key staffmembers in the United Kingdom. The scheme design principles mirror the SA LTI schemes as far as possible. A total of 17 UK staffmembers participated in the scheme in 2009.

Status of the long-term employee incentive schemes:

- 1994 Nedcor Group Employee Incentive Scheme

  At 31 December 2009 there were 150 participants and 628 280 Nedbank Group share options outstanding.

- 2005 Nedbank Employee Share Scheme

  At 31 December 2009 there were 1 849 participants and 17 521 060 Nedbank Group share options outstanding. All share options under this scheme were issued with time- and performance-based vesting criteria.

  The restricted share allocations made in 2009 were also linked to the achievement of financial targets. A total of 5 080 170 restricted shares were issued in 2009.

The number of participants who have committed shares under the Matched Share Scheme at 31 December 2009 is noted below:

2009	2008	2007
247	412	414
The number of shares held in the scheme totals 583 048 shares.	The number of shares held in the scheme totals 595 170 shares.	The number of shares held in the scheme totals 596 762 shares.

During 2009 a total of 62 925 shares were allocated to participants of the 2005 Matched Share Scheme as the time-based vesting criteria had been met. The corporate performance condition was not met.

Nedbank Eyethu Employee Schemes

Nedbank Group implemented its black economic empowerment staff schemes in August 2005. The objective of the schemes is to support the achievement of Nedbank's broad transformation strategy.

The Eyethu employee schemes consist of the Black Executive Trust, the Black Management Scheme, the Broad-based Scheme and the Evergreen Trust. Share and share option allocations have been made to new and internally appointed staffmembers since the inception of the schemes, in accordance with the scheme rules and the respective trust deeds.

At 31 December 2009 a total of 38 black staffmembers in senior positions with groupwide impact, as identified by the Group Executive Committee and approved by the committee and trustees, were beneficiaries of the Black Executive Trust.

Black permanent staffmembers earning in excess of R362 778 per annum received new or topup options and shares under the Black Management Scheme in the period under review.

Shares under the Eyethu Broad-based Scheme were allocated as a once-off share grant to permanent Nedbank Group staffmembers who met the eligibility criteria at the inception date of the scheme and no subsequent allocations were made. A trading restriction of five years applies to shares issued under this scheme.

The Evergreen Trust was created with the specific purpose of improving the living standards and personal circumstances of black permanent staffmembers who meet certain eligibility criteria. At 31 December 2009 41 beneficiaries had completed their Grade 12 qualification equivalent to a NQF4.

Nedbank Eyethu Non-Executive Directors Trust

This trust holds 952 552 shares. At 31 December 2009 a total of 743 530 shares were allocated to six participants.

On 4 March 2009 46 722 shares were allocated to NP Mnxasana.

As stated in a circular to shareholders, the trust was for the benefit of the existing non-executive directors at the time of launching the scheme and to prospective candidates. As all the positions have now been filled, the scheme is now closed.

Nedbank Africa Subsidiary Schemes

During 2006 the committee approved the Omufima Employee Schemes for Nedbank Namibia. The committee approved localisation and LTI schemes for Swaziland, Malawi, Zimbabwe and Lesotho during 2007.

In February 2009 23 staffmembers were allocated restricted shares in terms of the Nedbank Namibia LTI scheme and one senior manager was allocated an award in terms of the Nedbank Namibia Omufima Black Management scheme.

Executive directors' share option holdings

Name	Number of options	Date of issue	Issue price (R)	Vested	Expiry date
	Opening balance at December 2008				
TA Boardman	100 000	06/30/2005	76,79	100 000	06/30/2010
	120 000	02/28/2006	110,98		02/28/2011
	72 765*	02/27/2007	144,30		02/27/2012
	292 765			100 000	
MWT Brown	20 000*	05/11/2004	60,01	20 000*	05/11/2010
	80 000*	08/10/2004	55,75	80 000*	08/10/2010
	20 000	06/30/2005	76,79	20 000	06/30/2010
	70 000	02/28/2006	110,98		02/28/2011
	40 000*	02/27/2007	144,30		02/28/2012
	230 000			120 000	
GW Dempster	45 000*	05/11/2004	60,01	45 000*	05/11/2010
	50 000	06/30/2005	76,79	50 000	06/30/2010
	45 000	02/28/2006	110,98		02/28/2011
	40 000*	02/27/2007	144,30		02/28/2012
	180 000			95 000	

Share options issued before May 2005 were issued in terms of the 1994 Nedcor Group Employee Incentive Scheme, with 50% vesting after three years from the date of grant and the remaining 50% after four years from the date of grant.

Share options issued after May 2005 were issued in terms of the Nedbank Group (2005) Share Option Scheme, Matched Share Scheme and Restricted Share Plan, with 100% vesting after three years from the date of grant.

* *Share options issued with performance-based vesting criteria. The rights issue options linked to these share options also have performance-based vesting criteria.*

** *No share options have been issued since 2008 as a result of the introduction of the Restricted Share Plan.*

Executive directors' restricted share plan holdings (2009)

Name	Number of restricted shares	Date of issue	Issue price (R)	Vesting date
	Opening balance at December 2008			
TA Boardman*	60 167	03/03/2008	120,62	03/04/2011
	60 167			
MWT Brown	38 613	03/03/2008	120,62	03/04/2011
	38 613			
GW Dempster	33 577	03/03/2008	120,62	03/04/2011
	33 577			

* *Restricted shares issued with time- and performance-based vesting criteria. No accelerated vesting would apply to Tom Boardman, notwithstanding the fact that he retires in February 2010.*

** *Restricted shares were issued to Tom Boardman on 3 March 2009 with time- and corporate-performance-based vesting criteria in terms of the Nedbank Group (2005) Share Option Scheme, Matched Share Scheme and Restricted Share Plan.*

*** *Restricted shares were issued to Tom Boardman on 11 August 2009 with time- and individual-performance-based vesting criteria in terms of the Nedbank Group (2005) Share Option Scheme, Matched Share Scheme and Restricted Share Plan.*

Exercised during 2009				Closing balance at December 2009**			
Number of options	Date of exercise/ cancellation	Issue price (R)	Gain on options exercised/ lapsed	Number of options	Date of issue	Vested	Expiry date
100 000	08/25/2009	76,79	3 664 650				
				120 000	02/28/2006	120 000	02/28/2011
				72 765*	02/27/2007		02/27/2012
100 000			3 664 650	192 765		120 000	
				20 000	05/11/2004	20 000*	05/11/2010
				80 000	08/10/2004	80 000*	08/10/2010
				20 000	06/30/2005	20 000	06/30/2010
				70 000	02/28/2006	70 000	02/28/2011
				40 000*	02/27/2007		02/28/2012
				230 000		190 000	
45 000*	08/28/2009	60,01	2 473 970				
				50 000	06/30/2005	50 000	06/30/2010
				45 000	02/28/2006	45 000	02/28/2011
				40 000*	02/27/2007		02/28/2012
45 000*			2 473 970	135 000		95 000	

Restricted shares issued during 2009				Closing balance at December 2009			
Number of restricted shares	Date of issue	Issue price (R)	Vesting date	Number of restricted shares	Date of issue	Issue price (R)	Vesting date
				60 167	03/03/2008	120,62	03/04/2011
99 340**	03/03/2009	75,74	03/04/2012	99 340	03/03/2009	75,74	03/04/2012
92 208***	08/11/2009	108,45	08/12/2012	92 208	08/11/2009	108,45	08/12/2012
191 548				251 715			
				38 613	03/03/2008	120,62	03/04/2011
52 812+	03/03/2009	75,74	03/04/2012				
66 015++	03/04/2009	75,74	03/04/2012	118 827	03/03/2009	75,74	03/04/2012
73 766+++	08/11/2009	108,45	08/12/2012	73 766	08/11/2009	108,45	08/12/2012
192 593				231 206			
				33 577	03/03/2008	120,62	03/04/2011
52 812+	03/03/2009	75,74	03/04/2012				
52 812++	03/04/2009	75,74	03/04/2012	105 624	03/03/2009	75,74	03/04/2012
27 662+++	08/11/2009	108,45	08/12/2012	27 662	08/11/2009	108,45	08/12/2012
133 286				166 863			

\+ *Restricted shares were issued on 3 March 2009 with corporate performance targets in terms of the Nedbank Group (2005) Share Option Scheme, Matched Share Scheme and Restricted Share Plan.*

++ *Restricted shares were issued on 4 March 2009 without corporate performance targets in terms of the Nedbank Group (2005) Share Option Scheme, Matched Share Scheme and Restricted Share Plan.*

+++ *Restricted shares were issued on 11 August 2009 without corporate performance targets in terms of the Nedbank Group (2005) Share Option Scheme, Matched Share Scheme and Matched Restricted Share Plan.*

Shares purchased/committed by executive directors under the Matched Share Scheme for the period 2006 – 2009

Name	Number of shares	Date of inception	Strike price (R)
TA Boardman	10 000	2006/03/31+	130,18
	20 000	03/31/2008	117,83
	21 100	03/31/2009	85,28
MWT Brown	7 400	2006/03/31+	130,18
	8 878	03/31/2007	141,92
	13 155	03/31/2008	117,83
	11 051	03/31/2009	85,28
GW Dempster	11 881	03/31/2008	117,83

+ 50% of the ordinary shares were matched on 1 April 2009 in terms of the rules of the Nedbank Group (2005) Matched Share Scheme.

Directors' interests

At 31 December 2009 the directors' interests in ordinary shares in Nedbank Group were as follows:

	Beneficial direct		Beneficial indirect	
Number of shares	**2009**	2008	**2009**	2008
CJW Ball	**10 000**	10 000		
TA Boardman	**81 100**	98 936	**251 715**	60 167
MWT Brown	**49 940**	49 940	**235 815**	39 522
TCP Chikane			**92 213**	86 912
GW Dempster*	**11 881**		**169 584**	
MA Enus-Brey+			**2 076**	1 650
B de L Figaji			**121 879**	114 579
RM Head				
DI Hope*				
RJ Khoza++			**1 374**	1 031
A de VC Knott-Craig*				
WE Lucas-Bull*				
NP Mnxasana			**49 572**	
PJ Moleketi*			**1 422**	246 769
RK Morathi*				
JVF Roberts*				
GT Serobe+++			**1 296**	972
MI Wyman*				
Total	**152 921**	158 876	**926 946**	551 602

* *Appointed to the board during 2009.*
\+ *Excludes 4 662 678 and 4 996 918 shares held by The Brimstone-Mtha Financial Services Trust in 2008 and 2009 respectively.*
++ *Excludes 1 946 719 and 2 062 082 shares held by Aka-Nedbank Eyethu Trust in 2008 and 2009 respectively.*
+++ *Excludes 4 676 324 and 5 017 632 shares held by The Wiphold Financial Services Number Two Trust in 2008 and 2009 respectively.*

At 31 December 2009 the directors' interests in the non-redeemable non-cumulative preference shares of R0,001 each in Nedbank Limited were as follows:

	Beneficial direct		Beneficial indirect	
Number of shares	**2009**	2008	**2009**	2008
CJW Ball	**144 300**	144 300		
TA Boardman			**85 000***	85 000*
MWT Brown				
TCP Chikane				
GW Dempster**				
B de L Figaji				
MA Enus-Brey				
RM Head				
DI Hope**				
RJ Khoza				
A de VC Knott-Craig**				
WE Lucas-Bull**				
NP Mnxasana				
PJ Moleketi**				
RK Morathi**				
JVF Roberts**				
GT Serobe				
MI Wyman**				
Total	**144 300**	144 300	**85 000**	85 000

* *These shares, which continue to be held in a trust, are now correctly shown as being held on a beneficial indirect basis.*
** *Appointed to the board during 2009.*

None of the above directors had any beneficial indirect or non-beneficial direct interest in Nedbank preference shares during the year under review.

On 11 August 2009 92 208 restricted shares were granted to TA Boardman with time- and individual performance-based vesting criteria in terms of the Nedbank Group (2005) Share Option Scheme, Matched Share Scheme and Restricted Share Plan.

On 2 March 2010 43 360 performance shares will be granted to MWT Brown, with corporate performance targets in terms of the Nedbank Group (2005) Share Option Scheme and Restricted Share Plan. On 3 March 2010 43 360 retention shares will be granted to MWT Brown, without corporate performance targets in terms of the Nedbank Group (2005) Share Option Scheme and Restricted Share Plan.

On 2 March 2010 20 647 performance shares will be granted to GW Dempster, with corporate performance targets in terms of the Nedbank Group (2005) Share Option Scheme and Restricted Share Plan. On 3 March 2010 20 647 retention shares will be granted to GW Dempster, without corporate performance targets in terms of the Nedbank Group (2005) Share Option Scheme and Restricted Share Plan.

On 2 March 2010 35 736 performance shares will be granted to RK Morathi, with corporate performance targets in terms of the Nedbank Group (2005) Share Option Scheme and Restricted Share Plan. On 3 March 2010 35 736 retention shares will be granted to RK Morathi, without corporate performance targets in terms of the Nedbank Group (2005) Share Option Scheme and Restricted Share Plan.

There are 100 000 (2008: 100 000) options outstanding that have been granted to executive directors in terms of the Nedcor Group (1994) Employee Incentive Scheme and 457 765 (2008: 422 765) instruments outstanding that have been granted to executive directors in terms of the Nedbank Group (2005) Share Option Scheme, Matched Share Scheme and Restricted Share Plan.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2009 Rm	2008 Rm
Interest and similar income	12	**49 332**	55 154
Interest expense and similar charges	13	**33 795**	39 874
Net interest income		**15 537**	15 280
Impairments charge on loans and advances	27.1	**6 659**	4 755
Income from lending activities		**8 878**	10 525
Non-interest revenue	14	**10 338**	9 877
Operating income		**19 216**	20 402
Total operating expenses		**13 792**	12 671
Operating expenses	15	**13 674**	12 484
BEE transaction expenses	15.1	**118**	187
Indirect taxation	16	**402**	356
Profit from operations before non-trading and capital items		**5 022**	7 375
Non-trading and capital items	17	**(32)**	745
Profit from operations		**4 990**	8 120
Share of (losses)/profits of associates and joint ventures	30.2	**(1)**	9
Profit before direct taxation		**4 989**	8 129
Direct taxation	18.1	**960**	1 791
Profit for the year		**4 029**	6 338
Other comprehensive income net of taxation		**264**	(218)
Exchange differences on translating foreign operations		**32**	(24)
Fair-value adjustments on available-for-sale assets		**146**	(272)
Gains on property revaluations		**86**	78
Total comprehensive income for the year		**4 293**	6 120
Profit attributable to:			
Equity holders of the parent		**3 790**	6 106
Non-controlling interest – ordinary shareholders		**224**	217
– preference shareholders		**15**	15
		4 029	6 338
Total comprehensive income attributable to:			
Equity holders of the parent		**4 054**	5 882
Non-controlling interest – ordinary shareholders		**224**	223
– preference shareholders		**15**	15
Total comprehensive income for the year		**4 293**	6 120
Basic earnings per share (cents)	19.1	**13 913**	22 416
Diluted earnings per share (cents)	19.1	**13 913**	22 416
Dividend declared per share (cents)	20.1	**5 170**	7 489
Dividend paid per share (cents)	20.1	**7 666**	8 422

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

	Notes	2009 Rm	2008 Rm
ASSETS			
Cash and cash equivalents	21	**6 823**	7 638
Other short-term securities	22	**14 408**	10 411
Derivative financial instruments	23	**12 871**	23 114
Government and other securities	25	**35 754**	41 834
Loans and advances*	26	**444 403**	433 422
Other assets	28	**3 917**	4 731
Clients' indebtedness for acceptances		**2 025**	2 998
Current taxation receivable		**580**	314
Investment securities	29	**3 012**	2 743
Non-current assets held for sale	31	**12**	10
Investments in associate companies and joint ventures	30	**922**	913
Deferred taxation asset	32	**36**	71
Investment property	33	**102**	104
Property and equipment	34	**4 754**	4 124
Long-term employee benefit assets	35	**1 783**	1 667
Mandatory reserve deposits with central bank	21	**10 437**	10 061
Intangible assets	36	**3 151**	2 977
Total assets		**544 990**	547 132
EQUITY AND LIABILITIES			
Ordinary share capital	37.1	**27**	27
Ordinary share premium		**14 422**	14 422
Reserves		**18 174**	16 927
Total equity attributable to equity holders of the parent		**32 623**	31 376
Preference share capital and premium	37.2	**3 483**	3 122
Non-controlling interest attributable to:			
– ordinary shareholders		**1 796**	1 644
– preference shareholders	37.3	**91**	300
Total equity		**37 993**	36 442
Derivative financial instruments	23	**10 799**	23 077
Amounts owed to depositors**	38	**465 899**	461 084
Provisions and other liabilities	39	**5 218**	6 145
Liabilities under acceptances		**2 025**	2 998
Current taxation liabilities		**162**	117
Deferred taxation liabilities	32	**1 514**	1 982
Long-term employee benefit liabilities	35	**1 298**	1 227
Long-term debt instruments	40	**20 082**	14 060
Total liabilities		**506 997**	510 690
Total equity and liabilities		**544 990**	547 132
Guarantees on behalf of clients	41	**27 827**	25 154

* *Included in loans and advances are loans to fellow subsidiaries amounting to R10,9 billion (2008: R15,7 billion).*
** *Included in amounts owed to depositors are deposits from fellow subsidiaries amounting to R14,4 billion (2008: R12,3 billion).*

CONSOLIDATED CURRENCY-ADJUSTED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

Millions	2009 ZAR	208 ZAR
Interest and similar income	**49 332**	55 154
Interest expense and similar charges	**33 795**	39 874
Net interest income	**15 537**	15 280
Impairments charge on loans and advances	**6 659**	4 755
Income from lending activities	**8 878**	10 525
Non-interest revenue	**10 338**	9 877
Operating income	**19 216**	20 402
Total operating expenses	**13 792**	12 671
– Operating expenses	**13 674**	12 484
– BEE transaction expenses	**118**	187
Indirect taxation	**402**	356
Profit from operations before non-trading and capital items	**5 022**	7 375
Non-trading and capital items	**(32)**	745
Profit from operations	**4 990**	8 120
Share of (losses)/profits of associates and joint ventures	**(1)**	9
Profit before direct taxation	**4 989**	8 129
Direct taxation	**960**	1 791
Profit for the year	**4 029**	6 338
Non-controlling interest attributable to ordinary shareholders	**224**	217
Non-controlling interest attributable to preference shareholders	**15**	15
Profit attributable to equity holders of the parent	**3 790**	6 106
Less: non-trading and capital items	**(33)**	637
– Non-trading and capital items	**(32)**	745
– Tax on non-trading and capital items	**(1)**	(108)
Headline earnings	**3 823**	5 469
Average exchange rate at 31 December for R1	**1**	1

The statement of comprehensive income reported in South African rands has been translated into other currencies at the average exchange rates for the year. Refer to note 45.

2009 USD	2008 USD	2009 GBP	2008 GBP	2009 EUR	2008 EUR
5 935	6 679	**3 813**	3 668	**4 282**	4 572
4 066	4 829	**2 612**	2 652	**2 933**	3 306
1 869	1 850	**1 201**	1 016	**1 349**	1 266
801	576	**515**	316	**578**	394
1 068	1 274	**686**	700	**771**	872
1 244	1 197	**799**	657	**897**	819
2 312	2 471	**1 485**	1 357	**1 668**	1 691
1 659	1 535	**1 066**	843	**1 197**	1 051
1 645	1 512	**1 057**	831	**1 187**	1 035
14	23	**9**	12	**10**	16
48	43	**31**	24	**35**	30
605	893	**388**	490	**436**	610
(4)	90	**(2)**	50	**(3)**	62
601	983	**386**	540	**433**	672
	1		1		1
601	984	**386**	541	**433**	673
116	217	**74**	119	**84**	148
485	767	**312**	422	**349**	525
27	26	**17**	14	**19**	18
2	2	**1**	1	**1**	1
456	739	**294**	407	**329**	506
(4)	77	**(2)**	43	**(3)**	53
(4)	90	**(2)**	50	**(3)**	62
	(13)		(7)		(9)
460	662	**296**	364	**332**	453
0,1203	0,1211	**0,0773**	0,0665	**0,0868**	0,0829

CONSOLIDATED CURRENCY-ADJUSTED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER

Millions	2009 ZAR	2008 ZAR
ASSETS		
Cash and cash equivalents	**6 823**	7 638
Other short-term securities	**14 408**	10 411
Derivative financial instruments	**12 871**	23 114
Government and other securities	**35 754**	41 834
Loans and advances	**444 403**	433 422
Other assets	**3 917**	4 731
Clients' indebtedness for acceptances	**2 025**	2 998
Current taxation receivable	**580**	314
Investment securities	**3 012**	2 743
Non-current assets held for sale	**12**	10
Investments in associate companies and joint ventures	**922**	913
Deferred taxation asset	**36**	71
Investment property	**102**	104
Property and equipment	**4 754**	4 124
Long-term employee benefit assets	**1 783**	1 667
Mandatory reserve deposits with central bank	**10 437**	10 061
Intangible assets	**3 151**	2 977
Total assets	**544 990**	547 132
EQUITY AND LIABILITIES		
Ordinary share capital	**27**	27
Ordinary share premium	**14 422**	14 422
Reserves	**18 174**	16 927
Total equity attributable to equity holders of the parent	**32 623**	31 376
Preference share capital and premium	**3 483**	3 122
Non-controlling interest attributable to:		
– ordinary shareholders	**1 796**	1 644
– preference shareholders	**91**	300
Total equity	**37 993**	36 442
Derivative financial instruments	**10 799**	23 077
Amounts owed to depositors	**465 899**	461 084
Provisions and other liabilities	**5 218**	6 145
Liabilities under acceptances	**2 025**	2 998
Current taxation liabilities	**162**	117
Deferred taxation liabilities	**1 514**	1 982
Long-term employee benefit liabilities	**1 298**	1 227
Long-term debt instruments	**20 082**	14 060
Total liabilities	**506 997**	510 690
Total equity and liabilities	**544 990**	547 132
Guarantees on behalf of clients	**27 827**	25 154
Exchange rate at 31 December for R1	**1**	1

The statement of financial position reported in South African rands has been translated into other currencies at the closing exchange rate at 31 December. Refer to note 45.

2009 USD	2008 USD	2009 GBP	2008 GBP	2009 EUR	2008 EUR
924	814	**573**	561	**642**	578
1 952	1 111	**1 210**	765	**1 356**	788
1 744	2 466	**1 081**	1 699	**1 211**	1 750
4 845	4 464	**3 003**	3 075	**3 364**	3 167
60 217	46 246	**37 330**	31 856	**41 818**	32 810
531	505	**329**	348	**369**	358
274	320	**170**	220	**191**	227
79	34	**49**	23	**55**	24
408	293	**253**	202	**283**	208
2	1	**1**	1	**1**	1
125	97	**77**	67	**87**	69
5	8	**3**	5	**3**	5
14	11	**9**	8	**10**	8
644	440	**399**	303	**447**	311
241	178	**150**	123	**168**	126
1 414	1 074	**877**	739	**982**	762
427	317	**265**	219	**297**	226
73 846	58 379	**45 779**	40 214	**51 284**	41 418
4	3	**2**	2	**3**	2
1 954	1 539	**1 211**	1 060	**1 357**	1 092
2 463	1 806	**1 527**	1 244	**1 710**	1 281
4 421	3 348	**2 740**	2 306	**3 070**	2 375
472	333	**293**	229	**328**	236
243	175	**151**	121	**169**	125
12	32	**8**	22	**9**	23
5 148	3 888	**3 192**	2 678	**3 576**	2 759
1 463	2 462	**907**	1 696	**1 016**	1 747
63 129	49 198	**39 135**	33 890	**43 841**	34 904
707	656	**438**	452	**491**	465
275	320	**170**	220	**191**	227
22	12	**14**	9	**15**	9
205	212	**127**	146	**142**	150
176	131	**109**	90	**122**	93
2 721	1 500	**1 687**	1 033	**1 890**	1 064
68 698	54 491	**42 587**	37 536	**47 708**	38 659
73 846	58 379	**45 779**	40 214	**51 284**	41 418
3 771	2 684	**2 337**	1 849	**2 619**	1 904
0,1355	0,1067	**0,0840**	0,0735	**0,0941**	0,0757

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

Rm	Number of ordinary shares	Ordinary share capital	Ordinary share premium	Foreign currency translation reserve*	Property revaluation reserve **
Balance at 31 December 2007	27 240 023	27	14 422	(30)	824
Shares issued by subsidiary					
Preference share dividends paid					
Ordinary non-controlling shareholders' share of preference dividends paid					
Dividends to shareholders					
Total income and expense for the year		–	–	17	98
Total comprehensive income for the year				(24)	78
Net income/(expense) recognised directly in equity		–	–	41	20
– Transfer to/(from) reserves				41	20
– Share-based payments reserve movement					
– Regulatory risk reserve provision					
– Disposal of subsidiaries					
– Other movements					
Balance at 31 December 2008	**27 240 023**	**27**	**14 422**	**(13)**	**922**
Shares issued by subsidiary					
Preference share dividends paid					
Ordinary non-controlling shareholders' share of preference dividends paid					
Dividends to shareholders					
Total income and expense for the year		**–**	**–**	**32**	**52**
Total comprehensive income for the year				**32**	**86**
Net income/(expense) recognised directly in equity		**–**	**–**	**–**	**(34)**
– Transfer to/(from) reserves					**(34)**
– Preference shares acquired by group entities					
– Share-based payments reserve movement					
– Regulatory risk reserve provision					
– Buyout of non-controlling interests					
Balance at 31 December 2009	**27 240 023**	**27**	**14 422**	**19**	**974**

* *This represents the cumulative foreign exchange differences that arise on the translation of an entity with a different functional currency compared with that of the group. The cumulative reserve relating to a subsidiary that is disposed of is included in the determination of profit/loss on disposal of the subsidiary.*

** *This represents the cumulative amounts that have been recognised on the revaluation of group properties net of deferred tax. When the property is disposed of, the cumulative revaluation surplus is transferred directly to retained income.*

*** *All share-based payment expenses are recognised in the statement of comprehensive income, with the corresponding amount recognised in share-based payments reserves. Any excess tax benefit over the relative tax on the share-based payments expense is recognised directly in this reserve. On the expiry or exercise of a share-based instrument the cumulative amount recognised in this respect is transferred directly to other distributable reserves.*

Share-based payments reserve ***	Other non-distributable reserves ****	Available-for-sale reserve *****	Other distributable reserves ******	Total equity attributable to equity holders of the parent	Preference share capital and premium	Non-controlling interest attributable to ordinary shareholders	Non-controlling interest attributable to preference shareholders	Total equity
620	398	392	11 750	28 403	3 122	1 307	300	33 132
				–		225		225
			(333)	(333)			(30)	(363)
				–		(15)	15	–
			(2 294)	(2 294)		(67)		(2 361)
(338)	(295)	(282)	6 400	5 600	–	194	15	5 809
		(278)	6 106	5 882		223	15	6 120
(338)	(295)	(4)	294	(282)	–	(29)	–	(311)
(50)	(302)	(4)	295	–				–
(288)				(288)				(288)
	7			7				7
				–		(29)		(29)
			(1)	(1)				(1)
282	**103**	**110**	**15 523**	**31 376**	**3 122**	**1 644**	**300**	**36 442**
				–	**361**			**361**
			(335)	**(335)**			**(30)**	**(365)**
				–		**(15)**	**15**	**–**
			(2 070)	**(2 070)**		**(5)**		**(2 075)**
(487)	**16**	**146**	**3 893**	**3 652**	**–**	**172**	**(194)**	**3 630**
		146	**3 790**	**4 054**		**224**	**15**	**4 293**
(487)	**16**	**–**	**103**	**(402)**	**–**	**(52)**	**(209)**	**(663)**
(88)	**19**		**103**	**–**				**–**
				–			**(209)**	**(209)**
(399)				**(399)**				**(399)**
	(3)			**(3)**				**(3)**
				–		**(52)**		**(52)**
(205)	**119**	**256**	**17 011**	**32 623**	**3 483**	**1 796**	**91**	**37 993**

**** *Represents other non-distributable revaluation surpluses on capital items and non-distributable reserves transferred from other distributable reserves in order to comply with various banking regulations.*

***** *This comprises all fair-value adjustments, net of the related tax on all financial assets that have been classified as available for sale. On the disposal of available-for-sale financial assets the cumulative gains and the associated tax recognised on these instruments are recognised in profit and loss for the period and are not included in the determination of headline earnings per share.*

****** *Represents the accumulated profits after distributions to shareholders and appropriation of retained earnings to other non-distributable earnings.*

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2009 Rm	2008 Rm
Cash generated by operations	46.1	**13 703**	13 867
Cash received from clients	46.2	**59 615**	64 802
Cash paid to clients, employees and suppliers	46.3	**(46 566)**	(51 509)
Dividends received on investments		**47**	221
Recoveries on loans previously written off		**435**	349
Effects of exchange rate changes on opening cash and cash equivalents (excluding foreign borrowings)		**172**	4
Change in funds for operating activities		**(14 018)**	(9 842)
Increase in operating assets	46.4	**(4 708)**	(90 616)
(Decrease)/Increase in operating liabilities	46.5	**(9 310)**	80 774
Net cash (utilised by)/from operating activities before taxation		**(315)**	4 025
Taxation paid	46.6	**(1 977)**	(2 087)
Cashflows (utilised by)/from operating activities		**(2 292)**	1 938
Cashflows utilised by investing activities		**(1 734)**	(1 214)
Acquisition of property and equipment, computer software and development costs and investment property		**(1 789)**	(1 507)
Disposal of property and equipment, computer software and development costs and investment property		**208**	18
Net movement in non-current assets		**(2)**	(10)
Disposal of investment banking assets		**9**	8
Acquisition of associate companies		**(84)**	(318)
Disposal of associate companies		**74**	145
Acquisition of other investments		**(105)**	(721)
Disposal of other investments		**(45)**	1 131
Disposal of investments in subsidiary companies net of cash	46.7		40
Cashflows from/(utilised by) financing activities		**3 587**	(921)
Issue of long-term debt instruments		**6 192**	2 264
Redemption of long-term debt instruments		**(170)**	(528)
Dividends paid to ordinary shareholders	46.8	**(2 070)**	(2 294)
Preference share dividends paid		**(365)**	(363)
Net decrease in cash and cash equivalents		**(439)**	(197)
Cash and cash equivalents at the beginning of the year*		**17 699**	17 896
Cash and cash equivalents at the end of the year*	21	**17 260**	17 699

** Including mandatory reserve deposits with central banks.*

SEGMENTAL REPORTING

FOR THE YEAR ENDED 31 DECEMBER

The group's identification of its segments and the measurement of segment results are based on the group's internal management reporting as used for day-to-day decisionmaking. The segments have been identified according to the nature of their respective products and services and their related target markets.

Nedbank Capital

Nedbank Capital comprises the group's investment banking businesses that together manage the structuring, lending, underwriting and trading businesses. Nedbank Capital seeks to provide seamless specialist advice, debt and equity raising and execution and trading capabilities in all the major South African business sectors.

Nedbank Corporate

Nedbank Corporate comprises the client-focused businesses of Corporate Banking, Property Finance, Nedbank Africa and the specialist businesses of Transactional Banking and Shared Services. These businesses focus mainly on providing lending, deposit-taking and transactional banking solutions and execution services to the wholesale banking client base of Nedbank Corporate Banking services companies with an annual turnover in excess of R400 million as well as black economic empowerment (BEE) and public sector clients. Property Finance specialises in commercial and industrial property finance in the middle to large corporate market and also invests in property equities and in large property developments in partnership with selected clients. Nedbank Africa has banking operations in Lesotho, Malawi, Namibia, Swaziland and Zimbabwe. Nedbank Africa operates in the retail and wholesale banking segments in each country.

Business Banking

Business Banking offers the full spectrum of commercial banking products and related services to companies with an annual turnover of up to R400 million.

Nedbank Retail

Nedbank Retail fulfils the financial services needs of individuals and small businesses through its offering of various transactional, card, lending, investment and insurance products. Nedbank Retail also services merchants and large corporates in respect of card-acquiring services. Services are provided through the brands within the Nedbank Retail stable, being Nedbank, Nedgroup Investments, BoE Private Clients, Fairbairn Private Bank and Fairbairn Trust Company. The retail product portfolio includes transactional accounts, home loans, vehicle and asset-based finance, card, personal loans, bancassurance, investments and specialised products such as wills, stockbroking and portfolio advice.

Imperial Bank

Imperial Bank is a joint venture with Imperial Holdings Limited and provides predominantly asset-based finance, with most advances comprising vehicle finance and selected niche market financing. The bank has four divisions; Motor Finance, Property Finance, Professional Finance and Supplier Asset Finance. Supplier Asset Finance is focused on financing office equipment for the business community, providing asset-based finance to the aviation, transport and material handling sectors, and rendering a specialised debt collection service. Professional Finance provides a range of asset-based finance products to the medical and dental markets in South Africa, making finance available for residential properties, motor vehicles, equipment, practice needs and project finance for large medical facilities by way of mortgage loans, instalment sale facilities and loans.

Shared Services

Shared Services is an aggregation of business operations that provide various support services to the Nedbank Group which includes the following clusters: Group Technology, Group Strategy and Corporate Affairs, Human Resources, Enterprise Governance and Compliance, Group Risk and Group Finance – Shared Services.

Central Management

Includes group capital instruments together with certain group overheads not recoverable from business segments.

SEGMENTAL REPORTING

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

	Nedbank Limited		Fellow subsidiaries		Nedbank Capital	
	2009	2008	2009	2008	2009	2008
STATEMENT OF FINANCIAL POSITION (Rm)						
Cash and cash equivalents	17 260	17 699	(1 115)	(975)	2 875	2 488
Other short-term securities	14 408	10 411	(4 142)	(8 178)	12 233	8 880
Derivative financial instruments	12 871	23 114	161	793	12 471	21 972
Government and other securities	35 754	41 834	(229)	(304)	12 519	11 466
Loans and advances	444 403	433 422	(5 898)	(811)	55 315	47 686
Other assets	20 294	20 652	(14 490)	(10 416)	3 393	3 473
Intergroup assets	–	–			97 754	92 741
Total assets	544 990	547 132	(25 713)	(19 891)	196 560	188 706
Equity and liabilities						
Amounts owed to depositors	465 899	461 084	(3 456)	(5 806)	175 041	157 017
Provisions and other liabilities	10 217	12 469	(14 512)	(9 793)	6 399	4 844
Derivative financial instruments	10 799	23 077	(752)	(660)	11 404	23 521
Intergroup liabilities	–	–				
Long-term debt instruments	20 082	14 060	(2)	(1)	739	
Allocated capital	37 993	36 442	(6 991)	(3 631)	2 977	3 324
Total equity and liabilities	544 990	547 132	(25 713)	(19 891)	196 560	188 706
STATEMENT OF COMPREHENSIVE INCOME (Rm)						
Net interest income	15 537	15 280	(769)	(890)	1 111	938
Impairments charge on loans and advances	6 659	4 755	25	(67)	141	36
Income from lending activities	8 878	10 525	(794)	(823)	970	902
Non-interest revenue	10 338	9 877	(1 568)	(852)	2 235	1 782
Operating income	19 216	20 402	(2 362)	(1 675)	3 205	2 684
Total operating expenses	13 792	12 671	(1 308)	(1 070)	1 605	1 419
Operating expenses	13 674	12 484	(1 300)	(1 063)	1 570	1 387
BEE transaction expenses	118	187	(8)	(7)	35	32
Indirect taxation	402	356	(36)	(18)	23	24
Profit/(Loss) from operations	5 022	7 375	(1 018)	(587)	1 577	1 241
Share of (losses)/profits of associates and joint ventures	(1)	9	(56)	(145)		
Profit/(Loss) before direct taxation	5 021	7 384	(1 074)	(732)	1 577	1 241
Direct taxation	959	1 683	(273)	(74)	230	(32)
Profit/(Loss) after direct taxation	4 062	5 701	(801)	(658)	1 347	1 273
Profit attributable to non-controlling interest:						
– ordinary shareholders	224	217	(18)	(40)	(2)	7
– preference shareholders	15	15	(329)	(322)		
Headline earnings	3 823	5 469	(454)	(296)	1 349	1 266
SELECTED RATIOS*						
Average interest-earning banking assets (Rm)	447 928	403 842	(33 450)	(37 871)	139 087	106 770
Return on average assets (%)	0,7+	1,1+			0,7	0,8
Return on risk-adjusted capital (%)	11,9+	18,3+			45,3	38,1
Interest margin (%)	3,47	3,78			0,80	0,88
Non-interest revenue to gross income (%)	40,0	39,3			66,8	65,5
Credit loss ratio (%)	1,49	1,16			0,26	0,06
Efficiency ratio (%)	53,3	50,4			48,0	52,2
Efficiency ratio (excluding BEE transaction expense) (%)	52,8	49,6			46,9	51,0
Effective taxation rate (%)	19,1	22,8			14,6	(2,6)
Contribution to group economic profit (Rm)	(233)	1 509	(159)	(283)	955	805
Number of employees	26 007	26 193	(1 030)	(1 377)	695	693

+ These ratios were calculated on simple average assets and equity.
** These ratios (unless otherwise stated) were calculated using amounts to Rm.*

Depreciation of R600 million (2008: R597 million) and amortisation of R441 million (2008: R399 million) costs for property, equipment, computer software and capitalised development are charged on an activity-justified transfer pricing methodology by the segment owning the assets to the segment utilising the benefits thereof.

Nedbank Corporate		Business Banking		Nedbank Retail		Imperial Bank		Shared Services		Central Management		Eliminations	
2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
1 807	2 381		(1)	1 686	1 780	1 216	1 102	194	108	10 597	10 816		
949	756			3 021	6 935	2 347	1 563				455		
79	36			13	280	18	19			129	14		
4 060	4 207					207	534			19 197	25 931		
137 173	136 222	50 115	55 321	157 500	150 107	50 451	44 734	121	94	(374)	69		
4 538	4 904	809	881	15 637	11 861	1 088	784	7 116	6 171	2 203	2 994		
		28 462	23 445			333	32			2 735	(3 640)	(129 284)	(112 578)
148 606	148 506	79 386	79 646	177 857	170 963	55 660	48 768	7 431	6 373	34 487	36 639	(129 284)	(112 578)
119 811	133 798	75 021	74 242	98 151	98 861	1 181	1 361	340	301	(190)	1 310		
2 417	3 600	1 007	1 089	10 939	8 330	420	321	3 842	3 428	(295)	650		
76	35			4	84	52	78	1		14	19		
21 029	5 026			56 995	52 335	49 099	42 856	2 160	1 585	1	10 776	(129 284)	(112 578)
2	172			2 019	2 031	1 147	792			16 177	11 066		
5 271	5 875	3 358	4 315	9 749	9 322	3 761	3 360	1 088	1 059	18 780	12 818		
148 606	148 506	79 386	79 646	177 857	170 963	55 660	48 768	7 431	6 373	34 487	36 639	(129 284)	(112 578)
2 966	2 671	2 710	3 227	7 016	7 497	2 033	1 733	(191)	(361)	661	465		
327	141	284	330	4 925	3 630	957	701	1	(1)	(1)	(15)		
2 639	2 530	2 426	2 897	2 091	3 867	1 076	1 032	(192)	(360)	662	480	–	–
1 490	1 455	1 211	1 123	6 494	5 546	199	88	387	362	(33)	449	(77)	(76)
4 129	3 985	3 637	4 020	8 585	9 413	1 275	1 120	195	2	629	929	(77)	(76)
2 047	1 964	2 119	2 055	8 762	7 973	626	525	84	132	(66)	(251)	(77)	(76)
2 021	1 939	2 111	2 048	8 727	7 881	626	525	42	90	(46)	(247)	(77)	(76)
26	25	8	7	35	92			42	42	(20)	(4)		
28	24	22	19	191	173	50	51	122	80	2	3		
2 054	1 997	1 496	1 946	(368)	1 267	599	544	(11)	(210)	693	1 177	–	–
(1)	9			56	146						(1)		
2 053	2 006	1 496	1 946	(312)	1 413	599	544	(11)	(210)	693	1 176	–	–
501	426	441	586	(166)	357	168	182	(144)	(178)	202	416		
1 552	1 580	1 055	1 360	(146)	1 056	431	362	133	(32)	491	760	–	–
18	16			10	54	215	181			1	(1)		
						15	15			329	322		
1 534	1 564	1 055	1 360	(156)	1 002	201	166	133	(32)	161	439	–	–
142 908	144 288	80 023	76 861	160 037	151 974	49 055	41 554	126	104	21 288	19 286	(111 146)	(99 124)
1,0	1,1	1,3	1,8	(0,1)	0,6	0,8	0,8						
29,1	26,6	31,4	31,5	(1,6)	10,8	13,2	13,2						
2,08	1,85	3,39	4,20	4,38	4,93	4,14	4,17						
33,4	35,3	30,9	25,8	48,1	42,5	8,9	4,8						
0,24	0,12	0,52	0,59	3,08	2,47	1,97	1,71						
45,9	47,6	54,1	47,2	64,9	61,1	28,0	28,8						
45,4	47,0	53,9	47,1	64,6	60,4	28,0	28,8						
24,4	21,2	29,5	30,1	53,1	25,3	28,1	33,5						
836	749	610	762	(1 448)	(291)	201	166	(11)	(179)	(1 217)	(222)		
3 719	3 911	2 229	2 281	16 058	16 461	1 107	1 148	3 212	3 060	17	16		

GEOGRAPHICAL SEGMENTAL REPORTING

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

	Nedbank Limited		Fellow subsidiaries	
STATEMENT OF FINANCIAL POSITION (Rm)	**2009**	2008	**2009**	2008
ASSETS				
Cash and cash equivalents	**17 260**	17 699	**(1 115)**	(975)
Other short-term securities	**14 408**	10 411	**(4 142)**	(8 178)
Derivative financial instruments	**12 871**	23 114	**161**	793
Government and other securities	**35 754**	41 834	**(229)**	(304)
Loans and advances	**444 403**	433 422	**(5 898)**	(811)
Other assets	**20 294**	20 652	**(14 490)**	(10 416)
Intergroup assets				
Total assets	**544 990**	547 132	**(25 713)**	(19 891)
EQUITY AND LIABILITIES				
Total equity	**37 993**	36 442	**(6 991)**	(3 631)
Derivative financial instruments	**10 799**	23 077	**(752)**	(660)
Amounts owed to depositors	**465 899**	461 084	**(3 456)**	(5 806)
Provisions and other liabilities	**10 217**	12 469	**(14 512)**	(9 793)
Intergroup liabilities				
Long-term debt instruments	**20 082**	14 060	**(2)**	(1)
Total equity and liabilities	**544 990**	547 132	**(25 713)**	(19 891)
STATEMENT OF COMPREHENSIVE INCOME (Rm)				
Net interest income	**15 537**	15 280	**(769)**	(890)
Impairments charge on loans and advances	**6 659**	4 755	**25**	(67)
Income from lending activities	**8 878**	10 525	**(794)**	(823)
Non-interest revenue	**10 338**	9 877	**(1 568)**	(852)
Operating income	**19 216**	20 402	**(2 362)**	(1 675)
Total operating expenses	**13 792**	12 671	**(1 308)**	(1 070)
Operating expenses	**13 674**	12 484	**(1 300)**	(1 063)
BEE transaction expenses	**118**	187	**(8)**	(7)
Indirect taxation	**402**	356	**(36)**	(18)
Profit from operations	**5 022**	7 375	**(1 018)**	(587)
Share of profits of associates and joint ventures	**(1)**	9	**(56)**	(145)
Profit before direct taxation	**5 021**	7 384	**(1 074)**	(732)
Direct taxation	**959**	1 683	**(273)**	(74)
Profit/(Loss) after direct taxation	**4 062**	5 701	**(801)**	(658)
Profit attributable to non-controlling interest:				
– ordinary shareholders	**224**	217	**(18)**	(40)
– preference shareholders	**15**	15	**(329)**	(322)
Headline earnings	**3 823**	5 469	**(454)**	(296)

South Africa		Rest of Africa		Rest of world	
2009	2008	**2009**	2008	**2009**	2008
14 536	15 376	**1 224**	1 670	**2 615**	1 628
13 847	9 596	**949**	764	**3 754**	8 229
12 402	21 353	**79**	72	**229**	896
33 929	39 789	**95**	116	**1 959**	2 233
425 133	409 369	**7 820**	5 897	**17 348**	18 967
31 617	27 547	**691**	542	**2 476**	2 979
(9 950)	(9 468)	**1 639**	1 502	**8 311**	7 966
521 514	513 562	**12 497**	10 563	**36 692**	42 898
40 115	34 648	**1 446**	1 123	**3 423**	4 302
11 226	22 607	**76**	68	**249**	1 062
435 956	431 906	**9 995**	8 298	**23 404**	26 686
23 676	21 378	**378**	403	**675**	481
(9 541)	(10 866)	**600**	669	**8 941**	10 197
20 082	13 889	**2**	2		170
521 514	513 562	**12 497**	10 563	**36 692**	42 898
15 440	15 182	**519**	516	**347**	472
6 360	4 696	**34**	33	**240**	93
9 080	10 486	**485**	483	**107**	379
10 787	10 018	**375**	281	**744**	430
19 867	20 504	**860**	764	**851**	809
14 066	12 688	**524**	472	**510**	581
13 947	12 497	**517**	469	**510**	581
119	191	**7**	3		
423	358	**11**	10	**4**	6
5 378	7 458	**325**	282	**337**	222
55	154				
5 433	7 612	**325**	282	**337**	222
1 080	1 665	**94**	84	**58**	8
4 353	5 947	**231**	198	**279**	214
209	202	**18**	16	**15**	39
344	337				
3 800	5 408	**213**	182	**264**	175

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER

1 Principal accounting policies

The following principal accounting policies have been applied consistently in dealing with items that are considered material in relation to the Nedbank Limited consolidated financial statements:

1.1 Basis of preparation

The financial statements have been prepared on a going-concern basis and have been prepared on a consistent basis with the prior year, except as detailed in note 3.

The group and company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the South African Companies Act, 1973, as amended.

The financial statements are presented in South African rands, the functional currency of Nedbank Limited, and are rounded to the nearest million rands. The statements are prepared on the accrual and historical-cost basis of accounting, except for:

- non-current assets and disposal groups held for sale, which are all stated at the lower of the carrying amount and the fair value less costs to sell; and
- the following assets and liabilities, which are stated at their fair value:
  - financial assets and financial liabilities classified as at fair value through profit or loss;
  - financial assets classified as available for sale; and
  - investment properties and owner-occupied properties.

1.2 Foreign currency translation

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the individual entities in the group at the date of the transaction by applying the spot exchange rate ruling at the transaction date to the foreign currency amounts.

The functional currency of the individual entities in the group is the currency of the primary economic environment in which these entities operate.

Monetary assets and liabilities in foreign currencies are translated into the functional currency of the respective entities of the group at the spot exchange rate ruling at the reporting date.

Exchange differences that arise on the settlement or translation of monetary items at rates that are different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period that they arise.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the respective functional currencies of the group entities using the foreign exchange rates ruling at the dates when the fair values were determined.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are converted into the functional currency of the respective group entities at the rate of exchange ruling at the date of the transaction and are not subsequently retranslated.

Exchange differences on non-monetary items are recognised consistently with the gains and losses that arise on such items. For example, exchange differences relating to an item for which gains and losses are recognised directly in equity are recognised in equity. Conversely, exchange differences for non-monetary items for which gains and losses are recognised in profit or loss are recognised in profit or loss in the period in which they arise.

Investments in foreign operations

Nedbank Limited's presentation currency is South African rands.

The assets and liabilities, including goodwill, of those entities that have functional currencies other than that of the group (South African rands) are translated at the closing rate. Income and expenses are translated using the average exchange rate for the period. The differences that arise on translation of these entities are recognised directly in equity. All these exchange differences are recognised as a separate component of equity in other comprehensive income in the statement of comprehensive income. This is represented by the cumulative balance in the foreign currency translation reserve.

On disposal of a foreign operation the cumulative exchange differences deferred in the foreign currency translation reserve relating to the foreign operation being disposed of are recognised in profit or loss when the gain or loss on disposal is recognised.

The primary and major determinants for non-rand functional currencies are the economic factors that determine the sales price for goods and services as well as costs. Additional supplementary factors to be considered are funding, autonomy and cashflows.

1.3 Group accounting

Subsidiary undertakings and special-purpose entities

- Group

  Subsidiary undertakings are those entities, including unincorporated entities such as trusts and partnerships, that are controlled by the group. The group financial statements include the assets, liabilities and results of the company plus subsidiaries, including special-purpose entities (SPEs) controlled by the group from the date of acquisition until the date the group ceases to control the subsidiary. Subsidiary undertakings are consolidated when they are considered to be material to the financial statements of the group.

  Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when the group owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity, unless, in exceptional circumstances, it can clearly be demonstrated that such ownership does not constitute control. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are taken into account when assessing whether the group has control.

  Subsidiaries include SPEs that are created to accomplish a narrow and well-defined objective, which may take the form of a company, corporation, trust, partnership or unincorporated entity. The assessment of whether control exists over SPEs is based on the substance of the relationship between the group and the SPE. SPEs in which the group holds half or less of the voting rights, but which are controlled by the group by retaining the majority of risks or benefits, are consolidated in the group financial statements.

  Intragroup balances, transactions, income and expenses, and profits and losses are eliminated in preparation of the group financial statements. Unrealised losses are not eliminated to the extent that they provide objective evidence of impairment.

Associates

An associate is an entity, including an unincorporated entity, over which the group has the ability to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investment (that is neither a subsidiary nor an investment in a joint venture). This is generally demonstrated by the group holding in excess of 20%, but no more than 50%, of the voting rights.

The profit or loss of the associate and assets and liabilities, including goodwill identified on acquisition, net of any accumulated impairment losses, are included in the group financial statements using the equity method of accounting from the date significant influence commences until the date significant influence ceases. Where an associate has a reporting period that is different from that of the group, the results of the associate are adjusted to reflect a reporting period consistent with the consolidating company's reporting period. The carrying amount of such investments is reduced to recognise any impairment in the value of individual investments. When the group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil, inclusive of any debt outstanding. The recognition of further losses is discontinued, except to the extent that the group has incurred or guaranteed obligations in respect of the associate.

Where an entity within the group transacts with an associate of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the relevant associate.

Investments in associates that are held with the intention of disposing thereof within 12 months are accounted for and classified as non-current assets held for sale.

1 Principal accounting policies ... continued

1.3 Group accounting ... continued

Joint ventures

Joint ventures are those entities over which the group has joint control in terms of a contractual agreement. Jointly controlled entities are incorporated into the group financial statements using the equity method of accounting. The carrying amount of such investments is reduced to recognise any impairment in the value of individual investments by applying the impairment methodology described in 1.8.

Where an entity within the group transacts with a joint venture of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the joint venture. When the group's share of losses exceeds the carrying amount of the joint venture, the carrying amount is reduced to nil. The recognition of further losses is discontinued, except to the extent that the group has incurred or guaranteed obligations in respect of the joint venture.

Investments in joint ventures that are held with the intention of disposing thereof within 12 months are accounted for and classified as non-current assets held for sale.

Investments held by venture capital divisions

Where the group has an investment in an associate company or joint venture company held by a venture capital division, whose primary business is to purchase and dispose of minority stakes in entities, the investment is classified as designated fair value through profit or loss, as the divisions are managed on a fair-value basis. Changes in fair value are recognised in the non-interest revenue line in profit or loss in the period in which they occur.

Acquisitions and disposals of stakes in group companies

Acquisitions of subsidiaries (entities acquired) and businesses (assets and liabilities acquired) are accounted for using the acquisition method. The cost of a business combination is measured as the aggregate of the fair values (at the acquisition date) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. For all transactions subsequent to 31 December 2008 acquisition-related costs are recognised in profit or loss as incurred. Prior to this date all acquisition-related costs were capitalised to the cost of the acquisition.

Where appropriate, the cost of acquisition that includes any asset or liability resulting from a contingent consideration arrangement is measured at the acquisition date fair value of such asset or liability. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with the relevant IFRS. Changes in the fair value of contingent consideration that have been classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the date of acquisition, except:

- deferred tax assets or liabilities, which are recognised and measured in accordance with IAS 12 Income Taxes, and liabilities or assets related to employee benefit arrangements, which are recognised and measured in accordance with IAS 19 Employee Benefits;
- liabilities or equity instruments that relate to the replacement, by the group, of an acquiree's share-based payment awards, which are measured in accordance with IFRS 2 Share-based Payments; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Where provisional amounts were reported, these are adjusted during the measurement period (see below). Additional assets or liabilities are recognised to reflect any new information obtained about the facts and circumstances that existed at the date of acquisition, which if known, would have affected the amounts recognised on that date.

The measurement period is the period from the date of acquisition to the date the group receives complete information about the facts and circumstances that existed at the acquisition date. This measurement period is subject to a maximum of one year after the acquisition date.

Where a business combination is achieved in stages, the group's previously held interest in the acquiree entity is remeasured to fair value at the acquisition date on the date the group attains control, and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from an interest in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest was disposed of.

A non-controlling interest in the net assets of consolidated subsidiaries is identified separately from the group's equity therein. The interest of a non-controlling shareholder is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to the acquisition, a non-controlling interest consists of the amount attributed to such interest at initial recognition and the non-controlling interest's share of changes in equity since the date of the combination.

The difference between the proceeds from the disposal of a subsidiary and its carrying amount at the date of disposal, including the cumulative amount of any exchange differences recognised in the statement of changes in equity that relate to the subsidiary, is recognised in the group profit and loss as the gain or loss on the disposal of the subsidiary.

Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners). Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the group.

This accounting policy has been adopted for all transactions after 1 January 2009. The accounting for prior transactions has not been restated.

Goodwill

Goodwill arising on the acquisition of a subsidiary is recognised as an asset on the date that control is acquired, being the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net fair value of the identifiable net assets recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred plus the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any), this excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised, but is reviewed for impairment at least once a year. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1.4 Financial instruments

Financial instruments, as recognised on the statement of financial position, include all financial assets and financial liabilities, including derivative instruments, but exclude investments in subsidiaries, associate companies and joint ventures (other than investments held by venture capital divisions) and employee benefit plans. Financial instruments are accounted for under IAS 32 Financial Instruments: Presentation, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosure.

The group does not currently apply hedge accounting. This accounting policy should be read in conjunction with the group's categorised statement of financial position and the group's risk management policies.

Initial recognition

Financial instruments are recognised on the statement of financial position when the group becomes a party to the contractual provisions of a financial instrument. All purchases of financial assets that require delivery within the timeframe established by regulation or market convention ('regular way' purchases) are recognised at trade date, which is the date on which the group commits to purchase the financial asset. The liability to pay for 'regular way' purchases of financial assets is recognised on trade date, which is when the group becomes a party to the contractual provisions of the financial instrument.

Contracts that require or permit net settlement of the change in the value of the contract are not considered 'regular way' contracts and are treated as derivatives between the trade and settlement of the contract.

1 Principal accounting policies ... continued

1.4 Financial instruments ... continued

Initial measurement

Financial instruments that are designated at initial recognition as being at fair value through profit or loss are recognised at fair value with transaction costs, which are directly attributable to the acquisition or issue of the financial instruments, being recognised immediately through profit and loss.

Financial instruments that are not carried at fair value through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique, the variables of which include only data from observable markets, the group defers such differences (day-one gains or losses). Day-one gains or losses are amortised on a straight-line basis over the life of the financial instrument. To the extent that the inputs determining the fair value of the instrument become observable, or on derecognition of the instrument, day-one gains or losses are recognised immediately in profit or loss.

Categories of financial instruments

Subsequent to initial recognition, financial instruments are measured at fair value, amortised cost or cost, depending on their classification and whether fair value can be measured reliably:

- Financial instruments at fair value through profit or loss

  Financial instruments at fair value through profit or loss consist of instruments that are held for trading and instruments that the group has designated, at initial recognition date, as at fair value through profit or loss.

  The group classifies instruments as held for trading if they have been acquired or incurred principally for the purpose of sale or repurchase in the near term, they are part of a portfolio of identified financial instruments for which there is evidence of a recent actual pattern of short-term profit-taking or they are derivatives. The group's derivative transactions include foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, and currency and interest rate options (both written and purchased).

  Financial instruments that the group has elected, at initial recognition date, to designate as at fair value through profit or loss are those that meet any one of the following conditions:

  - the fair value through profit or loss designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on assets and liabilities on different bases;
  - the instrument forms part of a group of financial instruments that is managed and its performance is evaluated on a fair-value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel, using a fair-value basis; or
  - a contract contains one or more embedded derivatives that require separation from the host contract or a derivative that significantly modifies the cashflows of the host contract.

  Gains or losses on financial instruments at fair value through profit or loss (excluding interest income and interest expense calculated on the amortised-cost basis relating to interest-bearing instruments that have been designated as at fair value through profit or loss) are reported in non-interest revenue as they arise. Interest income and interest expense calculated in accordance with the effective-interest-rate method are reported in interest income and expense, except for interest income and interest expense on instruments held for trading, which are recognised in non-interest revenue.

  Gains or losses on the derecognition of trading financial liabilities are reported in non-interest revenue.

- Non-trading financial liabilities

  All financial liabilities, other than those at fair value through profit or loss, are classified as non-trading financial liabilities and are measured at amortised cost. Interest expense is recorded in net interest income.

- Held-to-maturity financial assets

  Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the group has the positive intention and ability to hold to maturity, other than those that meet the definition of loans and receivables or those that were designated as at fair value through profit or loss or available for sale. Held-to-maturity financial assets are measured at amortised cost, with interest income recognised in interest and similar income. Gains or losses arising on disposal of held-to-maturity financial assets are recognised in non-interest revenue.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, other than those financial assets classified by the group on initial recognition as at fair value through profit or loss, available for sale or loans and receivables that are held for trading.

  Financial assets that are classified as loans and receivables are carried at amortised cost, with interest income recognised in interest and similar income. Gains or losses arising on disposal are recognised in non-interest revenue. The majority of the group's advances are included in the loans and receivables category.

- Available-for-sale financial assets

  Available-for-sale financial assets are non-derivative financial assets that the group has designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets as at fair value through profit or loss.

  Available-for-sale financial assets are measured at fair value, with fair-value gains or losses recognised directly in equity, in the statement of other comprehensive income. Foreign currency translation gains or losses or interest income, calculated on the effective-interest-rate method, is reported in profit or loss.

  When available-for-sale financial assets are disposed of, the fair-value gains or losses accumulated in equity are recognised in profit and loss. Previous gains and losses recognised in the statement of other comprehensive income are reversed on disposal.

Embedded derivatives

Derivatives in a host contract that is a financial or non-financial instrument, such as an equity conversion option in a convertible bond, are separated from the host contract when all of the following conditions are met:

- The economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
- The combined contract is not measured at fair value, with changes in fair value recognised in profit or loss.

The host contract is accounted for:

- under IAS 39 if it is a financial instrument; and
- in accordance with other appropriate accounting standards if it is not a financial instrument.

If an embedded derivative is required to be separated from its host contract but it is not possible separately to measure the fair value of the embedded derivative, either at acquisition or at a subsequent financial reporting date, the entire hybrid instrument is categorised as at fair value through profit or loss and measured at fair value.

Measurement basis of financial instruments

There are two bases of measurement:

- amortised cost; and
- fair value.

- Amortised cost

  The amortised cost of a financial instrument is the amount at which the financial instrument is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective-interest-rate method of any difference between the initial contractual amount and the maturity amount, less any cumulative impairment losses.

1 Principal accounting policies ... continued

1.4 Financial instruments ... continued

Measurement basis of financial instruments ... continued

Amortised cost ... continued

The effective-interest-rate method is a method of calculating the amortised cost of a financial asset and of allocating the interest income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial instrument. When calculating the effective interest rate, we estimate cashflows considering all contractual terms of the financial instrument, but do not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

- Fair value

Fair value is defined as the price at which an asset or liability could be exchanged in a current transaction between knowledgeable, willing parties, other than in a forced or liquidation sale.

The fair value of instruments that are quoted in active markets is determined using the quoted prices where they represent those at which regularly and recently occurring transactions take place.

The group uses valuation techniques to establish the fair value of instruments where quoted prices in active markets are not available.

For a detailed discussion of the fair value of financial instruments refer to Note 6.1: Valuation of Financial Instruments on pages 72 to 77 of the annual financial statements.

Derecognition

The group derecognises a financial asset (or group of financial assets) or a part of a financial asset (or part of a group of financial assets) when and only when:

- the contractual rights to the cashflows arising from the financial asset have expired; or
- it transfers the financial asset, including substantially all the risks and rewards of ownership of the asset; or
- it transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retaining control of the asset.

A financial liability (or part of a financial liability) is derecognised when and only when the liability is extinguished, ie when the obligation specified in the contract is discharged, cancelled or has expired.

The difference between the carrying amount of a financial asset or financial liability (or part thereof) that is derecognised and the consideration paid or received, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss for the period.

The group securitises various consumer and commercial financial assets, generally resulting in the sale of these assets to SPEs, which in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of senior or subordinated tranches, interest-only strips or other residual interests (retained interests). Retained interests are primarily recorded in available-for-sale investment securities and carried at fair value. Gains or losses on securitisation depend in part on the carrying amount of the transferred financial assets, allocated between the financial assets derecognised and the retained interests based on their relative fair values at the date of transfer. Gains or losses on securitisation are recorded in other operating income and in profit and loss for the period.

Impairment of financial assets

The group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has (or events have) an impact on the estimated future cashflows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the group about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the group, granting to the borrower for economic or legal reasons relating to the borrower's financial difficulty, a concession that the group would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cashflows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including
  - adverse changes in the payment status of borrowers in the group; or
  - national or local economic conditions that correlate with defaults on the assets in the group.
- Assets carried at amortised cost
  If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity financial assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cashflows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

  The group first assesses whether there is objective evidence of impairment individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the group determines that there is no objective evidence of impairment for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

  If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal may not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date on which the impairment is reversed. The amount of the reversal is recognised in profit or loss for the period.
- Financial assets carried at cost
  If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not recognised at fair value, because its fair value cannot be reliably measured, or on a derivative asset that is linked to and has to be settled by delivery of such an unquoted equity instrument, or a financial asset that is carried at cost because its fair value could not be determined, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cashflows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.
- Available-for-sale financial assets
  When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity in the statement of comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised directly in equity in the statement of comprehensive income is removed from equity and recognised in profit or loss. The amount of the cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through profit or loss.

1 Principal accounting policies ... continued

1.4 Financial instruments ... continued

Impairment of financial assets ... continued

Available-for-sale financial assets ... continued

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss for the period.

- Maximum credit risk

  Credit risk arises principally from loans and advances to clients, investment securities derivatives and irrevocable commitments to provide facilities. The maximum credit risk is typically the gross carrying amount, net of any amounts offset and impairment losses. The maximum credit exposure for loan commitments is the full amount of the commitment if the loan cannot be settled net in cash or using another financial asset.

Offsetting financial instruments and related income

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when the group has a legally enforceable right to set off the financial asset and financial liability and the group has an intention of settling the asset and liability on a net basis or realising the asset and settling the liability simultaneously. Income and expense items are offset only to the extent that their related instruments have been offset in the statement of financial position.

Collateral

Financial and non-financial assets are held as collateral in respect of recognised financial assets. Such collateral, except cash collateral, is not recognised by the group, as the group does not retain the risks and rewards of ownership, and is obliged to return such collateral to counterparties on settlement of the related obligations. Should a counterparty be unable to settle its obligations, the group takes possession of collateral or calls on other credit enhancements as full or part settlement of such amounts. These assets are recognised when the applicable recognition criteria under IFRS are met, and the group's accounting policies are applied from the date of recognition. Cash collateral is recognised when the group receives the cash and is reported as amounts received from depositors. Collateral is also given to counterparties under certain financial arrangements, but such assets are not derecognised where the group retains the risks and rewards of ownership. Such assets are at risk to the extent that the group is unable to fulfil its obligations to counterparties.

Interest income and expense

Interest income and expense are recognised in profit or loss using the effective-interest-rate method taking into account the expected timing and amount of cashflows. The effective-interest-rate method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective-interest-rate basis.

Non-interest revenue

- Fees and commissions

  The group earns fees and commissions from a range of services it provides to clients and these are accounted for as follows:

  – Income earned on the execution of a significant act is recognised when the significant act has been performed.

  – Income earned from the provision of services is recognised as the service is rendered by reference to the stage of completion of the service.

  – Income that forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in interest income.

- Dividend income

  Dividend income is recognised when the right to receive payment is established on the ex dividend date for equity instruments and is included in dividend income under non-interest revenue.

- Net trading income

  Net trading income comprises all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading, together with the related interest, expense, costs and dividends. Interest earned while holding trading securities and interest incurred on trading liabilities are reported within non-interest revenue.

- Income from investment contracts

  Refer to 1.21 for non-interest revenue arising on investment management contracts.

- Other

  Exchange and securities trading income, from investments and net gains on the sale of investment banking assets, is recognised in profit or loss when the amount of revenue from the transaction or service can be measured reliably, it is probable that the economic benefits of the transaction or service will flow to the group and the costs associated with the transaction or service can be measured reliably.

  Fair-value gains or losses on financial instruments at fair value through profit or loss, including derivatives, are included in non-interest revenue. These fair-value gains or losses are determined after deducting the interest component, which is recognised separately in interest income and expense.

  Gains or losses on derecognition of any financial assets or financial liabilities are included in non-interest revenue.

Sale and repurchase agreements and lending of securities

Securities sold subject to linked repurchase agreements are retained in the financial statements, as the group retains all risks and rewards of ownership of the securities. The securities are recorded as trading or investment securities and the counterparty liability is included in amounts owed to other depositors, deposits from other banks, or other money market deposits, as appropriate. Securities purchased under agreements to resell are recorded as loans and advances to other banks or clients, as appropriate. The difference between the sale and repurchase price is treated as interest and recognised over the duration of the agreements using the effective-interest-rate method. Securities lent to counterparties are also retained in the financial statements and any interest earned is recognised in profit or loss using the effective-interest-rate method.

Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in non-interest revenue. The obligation to return them is recorded at fair value as a trading liability.

Acceptances

Acceptances comprise undertakings by the group to pay bills of exchange drawn on clients. The group expects most acceptances to be settled simultaneously with the reimbursement from clients. Acceptances are disclosed as liabilities, with the corresponding asset recorded in the statement of financial position.

Financial guarantee contracts

Issued financial guarantee contracts are recognised as insurance contracts. Liability adequacy testing is performed to ensure that the carrying amount of the liability for issued financial guarantee contracts is sufficient.

1.5 Taxation

Taxation expense, recognised in the statement of comprehensive income, comprises current and deferred taxation. Income or direct taxation is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity, in which case it too is recognised in equity.

Current taxation

Current taxation is the expected tax payable on the taxable income for the year, using taxation rates enacted or substantively enacted at the reporting date, and any adjustment to taxation payable in respect of previous years (prior-period tax paid).

Secondary tax on companies (STC) arises from the distribution of dividends. STC is recognised at the same time as the liability to pay the related dividend, being the date of the declaration of the dividend.

1 Principal accounting policies ... continued

1.6 Goodwill and intangible assets

Deferred taxation

Deferred taxation is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective taxation bases. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, and is measured at the taxation rates (enacted or substantively enacted at the reporting date) that are expected to be applied to the temporary differences when they are reversed.

Deferred taxation is recognised in profit or loss for the period, except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is accounted for as an acquisition. The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss for the period, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred taxation is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they will not be reversed in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unutilised taxation losses and deductible temporary differences can be used. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefits will be realised.

Deferred tax assets are recognised for STC credits received based on the expected utilisation of these credits by group companies in the declaration of future dividends.

Goodwill and goodwill impairment

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures. Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investments, the carrying amount of goodwill is included in the carrying amount of the investment.

Goodwill is allocated to one or more cash-generating units (CGUs), being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is allocated to the CGUs in which the synergies from the business combinations are expected. Each CGU containing goodwill is annually tested for impairment. An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses that are recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to a CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis. However, the carrying amount of these other assets may not be reduced below the highest of its fair value less costs to sell, its value in use and zero.

Impairment testing procedures

The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value in use. The fair value less cost to sell is determined by ascertaining the current market value of an asset (or the CGU) and deducting any costs related to the realisation of the asset.

In assessing value in use the expected future pretax cashflows from the CGU are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the particular CGU.

Impairment losses relating to goodwill are not reversed and all impairment losses are recognised in profit or loss for the period.

Computer software and capitalised development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, and expenditure on internally generated goodwill and brands are recognised as an expense in profit or loss for the period.

If costs can be reliably measured and future economic benefits are available, expenditure on computer software and other development activities, whereby set procedures and processes are applied to a project for the production of new or substantially improved products and processes, is capitalised if the computer software and other developed products or processes are technically and commercially feasible and the group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials and directly attributable employee and other direct costs. Computer development expenditure is amortised only once the relevant software is available for use in the manner intended by management. Capitalised software is stated at cost less accumulated amortisation and impairment losses. Computer development expenditure that is not yet available for use is not amortised and is stated at cost less impairment losses.

Amortisation of computer software and development costs is charged to profit or loss on a straight-line basis over the estimated useful lives of these assets, which do not exceed five years and are reviewed at appropriate intervals. Subsequent expenditure relating to computer software is capitalised only when it increases the future economic benefits embodied in the specific asset, in its current condition, to which it relates. All other subsequent expenditure is recognised as an expense in the period in which it is incurred. The profit or loss on the disposal of computer software is recognised in non-trading and capital items (in profit or loss). The profit or loss on disposal is the difference between the net proceeds received and the carrying amount of the asset.

1.7 Property and equipment

Items of property and equipment are initially recognised at cost if it is probable that any future economic benefits associated with the items will flow to the group and it has a cost that can be measured reliably. Certain items of property and equipment that had been revalued to fair value on 1 January 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Subsequent expenditure is capitalised to the carrying amount of items of property and equipment if it is measurable and it is probable that it increases the future economic benefits associated with the asset. All other expenses are recognised in profit or loss as an expense when incurred.

Subsequent to initial recognition, computer equipment, vehicles and furniture and other equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings, the fair values of which can be reliably measured, are carried at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluation increases are credited directly to equity in 'Other comprehensive income' under the heading 'Revaluation reserve'. However, revaluation increases are recognised in profit or loss to the extent that they are reversed a revaluation decrease of the same asset previously recognised in profit or loss. Revaluation decreases are recognised in profit or loss. However, decreases are debited directly to equity to the extent of any credit balance existing in the revaluation surplus in respect of the same asset. Land and buildings are revalued on the same basis as investment properties.

Depreciation

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Items of property and equipment that are classified as held for sale in terms of IFRS 5 are not depreciated. The depreciable amounts of property and equipment are recognised in profit or loss on a straight-line basis over the estimated useful lives of the items of property and equipment, unless they are included in the carrying amount of another asset. The useful lives, residual values and depreciation methods for property and equipment are assessed and adjusted (where required) on an annual basis.

On revaluation any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the item concerned and the net amount restated to the revalued amount. Subsequent depreciation charges are adjusted based on the revalued amount and residual values.

1 Principal accounting policies ... continued

1.7 Property and equipment ... continued

Depreciation ... continued

Any difference between the depreciation charge on the revalued amount and that which would have been charged under historic cost is transferred net of any related deferred taxation between the revaluation reserve and retained earnings as the property is utilised. Land is not depreciated.

The maximum initial estimated useful lives are as follows:

• Computer equipment	5 years
• Motor vehicles	6 years
• Fixtures and furniture	10 years
• Leasehold property	20 years
• Significant leasehold property components	10 years
• Freehold property	50 years
• Significant freehold property components	5 years

Derecognition

Items of property and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is recognised in profit or loss and is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. On derecognition any surplus in the revaluation reserve in respect of an individual item of property and equipment is transferred directly to retained earnings in the statement of changes in equity.

Compensation from third parties for items of property and equipment that were impaired, lost or given up is included in profit or loss when the compensation becomes receivable.

1.8 Impairment (all assets other than goodwill and financial assets)

The group assesses all assets (other than financial instruments, goodwill and intangible assets not yet available for use) for indications of impairment or the reversal of a previously recognised impairment at each reporting date. These impairments (where the carrying amount of an asset exceeds its recoverable amount) or the reversal of a previously recognised impairment is recognised in profit or loss for the period. Intangible assets not yet available for use are tested on a minimum of an annual basis for impairment.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. The fair value less cost to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset.

In assessing value in use the expected future pretax cashflows from the asset are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset the cashflows of which are largely dependent on those of other assets the recoverable amount is determined for the cash-generating unit to which the asset belongs.

A previously recognised impairment loss will be reversed if the recoverable amount increases as a result of a change in the estimates used previously to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in prior periods.

1.9 Investment properties

Investment properties comprise real estate held for earning rentals and/or for capital appreciation. This does not include real estate held for use in the supply of services or for administrative purposes. Investment properties are initially measured at cost plus any directly attributable expenses.

Investment properties are stated at fair value. Internal professional valuers perform valuations annually. For practical reasons valuations are carried out over a cyclical basis over a 12-month period due to the large number of investment properties involved. External valuations are obtained once every three years on a rotational basis. In the event of a material change in market conditions between the valuation date and reporting date, an internal valuation is performed and adjustments made to reflect any material changes in value.

The valuation methodology applied is dependent on the nature of the property. Income-generating assets are valued using discounted cashflows. Vacant land, land holdings and residential flats are valued according to sales of comparable properties. Near-vacant properties are valued at land value less the estimated cost of demolition.

Surpluses and deficits arising from changes in fair value are recognised in profit or loss for the period in the statement of comprehensive income.

For properties reclassified during the year from property and equipment to investment properties any revaluation gain arising is initially recognised in profit or loss to the extent of previously charged impairment losses. Any residual excess is taken to the revaluation reserve. Revaluation deficits are recognised in the revaluation reserve to the extent of previously recognised gains and any residual deficit is accounted for in profit or loss for the period.

Investment properties that are reclassified to owner-occupied property are revalued at the date of transfer, with any difference being taken to profit or loss.

1.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction and production of qualifying assets are capitalised as part of the costs of these assets. Qualifying assets are assets that necessarily take a substantial period of time to prepare for their intended use or sale. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

All other borrowing costs are expensed in the period in which they are incurred.

Borrowing costs capitalised are disclosed in the notes by asset category and are calculated at the group's average funding cost, except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

1.11 Employee benefits

Defined-benefit and defined-contribution plans have been established for eligible employees of the group, with assets held in separate trustee-administered funds.

Defined-benefit plans

Pension obligations are accounted for in accordance with IAS 19 Employee Benefits. The projected-unit credit method is used to determine the defined-benefit obligations based on actuarial assumptions, which incorporate not only the pension obligations known on the reporting date, but also information relevant to their expected future development. The discount rates used are determined based on the yields for government bonds that have maturity dates approximating the terms of the group's obligations.

Actuarial gains and losses are accounted for using the corridor method and are not recognised in the statement of changes in equity. The portion of actuarial gains and losses that are recognised for each defined-benefit plan is the excess of the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period over the greater of 10% of the present value of the defined-benefit obligation at that date, before deducting plan assets, and 10% of the fair value of any plan assets at that date. This is then divided by the expected average remaining working lives of the employees participating in that plan.

Where the calculation results in a benefit to the group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

Plan assets are only offset against plan liabilities where they are assets held by long-term employee benefit funds or qualifying insurance policies. Qualifying insurance policies exclude any insurance policies held by the group's holding or subsidiary companies.

1 Principal accounting policies ... continued

1.11 Employee benefits ... continued

Defined-contribution plans

Contributions in respect of defined-contribution benefits are recognised as an expense in profit or loss in the statement of comprehensive income as incurred.

Postemployment benefit plans

Certain entities within the group provide postretirement medical benefits and disability cover to eligible employees. Non-pension postemployment benefits are accounted for according to their nature, either as defined-contribution or defined-benefit plans. The expected costs of postretirement benefits that are defined-benefit plans in nature are accounted for in the same manner as in the case of defined-benefit pension plans.

Short-term employee benefits

Short-term employee benefit obligations are measured in the statement of financial position on an undiscounted basis and are expensed as the related service is provided.

1.12 Share-based payments

Equity-settled share-based payment transactions with employees

The services received in an equity-settled share-based payment transaction with employees are measured at the fair value of the equity instruments granted. The fair value of the equity instruments is measured at grant date and is not subsequently remeasured.

If the equity instruments granted vest immediately and an employee is not required to complete a specified period of service before becoming unconditionally entitled to the instruments, the services received are recognised in profit or loss for the period in full on grant date with a corresponding increase in equity.

Where the equity instruments do not vest until the employee has completed a specified period of service, it is assumed that the services rendered by the employee, as consideration for the equity instruments, will be received in the future during the vesting period. The services are accounted for in profit or loss in the statement of comprehensive income as they are rendered during the vesting period, with a corresponding increase in equity. The share-based payment expense is adjusted for non-market-related performance conditions, such as service period required to be completed. Where the equity instruments are no longer outstanding, the accumulated share-based payment reserve in respect of those equity instruments is transferred to retained earnings.

Measurement of fair value of equity instruments granted

The equity instruments granted by the group are measured at fair value at measurement date using standard option pricing valuation models. The valuation technique is consistent with generally acceptable valuation methodologies for pricing financial instruments and incorporates all factors and assumptions that knowledgeable, willing market participants would consider in setting the price of the equity instruments. Vesting conditions, other than market conditions, are not taken into account in determining fair value. Vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount.

Share-based payment transactions with persons or entities other than employees

Transactions in which equity instruments are issued to historically disadvantaged individuals and organisations in South Africa for less than fair value are accounted for as share-based payments. Where the group has issued such instruments and expects to receive services in return for equity instruments, the share-based payments charge is spread over the related vesting (ie service) period. In instances where goods and services could not be identified, the cost has been expensed with immediate effect. The valuation techniques are consistent with those mentioned above.

1.13 Leases

The group as lessee

Leases in respect of which the group bears substantially all risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the lease property and the present value of the minimum lease payments. Directly attributable costs, such as commission paid, incurred by the group are added to the carrying amount of the asset. Each lease payment is allocated between the liability and finance charges to achieve a constant periodic rate of interest on the balance outstanding. Contingent rentals are expensed in the period they are incurred. The depreciation policy for leased assets is consistent with that of depreciable assets owned. If the group does not have reasonable certainty that it will obtain ownership of the leased asset by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

Leases that are not classified as finance leases are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are recognised in profit or loss on a straight-line basis over the term of the lease. When another systematic basis is more representative of the time pattern of the user's benefit, then that method is used.

The group as lessor

Where assets are leased out under a finance lease arrangement, the present value of the lease payments is recognised as a receivable and included under loans and advances in the statement of financial position. Initial direct costs are included in the initial measurement of the receivable. The difference between the gross receivable and unearned finance income is recognised under loans and advances in the statement of financial position. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Assets leased out under operating leases are included under property and equipment in the statement of financial position. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income. Leased assets are depreciated over their expected useful lives on a basis consistent with similar assets. Rental income, net of any incentives given to lessees, is recognised on a straight-line basis over the term of the lease. When another systematic basis is more representative of the time pattern of the user's benefit, then that method is used.

Recognition of lease of land

Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets.

However, when a single lease covers both land and a building, the minimum lease payments at the inception of the lease (including any upfront payments) are allocated between the land and the building in proportion to the relative fair values of the respective leasehold interests. Any upfront premium allocated to the land element that is normally classified as an operating lease represents prepaid lease payments. These payments are amortised over the lease term in accordance with the time pattern of benefits provided. If the lease payments cannot be allocated reliably between these two elements, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases.

1.14 Cash and cash equivalents

Cash and cash equivalents comprise balances with a maturity of less than 90 days from the date of acquisition, including cash and balances with central banks that are not mandatory, other eligible bills and amounts due from other banks.

1.15 Other provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, in respect of which it is probable that an outflow of economic benefits will occur and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the reasonable estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of discounting is material, the provision is discounted. The discount rate reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Gains from the expected disposal of assets are not taken into account in measuring provisions. Provisions are reviewed at each reporting date and adjusted to reflect the current reasonable estimate. If it is no longer probable that an outflow of resources will be required to settle the obligation, the provision is reversed.

Reimbursements

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by a party outside the group, the reimbursement is recognised when it is virtually certain that it will be received if the group settles the obligation. The reimbursement is recorded as a separate asset at an amount not exceeding the related provision. The expense for the provision is presented net of the reimbursement in profit or loss. Specific policies that apply are:

1 Principal accounting policies ... continued

1.15 Other provisions

- Onerous contracts

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

- Restructuring

  A provision for restructuring is recognised when the group has a detailed formal plan for restructuring and has raised a valid expectation, among those parties directly affected, that the plan will be carried out, either by having begun implementation or by publicly announcing the plan's main features. Restructuring provisions include only those costs that arise directly from restructuring that is not associated with the ongoing activities of the group.

Future operating costs or losses are not provided for.

1.16 Segmental reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues, the operating results of which segment are regularly reviewed by management to make decisions about resources to be allocated to the segment and to assess its performance, for which financial information is available.

The group's identification of its segments and the measurement of segment results are based on the group's internal reporting to management. The segments have been identified according to the nature of their respective products and services and their related target markets, the details of which can be found in the Operational Segmental Report on pages 39 to 41 of the annual report.

The segments identified are complemented by Shared Services and Central Management, which provide support in the areas of finance, human resources, governance and compliance, risk management and information technology.

Additional information relating to geographic areas, major clients and other performance measures is provided.

The group accounts for intersegment revenues and transfers as if the transactions were with third parties at current market prices.

1.17 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the group will comply with the conditions attached to them. Grants that compensate the group for expenses or losses already incurred or for purposes of giving immediate financial support to the entity with no future-related costs are recognised as income in the period it becomes receivable. Grants that compensate the group for expenses to be incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses will be incurred. Grants that compensate the group for the cost of an asset are recognised in profit or loss as revenue on a systematic basis over the useful life of the asset.

1.18 Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount will be recovered principally through sale rather than use.

The asset or disposal group must be available for immediate sale in its present condition and the sale should be highly probable, with an active programme to find a buyer and the appropriate level of management approving the sale.

Immediately before classification as held for sale, all assets are remeasured in accordance with the group's accounting policies. Non-current assets (or disposal groups) held for sale are measured at the lower of carrying amount and fair value less incremental directly attributable cost to sell (excluding taxation and finance charges) and are not depreciated.

Gains or losses recognised on initial classification as held for sale and subsequent remeasurement are recognised in profit or loss, regardless of whether the assets were previously measured at revalued amounts. The maximum gains that can be recognised are the cumulative impairment losses previously recognised in profit or loss. A disposal group continues to be consolidated while classified as held for sale. Income and expenses continue to be recognised in profit or loss.

Non-current assets (or disposal groups) are reclassified from held for sale to held for use if they no longer meet the held-for-sale criteria. On reclassification the non-current asset (or disposal group) is remeasured at the lower of its recoverable amount and the carrying amount that would have been recognised had the asset (or disposal group) never been classified as held for sale. Any gains or losses are recognised in profit or loss, unless the asset was carried at a revalued amount prior to classification as held for sale.

A discontinued operation is a clearly distinguishable component of the group's business that has been disposed of or is held for sale, which:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resell.

1.19 Share capital

Ordinary share capital, preference share capital or any financial instrument issued by the group is classified as equity when:

- payment of cash, in the form of a dividend or redemption, is at the discretion of the group;
- the instrument does not provide for the exchange of financial instruments under conditions that are potentially unfavourable to the group;
- settlement in the group's own equity instruments is for a fixed number of equity instruments at a fixed price; and
- the instrument represents a residual interest in the assets of the group after deducting all of its liabilities.

Consideration paid or received for equity instruments is recognised directly in equity. Equity instruments are initially measured at the proceeds received, less incremental directly attributable issue costs, net of any related income tax benefit. No gain is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's equity instruments.

When the group issues a compound instrument, ie an instrument that contains both a liability and equity component, the equity component is initially measured at the residual amount after deducting from the fair value of the compound instrument the amount separately determined for the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

Distributions to holders of equity instruments are recognised as distributions in the statement of changes in equity in the period in which they are payable. Dividends for the year that are declared after the reporting date are disclosed in the notes to the financial statements.

1.20 Treasury shares

When the group acquires its own share capital, the amount of the consideration paid, including directly attributable costs, net of any related tax benefit, is recognised as a change in equity. Shares repurchased by the issuing entity are cancelled. Shares repurchased by group entities are classified as treasury shares and are held at cost. These shares are treated as a deduction from the issued and weighted average number of shares, and the cost price of the shares is presented as a deduction from total equity. The par value of the shares is presented as a deduction from ordinary share capital and the remainder of the cost is presented as a deduction from ordinary share premium. Dividends received on treasury shares are eliminated on consolidation.

1 Principal accounting policies ... continued

1.21 Investment contracts

Investment contract liabilities

Liabilities for unit-linked and market-linked contracts are reported at fair value. For unit-linked contracts the fair value is calculated as the account value of the units, ie the number of units held multiplied by the bid price value of the assets in the underlying fund (adjusted for taxation). For market-linked contracts the fair value of the liability is determined with reference to the fair value of the underlying assets. This fair value is calculated in accordance with the financial soundness valuation basis, except that negative rand reserves arising from the capitalisation of future margins are not permitted. The fair value of the liability, at a minimum, reflects the initial deposit of the client, which is repayable on demand.

Investment contract liabilities (other than unit-linked and market-linked contracts) are measured at amortised cost.

Embedded derivatives included in investment contracts are separated out and measured at fair value. The host contract liability is measured on an amortised-cost basis.

Revenue on investment management contracts

Fees charged for investment management services in conjunction with investment management contracts are recognised as revenue as the services are provided. Initial fees that exceed the level of recurring fees and relate to the future provision of services are deferred and amortised over the projected period over which services will be provided.

Contribution income relating to investment contracts

Contribution income includes lump sums received in respect of linked businesses with retirement funds and are accounted for when due. The contribution income is set off directly against the liability under investment contracts.

Benefits relating to investment contracts

Policyholder benefits are accounted for when claims are intimated directly against the liability under investment contracts.

1.22 Customer loyalty

When a cardholder makes a purchase that is regarded as eligible spend, the person/company will be granted points that can be redeemed at a later date for goods or services. Points do not expire, unless a client is delinquent or dormant, in which case the points accrued are forfeited as stated in the terms and conditions.

The fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits and the other components of the sale. The award credits are recognised as deferred revenue until the entity fulfils its obligations to deliver awards to clients.

The consideration allocated to the award credits will be measured by reference to the fair value thereof, ie the amount for which the award credits could be sold separately and the expected manner in which the points will be utilised. Adjustments are made for the expected utilisation and non-utilisation of the points awarded.

2 Standards and interpretations

2.1 Standards and interpretations issued but not yet effective

New standards

The following standards, mandatory for the group's accounting periods commencing on or after 1 January 2009, have not been early-adopted by the group:

- IFRS 9 Financial Instruments

The International Accounting Standards Board (IASB) has issued IFRS 9 Financial Instruments, which is the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets. The IASB intends to expand IFRS 9 during 2010 to add new requirements for the classification and measurement of financial liabilities, the derecognition of financial instruments, impairment, and hedge accounting.

The implementation of the standard is expected to have a material impact on the group's financial statements. The group is currently evaluating the impact of the adoption of the current requirements of the standard.

The standard is effective for the group for the year commencing 1 January 2013.

Revised standards

The following revisions to International Accounting Standards (IAS) have not been early-adopted by the group:

- Amendments to IFRS 2 Group-settled Arrangements

  The amendment provides additional guidance on the accounting for share-based payment transactions among group entities. The most significant change is that the entity receiving the goods or services will recognise the transaction as an equity-settled share-based payment transaction only if the awards granted are its own equity instruments or if it has no obligation to settle the transaction. In all other circumstances the entity will measure the transaction as a cash-settled share-based payment.

  The scope of IFRS 2 has also been amended to clarify that the standard applies to all share-based payment transactions, irrespective of whether or not the goods or services received under the share-based payment transaction can be individually identified.

  The amendment is effective for the group for the annual periods commencing on or after 1 January 2010 and is not expected to have a significant impact on any of the group entities.

- Amendments to IAS 32 Classification of Rights Issues

  The amendment states that rights, options and warrants – otherwise meeting the definition of equity instruments in IAS 32.11 – issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency are classified as equity instruments, provided the offer is made pro rata to all existing owners of the same class of the entity's own non-derivative equity instruments.

  The amendment is effective for the group for the annual periods commencing on or after 1 January 2010 and is not expected to have a significant impact on the group.

- Annual improvement project

  As part of its second annual improvement project the IASB has issued its edition of annual improvements. The annual improvement project aims to clarify and improve the accounting standards.

  The improvements include those involving terminology or editorial changes with minimal effect on recognition and measurement.

  There are no significant changes in the current year's improvement that will affect the group and is effective for the group commencing 1 January 2009.

2 Standards and interpretations ... continued

2.1 Standards and interpretations issued but not yet effective ... continued

Interpretations

The following interpretations of existing standards are not yet effective and have not been early-adopted by the group:

- Amendments to IFRIC 14 Prepayment of a Minimum Funding Requirement
  The interpretation was amended to remedy an unintended consequence of IFRIC 14, where entities are, in some circumstances, not permitted to recognise prepayments of minimum funding contributions as an asset.

  The amendment to IFRIC 14 is effective for annual periods commencing on or after 1 July 2011 and is not anticipated to have a significant effect on the group's financial statements.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
  The interpretation addresses divergent accounting by entities issuing equity instruments to extinguish all or part of a financial liability (often referred to as 'debt for equity swaps'). The interpretation concludes that the issue of equity instruments to extinguish an obligation constitutes consideration paid.

  The consideration should be measured at the fair value of the equity instruments issued, unless that fair value is not readily determinable, in which case the equity instruments should be measured at the fair value of the obligation extinguished. Any difference between the fair value of the equity instruments issued and the carrying value of the liability extinguished is recognised in profit or loss.

  If the issue of equity instruments is to settle a portion of a financial liability, the entity should assess whether a part of the consideration relates to a renegotiation of the portion of the liability that remains outstanding.

  The adoption of this standard is not expected to have a material impact on the group's annual financial statements.

  The standard is effective for the group for the year commencing 1 January 2011.

2.2 Standards and interpretations adopted in the current year

Revised standards

The following revisions to International Financial Reporting Standards have been adopted by the group:

- Amendment to IFRS 2 Vesting Conditions and Cancellations
  The amendments clarify the definition of vesting conditions for the purpose of this standard, introduces the concept of 'non-vesting' conditions and clarifies the accounting treatment for cancellations as well as group cash-settled share-based payment transactions.

  The adoption of the amendments to the standards did not have an impact on the group's financial statements.

- IFRS 3 Business Combinations: Comprehensive revision on applying the acquisition method and consequential amendments to IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interest in Joint Ventures
  The revised IFRS 3 retained the basic requirements of IFRS 3 (2004) to apply acquisition accounting for all business combinations within the scope of IFRS 3, to identify the acquirer and to determine the acquisition date for every business combination. The most significant change is a move from a purchase price allocation approach to a fair-value measurement principle. The revision applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The amended IAS 27 requires that accounting for changes in ownership interests in a subsidiary that occur without loss of control be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value, with the gain or loss recognised in profit and loss.

  The group adopted the revisions to the standard for its annual period commencing 1 January 2009.

  The revision and amendment is applicable prospectively and will not affect past transactions, and therefore did not have any effect on the group financial statements.

IAS 27 has been amended, requiring that all dividends received from subsidiary companies are disclosed in profit and loss in the individual financial statements. The adoption of this amendment did not have an effect on the company's financial statements.

- Amendment to IFRS 7 Enhancing Disclosures about Fair Value and Liquidity Risk

  The amendments expand the disclosures required in respect of fair-value measurements recognised in the statement of financial position. For the purpose of these expanded disclosures a three-level hierarchy has been introduced.

  The additional disclosures required can be summarised as follows: the level in the hierarchy in which fair-value measurements are categorised; reasons for significant transfers between level 1 and 2 of the hierarchy; a reconciliation from beginning to closing balances for level 3 of the hierarchy; and, if changes to any of the assumptions applied for level 3 measurements will have a significant effect on the fair value, disclosure of the nature and extent thereof.

  The amendments also clarify the scope of items to be included in the maturity analyses required under IFRS 7 by changing the definition of liquidity risk to state that liquidity risk only includes financial liabilities that are settled by delivering cash or another financial asset.

  This results in the exclusion of financial liabilities that are settled by the entity delivering its own equity instruments or non-financial assets.

  Furthermore, the amendments specify different liquidity risk disclosure requirements for derivative and non-derivative financial liabilities.

  The adoption of the standard did not have an effect on the group's financial position or performance as it did not require any measurement adjustment, but rather enhanced disclosure.

- IAS 1 Presentation of Financial Statements: Comprehensive revision including requiring a statement of comprehensive income

  The revisions made to IAS 1 required information in financial statements to be aggregated on the basis of shared characteristics and introduce a statement of comprehensive income. The revision includes changes in titles of financial statements to reflect their functions more clearly.

  The main change in the revised IAS 1 is the requirement to present all non-owner transactions in the statement of comprehensive income. The amendment also requires two sets of comparative numbers to be provided for the financial position in any year where there has been a restatement or reclassification of balances.

  The revised standard was adopted in the current year and had an effect on the disclosure provided in the annual report.

- Amendments to IAS 32 Financial Instruments: Presentation, and IAS 1 Presentation of Financial Statements: Puttable Financial Instruments Arising on Liquidation and Obligations

  The amendment requires additional information to be presented on puttable instruments that are presented as equity.

  The amendment did not affect the group, as the group does not have puttable instruments that are presented in equity.

- Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items and Clarification regarding ending Assessment of Embedded Derivatives

  The amendments provide clarification on two aspects of hedge accounting, namely identifying inflation as a hedged risk and hedging with options.

  The adoption of the amendment of the standard regarding eligible hedged items does not have an effect on the group, as the group does not apply hedge accounting.

  These amendments also deal with the accounting treatment for embedded derivatives in the case of a reclassification of a financial asset out of the 'fair value through profit or loss' category.

  The amendment did not affect the group, as the group does not have any financial assets that have been reclassified out of the 'fair value through profit or loss' category.

2 Standards and interpretations ... continued

2.2 Standards and interpretations adopted in the current year ... continued

Revised standards ... continued

- Annual improvement project

  As part of its first annual improvement project, the IASB has issued its edition of annual improvements. The annual improvement project aims to clarify and improve the accounting standards.

  The improvements include those involving terminology or editorial changes with minimal effect on recognition and measurement.

  No significant changes were made to the group financial statements for the revisions that were effective for periods commencing on or after 1 January 2009.

Interpretations

The following interpretations of existing standards have been adopted by the group:

- IFRIC 13 Customer Loyalty Programmes

  The interpretation clarified the application of IAS 18 to customer loyalty programmes. The interpretation requires an entity that grants loyalty award credits to allocate some of the initial proceeds from the initial revenue-generating transaction to the award credit as a liability (entity's obligation to provide the award). The award is accounted for as a separate revenue-generating transaction. The interpretation is effective for annual periods commencing on or after 1 July 2008.

  The application of IFRIC 13 did not result in any adjustments required to be made to prior-period annual financial statements.

- IFRIC 17 Distributions of Non-cash Assets to Owners

  IFRIC 17 clarifies that:

  – a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity;

  – an entity should measure the dividend payable at the fair value of the net assets to be distributed;

  – an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss; and

  – an entity should provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation.

  The adoption of this interpretation did not have an impact on the group's annual financial statements.

- AC 504: IAS 19 (AC 116) The limit on a Defined-benefit Asset, Minimum Funding Requirements and their Interaction in the SA Pension Fund Environment

  This SA interpretation provided further clarity on the limit for the recognition of defined-benefit assets in the SA environment. The group early-adopted this SA interpretation, which did not have an effect on the financial statements of the group.

3 Key assumptions concerning the future and key sources of estimation

The group's accounting policies are set out on pages 44 to 62. Certain of these policies, as well as estimates made by management, are considered to be important to an understanding of the group's financial condition, since they require management to make difficult, complex or subjective judgements and estimates, some of which may relate to matters that are inherently uncertain. The following accounting policies include estimates that are particularly sensitive in terms of judgements and the extent to which estimates are used. Other accounting policies involve significant amounts of judgements and estimates, but the total amounts involved are not significant to the financial statements. Management has discussed the accounting policies and critical accounting estimates with the board and the Audit Committee.

3.1 Allowances for loan impairment and other credit risk provisions

Allowances for loan impairment represent management's estimate of the losses incurred in the loan portfolios at the balance sheet date.

Performing loans

The group assesses its loan portfolios for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the statement of other comprehensive income, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cashflows from a portfolio of loans before the decrease can be allocated to an individual loan in that portfolio. Estimates are made of the duration between the occurrence of a loss event and the identification of a loss on an individual basis. The impairment for performing loans is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These include early arrears and other indicators of potential default, such as changes in macroeconomic conditions and legislation affecting credit recovery. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Within the retail and the business banking portfolios, which comprise large numbers of small homogeneous assets with similar risk characteristics where credit-scoring techniques are generally used, statistical techniques are used to calculate impairment allowances on the portfolio, based on historical recovery rates and assumed emergence periods. These statistical analyses use as primary inputs the extent to which accounts in the portfolio are in arrears and historical information on the eventual losses encountered from such delinquent portfolios. There are many such models in use, each tailored to a product, line of business or client category.

Judgement and knowledge is needed in selecting the statistical methods to use when the models are developed or revised. The impairment allowance reflected in the financial statements for these portfolios is therefore considered to be reasonable and supportable.

For larger exposures impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cashflows are taken into account, for example, the business prospects for the client, the realisable value of collateral, the group's position relative to other claimants, the reliability of client information and the likely cost and duration of the workout process. The level of the impairment allowance is the difference between the value of the discounted expected future cashflows (discounted at the loan's original effective interest rate) and its carrying amount. Subjective judgements are made in the calculation of future cashflows. Furthermore, judgements change with time as new information becomes available or as workout strategies evolve, resulting in frequent revisions to the impairment allowance as individual decisions are taken. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairments charge.

3.2 Fair value of financial instruments

Some of the group's financial instruments are carried at fair value through profit or loss, such as those held for trading, designated by management under the fair-value option and non-cashflow hedging derivatives.

Other non-derivative financial assets may be designated as available for sale. Available-for-sale financial investments are initially recognised at fair value and are subsequently held at fair value. Gains and losses arising from changes in the fair value of such assets are included as a separate component of equity. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between knowledgeable, willing parties, other than in a forced or liquidation sale. Financial instruments entered into as trading transactions, together with any associated hedging, are measured at fair value and the resultant profits and losses are included in net trading income, along with interest and dividends arising from long and short positions and funding costs relating to trading activities.

3 Key assumptions concerning the future and key sources of estimation ... continued

3.2 Fair value of financial instruments ... continued

Assets and liabilities resulting from gains and losses on financial instruments held for trading are reported gross in trading portfolio assets and liabilities or derivative financial instruments, reduced by the effects of netting agreements where there is an intention to settle net with counterparties.

Details of the processes, procedures and assumptions used in the determination of fair value are discussed in note 6.1 to the financial statements, as set out on pages 72 to 77.

3.3 Derecognition, securitisations and special-purpose entities

The group enters into transactions that may result in the derecognition of certain financial instruments. Judgement is applied as to whether these financial instruments are derecognised from the group's statement of financial position.

The group sponsors the formation of special-purpose entities (SPEs) primarily for the purpose of allowing clients to hold investments, for asset securitisation transactions, for asset financing and for buying or selling credit protection. The group consolidates SPEs it controls in terms of International Financial Reporting Standards (IFRS) guidance. Where it is difficult to determine whether the group controls an SPE, it makes judgements, in terms of IFRS guidance, about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the SPE in question. In arriving at judgements, these factors are considered both jointly and separately. Further information in respect of those securitisations, consolidated into the group financial statements, can be found in note 44 to the financial statements on page 137.

3.4 Goodwill

Management has to consider at least annually whether the current carrying value of goodwill is impaired. The first step of the impairment review process requires the identification of independent cash-generating units, by dividing the group business into as many largely independent income streams as is reasonably practicable. The goodwill is then allocated to these independent units. The first element of this allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The second element reflects the allocation of the net assets acquired and the difference between the consideration paid for those net assets and their fair value. This allocation is reviewed following business reorganisation. The carrying value of the unit, including the allocated goodwill, is compared with its fair value to determine whether any impairment exists. If the recoverable amount of a unit is less than its carrying value, goodwill will be impaired.

Detailed calculations may need to be carried out, taking into consideration changes in the market in which a business operates (eg competitive activity and regulatory change). In the absence of readily available market price data this calculation is based on discounting expected pretax cashflows at a risk-adjusted interest rate appropriate to the operating unit, the determination of both of which requires the exercise of judgement. The estimation of pretax cashflows is sensitive to the periods for which detailed forecasts are available and to assumptions regarding the long-term sustainable cashflows. While forecasts are compared with actual performance and external economic data, expected cashflows naturally reflect management's view of future performance.

The most significant amounts of goodwill relate to Imperial Bank and Nedbank (as a result of the BoE acquisition). The goodwill impairment testing performed in 2009 indicated that none of the goodwill was impaired in the year under review. Management believes that reasonable changes in key assumptions used to determine the recoverable amounts of Imperial Bank and Nedbank goodwill will not result in impairment.

Further information in respect of goodwill recognised in the statement of financial position can be found in note 36 to the annual financial statements on pages 127 and 128.

3.5 Retirement benefit obligations

The group provides pension plans for employees in most parts of the world. Arrangements for staff retirement benefits vary from country to country and are made in accordance with local regulations and customs.

For defined-benefit schemes actuarial valuation of each of the scheme's obligations using the projected-unit credit method and the fair valuation of each of the scheme's assets are performed annually in accordance with the requirements of IAS 19.

The actuarial valuation is dependent upon a series of assumptions, the key ones being interest rates, mortality, investment returns and inflation. Mortality estimates are based on standard industry and national mortality tables, adjusted where appropriate to reflect the group's own experience.

The returns on fixed-interest investments are set to market yields at the valuation date (less an allowance for risk) to ensure consistency with the asset valuation. The returns on equities are based on the long-term outlook for global equities at the calculation date, having regard to current market yields and dividend growth expectations. The inflation assumption reflects long-term expectations of both earnings and retail price inflation.

The group's IAS 19 pension surplus across all pension and postretirement schemes at 31 December 2009 was a surplus of R1 233 million (2008: R1 141 million). This comprises net recognised assets of R729 million (2008: R631 million) and unrecognised actuarial gains of R504 million (2008: R510 million). The group's IAS 19 pension asset in respect of the main SA scheme at 31 December 2009 was R710 million (2008: R616 million surplus).

If the group had increased/decreased the assumption relating to the discount rate by 1% to the significant postretirement and pension funds, the result would have been an increase/decrease of R15 million in the net funded position of the relevant funds in the year under review. If the group had increased/decreased the assumption relating to the expected return on plan assets by 1% to the significant postretirement and pension funds, the result would have been an increase/decrease of R44 million of the net pension cost in the year under review.

Further information on retirement benefit obligations, including assumptions, is set out in note 35 to the annual financial statements on pages 120 to 126.

3.6 Income taxes

The group is subject to direct taxation in a number of jurisdictions in which it operates. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The group recognises liabilities based on objective estimates of the quantum of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made, through profit and loss for the period.

3.7 Financial risk management

The group's risk management policies and procedures are disclosed in the Risk and Balance Sheet Management Report of the annual report on pages 160 to 221. These risk management procedures include, but are not limited to, credit risk, securitisation risk, liquidity risk, interest rate risk in the banking book and market risk.

4 Capital management

Nedbank Group's Capital Management Framework reflects the integration of risk, capital, strategy and performance measurement across the group and contributes significantly to the successful Enterprisewide Risk Management Framework (ERMF).

A board-approved Solvency and Capital Management policy requires Nedbank Group to be capitalised at the greater of Basel II regulatory capital and economic capital.

The Group Capital Management Division reports to the Chief Operating Officer and is mandated with the implementation of the Capital Management Framework and the internal capital adequacy assessment process (ICAAP) across the group. Capital management (incorporating ICAAP) responsibilities of the board and management are incorporated in their respective terms of reference contained in the ERMF and are assisted by the board's Group Risk and Capital Management Committee and Group Asset and Liability Committee respectively.

Capital, reserves and long-term debt instruments

The group's Capital Management Framework, policies and processes include all group capital and reserves as per the group statement of changes in total shareholders' equity on pages 36 and 37 as well as the long-term debt instruments per note 40 on pages 133 and 134.

Further details on the capital management and regulatory requirements are disclosed in the Risk and Balance Sheet Management Report on pages 160 to 221.

5 Consolidated statement of financial position – categories of financial instruments

			At fair value through profit or loss						
	Notes	Total Rm	Held for trading Rm"	Designated* Rm	Available-for-sale financial assets Rm	Held-to-maturity investments Rm	Loans and receivables Rm	Financial liabilities at amortised cost Rm	Non-financial assets and liabilities Rm
2009									
ASSETS									
Cash and cash equivalents	21	6 823					6 823		
Other short-term securities	22	14 408	9 357	5 051					
Derivative financial instruments	23	12 871	12 871						
Government and other securities	25	35 754	355	16 012	804	13 444	5 139		
Loans and advances	26	444 403	13 403	37 375			393 625		
Other assets	28	3 917		667			3 250		
Clients' indebtedness for acceptances		2 025							2 025
Current taxation receivable		580							580
Investment securities	29	3 012	273	2 009	730				
Non-current assets held for sale	31	12							12
Investments in associate companies and joint ventures**	30	922		908					14
Deferred taxation asset	32	36							36
Investment property	33	102							102
Property and equipment	34	4 754							4 754
Long-term employee benefit assets	35	1 783							1 783
Mandatory reserve deposits with central bank	21	10 437					10 437		
Intangible assets	36	3 151							3 151
Total assets		544 990	36 259	62 022	1 534	13 444	419 274	–	12 457
EQUITY AND LIABILITIES									
Ordinary share capital	37.1	27							27
Ordinary share premium		14 422							14 422
Reserves		18 174							18 174
Total equity attributable to equity holders of the parent		32 623	–	–	–	–	–	–	32 623
Preference share capital and premium	37.2	3 483							3 483
Non-controlling interest attributable to:									
– ordinary shareholders		1 796							1 796
– preference shareholders	37.3	91							91
Total equity		37 993	–	–	–	–	–	–	37 993
Derivative financial instruments	23	10 799	10 799						
Amounts owed to depositors	38	465 899	29 122	74 782				361 995	
Provisions and other liabilities	39	5 218	439					4 779	
Liabilities under acceptances		2 025							2 025
Current taxation liabilities		162							162
Deferred taxation liabilities	32	1 514							1 514
Long-term employee benefit liabilities	35	1 298							1 298
Long-term debt instruments	40	20 082		7 811				12 271	
Total liabilities		506 997	40 360	82 593	–	–	–	379 045	4 999
Total equity and liabilities		544 990	40 360	82 593	–	–	–	379 045	42 992

	Notes	Total Rm	At fair value through profit or loss: Held for trading Rm	At fair value through profit or loss: Designated* Rm	Available-for-sale financial assets Rm	Held-to-maturity investments Rm	Loans and receivables Rm	Financial liabilities at amortised cost Rm	Non-financial assets and liabilities Rm
2008									
ASSETS									
Cash and cash equivalents	21	7 638					7 638		
Other short-term securities	22	10 411	5 954	4 457					
Derivative financial instruments	23	23 114	23 114						
Government and other securities	25	41 834	972	16 024	310	18 726	5 802		
Loans and advances	26	433 422	8 996	34 349			390 077		
Other assets	28	4 731	5	167			4 559		
Clients' indebtedness for acceptances		2 998							2 998
Current taxation receivable		314							314
Investment securities	29	2 743	257	1 789	697				
Non-current assets held for sale	31	10							10
Investments in associate companies and joint ventures**	30	913		867					46
Deferred taxation asset	32	71							71
Investment property	33	104							104
Property and equipment	34	4 124							4 124
Long-term employee benefit assets	35	1 667							1 667
Mandatory reserve deposits with central bank	21	10 061					10 061		
Intangible assets	36	2 977							2 977
Total assets		547 132	39 298	57 653	1 007	18 726	418 137	–	12 311
EQUITY AND LIABILITIES									
Ordinary share capital	37.1	27							27
Ordinary share premium		14 422							14 422
Reserves		16 927							16 927
Total equity attributable to equity holders of the parent		31 376	–	–	–	–	–	–	31 376
Preference share capital and premium	37.2	3 122							3 122
Non-controlling interest attributable to:									
– ordinary shareholders		1 644							1 644
– preference shareholders	37.3	300							300
Total equity		36 442	–	–	–	–	–	–	36 442
Derivative financial instruments	23	23 077	23 077						
Amounts owed to depositors	38	461 084	18 684	98 976				343 424	
Provisions and other liabilities	39	6 145	1 221	50				4 874	
Liabilities under acceptances		2 998							2 998
Current taxation liabilities		117							117
Deferred taxation liabilities	32	1 982							1 982
Long-term employee benefit liabilities	35	1 227							1 227
Long-term debt instruments	40	14 060		7 951				6 109	
Total liabilities		510 690	42 982	106 977	–	–	–	354 407	6 324
Total equity and liabilities		547 132	42 982	106 977	–	–	–	354 407	42 766

* *Refer to note 24 in respect of financial instruments designated as at fair value through profit or loss.*

** *In terms of IFRS 7 Financial Instruments and its disclosure amendments in respect of fair-value hierarchy, the group on implementation has presented certain investments in associates, which are designated as fair value through profit and loss.*

6 Fair-value measurement

6.1 Valuation of financial instruments

Background

Information obtained from the valuation of financial instruments is used by the group to assess the performance of the business and, in particular, provide assurance that the risk and return measures that the business has taken are accurate and complete. It is important that the valuation of financial instruments accurately represent the financial position of the group while complying with the requirements of the applicable accounting standards.

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between knowledgeable, willing parties. Underlying the definition of fair value is a presumption that an entity is a going concern without any intention or need to liquidate, to curtail materially the scale of its operations or to undertake a transaction on adverse terms. Fair value is not, therefore, the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distressed sale.

Control environment

- Validation and approval

  The business unit entering into the transaction is responsible for the initial determination and recording of the fair value of the transaction. There are formalised review protocols for the independent review and validation of fair values separate from the business unit entering into the transaction. These include, but are not limited to:

  - daily controls over the profit or loss recorded by trading and treasury frontoffice traders;
  - specific controls to ensure consistent pricing policies and procedures are adhered to; and
  - independent valuation of structures, products and trades.

  The validation of pricing and valuation methodologies is verified by a specialist team that is part of the group's risk management function and that is independent of all the business units. A specific area of focus is the marking-to-model of illiquid and/or complex financial instruments.

  All valuation techniques are validated and reviewed by qualified senior staff and are calibrated and back-tested for validity by using prices from any observable current market transaction in the same instrument (ie without modification or repackaging) or based on any observable market data. The group obtains market data consistently in the same market where the instrument was originated or purchased.

  If the fair-value calculation deviates from the quoted market value due to inaccurate observed market data, these deviations in the valuation are documented and presented at a review committee, which is independent of both the business unit and the specialist team, for approval. The committee will need to consider both the regulatory and accounting requirements in arriving at an opinion on whether the deviation is acceptable.

  The group refines and modifies its valuation techniques as markets and products develop and as the pricing for individual products becomes more or less readily available. While the group believes its valuation techniques are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions may result in different estimates of fair value at the different reporting dates.

- Stress testing and sensitivity measures

  Comprehensive stress testing is conducted by the group, in which the following, at a minimum, is considered:

  - anticipated future projected trading positions;
  - historical events;
  - scenario testing to evaluate plausible future events; and
  - specific testing to supplement the value-at-risk methodology (ie one-day holding period and 99% confidence interval).

  For further discussion in respect of stress testing and sensitivity measures refer to note 6.6 of the annual financial statements on page 84.

Valuation methodologies

- Quoted price

  A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The appropriate quoted market price for an asset held or a liability to be issued is usually the current bid price and, for an asset to be acquired or a liability held, the asking price.

  The objective of determining fair value is to arrive at the transaction price of an instrument on the measurement date (ie without modifying or repackaging the instrument) in the most advantageous active market to which the business has immediate access.

  The existence of published price quotations in an active market is the best evidence of fair value and, when they exist, they are used to measure the financial asset or financial liability.

  These quoted prices would generally be classified as level 1 in terms of the fair-value hierarchy prescribed by IFRS 7 Financial Instruments: Disclosure.

- Valuation technique

  If the market for a financial instrument is not active, the group establishes fair value by using a valuation technique. These valuation techniques may include:
  - using recent arm's length market transactions between knowledgeable, willing parties;
  - reference to the current fair value of another instrument that is substantially of the same nature;
  - reference to the value of the net asset of the underlying business;
  - earning multiples;
  - discounted-cashflow analysis; and
  - various option-pricing models.

  If there is a valuation technique that is commonly used by market participants to price the financial instrument and that technique has been demonstrated to provide reasonable estimates of prices obtained in actual market transactions, the group will use that technique.

  The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange and motivated by normal business considerations. In applying valuation techniques, the group uses estimates and assumptions that are consistent with available information about the estimates and assumptions that market participants would use in setting a price for the financial instrument.

  Fair value is therefore estimated on the basis of the results of a valuation technique that makes maximum use of market inputs and relies as little as possible on entity-specific inputs. A valuation technique would be expected to arrive at a realistic estimate of the fair value if:
  - it reasonably reflects how the market could be expected to price the instrument; and
  - the inputs to the valuation technique reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

  Therefore, a valuation technique:
  - will incorporate all relevant factors that market participants would consider in determining a price; and
  - is consistent with accepted economic methodologies for pricing financial instruments.

  If a published price quotation in an active market does not exist for a financial instrument in its entirety, but active markets exist for its component parts, fair value is determined on the basis of the relevant market prices for the various component parts.

  If a rate (rather than a price) is quoted in an active market, the group uses that market-quoted rate as an input into a valuation technique to determine fair value. If the market-quoted rate does not include credit risk or other factors that market participants would include in valuing the instrument, the group adjusts for these factors.

  Valuation techniques applied by the group would generally be classified as level 2 or level 3 in terms of the fair-value hierarchy prescribed by IFRS 7 Financial Instruments: Disclosure. The determination of whether an instrument is classified as level 2 or level 3 is dependent on the degree of observable inputs versus unobservable inputs used in determining the fair value.

6 Fair-value measurement ... continued

6.1 Valuation of financial instruments ... continued

Inputs to valuation techniques

A suitable valuation technique for estimating the fair value of a particular financial instrument would incorporate observable market data about the market conditions and other factors that are likely to affect the instrument's fair value. The principal inputs to these valuation techniques include the following:

- Discount rate: Where discounted-cashflow techniques are used, estimated future cashflows are based on management's best estimates and the discount rate used is a market rate at the reporting date for an instrument with similar terms and conditions.
- The time value of money: The business may use well-accepted and readily observable general interest rates, such as the Johannesburg Interbank Agreed Rate (South Africa), London Interbank Offered Rate (United Kingdom) or an appropriate swap rate, as the benchmark rate to derive the present value of a future cashflow.
- Credit risk: Credit risk is the risk of loss associated with a counterparty's failure or inability to fulfil its contractual obligations. The valuation of the relevant financial instrument takes into account the effect of credit risk on fair value by including an appropriate adjustment for the risk taken.
- Foreign currency exchange prices: Active currency exchange markets exist for most major currencies, and prices are quoted daily on various trading platforms and in financial publications.
- Commodity prices: Observable market prices are available for those commodities that are actively traded on exchanges in London, New York, Chicago and other commercial exchanges.
- Equity prices: Prices (and indices of prices) of traded equity instruments are readily observable on JSE Limited or any other recognised international exchange. Present-value techniques may be used to estimate the current market price of equity instruments for which there are no observable prices.
- Volatility: Measures of the volatility of actively traded items can be reasonably estimated by the implied volatility in current market prices. The shape and skew of the volatility curve is derived from a combination of observed trades and doubles in the market. In the absence of an active market, a methodology to derive these volatilities from observable market data will be developed and utilised.
- Recovery rates/Loss given default: These are used as an input to valuation models as an indicator of the severity of losses on default. Recovery rates are primarily sourced from market data providers or inferred from observable credit spreads.
- Prepayment risk and surrender risk: Expected repayment patterns for financial assets and expected surrender patterns for financial liabilities can be estimated on the basis of historical data.
- Servicing costs: If the cost of servicing a financial asset or financial liability is significant and other market participants would face comparable costs, the issuer would consider them in determining the fair value of that financial asset or financial liability.
- Dividends: Consistent consensus dividend forecasts adjusted for internal analysts' projections can be applied to each share. Forecasts are usually available for the current year plus one additional year. Thereafter, a constant growth rate would be applied to the specific dates into the future for each individual share.
- Inception profit ('day-one gain or loss'): The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (ie the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (ie without modification or repackaging) or based on a valuation technique whose variables include data from observable markets only.

Valuation adjustments

To determine a reliable fair value, where appropriate, the group applies certain valuation adjustments to the pricing information derived from the above sources. In making appropriate adjustments, the group considers certain adjustments to the modelled price that market participants would make when pricing that instrument. Factors that would be considered include the following:

- Own credit on financial liabilities: The carrying amount of financial liabilities held at fair value is adjusted to reflect the effect of changes in the group's own credit spreads. As a result, the carrying value of issued bonds and subordinated-debt instruments that have been designated at fair value through profit or loss is adjusted by reference to the movement in the appropriate spreads. The resulting gain or loss is recognised in the profit and loss in the statement of other comprehensive income.

- Counterparty credit spreads: Adjustments are made to market prices when the creditworthiness of the counterparty differs from that of the assumed counterparty in the market price (or parameter).

Observable markets
Quoted market prices in active markets are the best evidence of fair value and are used as the basis of measurement, if available.

A determination of what constitutes 'observable market data' will necessitate significant judgement. It is the group's belief that 'observable market data' comprises, in the following hierarchical order:
- prices or quotes from exchange or listed markets in which there are sufficient liquidity and activity;
- proxy observable market data that is proven to be highly correlated and has a logical, economic relationship with the instrument that is being valued; and
- other direct and indirect market inputs that are observable in the marketplace.

Data is considered by the group to be 'observable' if the data is:
- verifiable;
- readily available;
- regularly distributed;
- from multiple independent sources;
- transparent; and
- not proprietary.

Data is considered by the group to be 'market based' if the data is:
- reliable;
- based on consensus within reasonable narrow, observable ranges;
- provided by sources that are actively involved in the relevant market; and
- supported by actual market transactions.

It is not intended to imply that all of the above characteristics must be present to conclude that the evidence qualifies as observable market data. Judgement is applied based upon the strength and quality of the available evidence.

Valuation techniques by instrument
- Other short-term securities and government and other securities
  The fair value of these instruments is based on quoted market prices from an exchange dealer, broker, industry group or pricing service, when available. When they are unavailable, the fair value is determined by reference to quoted market prices for similar instruments, adjusted as appropriate for the specific circumstances of the instruments.

  Where these instruments include corporate bonds, the bonds are valued using observable active quoted prices or recently executed transactions, except where observable price quotations are not available. Where price quotations are not available, the fair value is determined based on cashflow models, where significant inputs may include yield curves and bond or single-name credit default swap spreads.

- Derivative financial instruments
  Derivative contracts can either be traded via an exchange or over the counter (OTC) and are valued using market standard models and quoted parameter inputs. Parameter inputs are obtained from pricing services, consensus pricing services and recently occurring transactions in active markets, whenever possible. Certain inputs may not be observable in the market directly, but can be determined from observable prices via model calibration procedures. Some inputs are not observable, but can generally be estimated from historical data or other sources.

6 Fair-value measurement ... continued

6.1 Valuation of financial instruments ... continued

Valuation techniques by instrument ... continued

- Loans and advances

  Loans and advances include mortgage loans (home loans and commercial mortgages), other asset-based loans, including collaterised debt obligations, and other secured and unsecured loans.

  In the absence of an observable market for these instruments, the fair value is determined by using internally developed models that are specific to the instrument and that incorporate all available observable inputs. These models involve discounting the contractual cashflows by using a credit-adjusted zero-coupon curve.

- Investment securities

  Investment securities include private equity investments, listed investments and unlisted investments.

  The fair value of listed investments is determined with reference to quoted bid prices at the close of business on the relevant securities exchange.

  Where private equity investments are involved, the exercise of judgement is required because of uncertainties inherent in estimating the fair value. The fair value of private equity is determined using appropriate valuation methodologies that, dependent on the nature of the investment, may include an analysis of the investee's financial position and results, risk profiles and prospects, discounted-cashflow analysis, enterprise value comparisons with similar companies, price-earnings comparisons and earning multiples. For each investment the relevant methodology is applied consistently over time and may be adjusted for changes in market conditions relative to that instrument.

  The fair value of unlisted investments is determined using appropriate valuation techniques that may include, but are not limited to, discounted cashflow analysis, net asset value calculations and directors' valuations.

- Other assets

  Short positions in equities arise in trading activities where equity shares, not owned by the group, are sold in the market to third parties. The fair value of these instruments is determined by reference to the gross short position valued at the offer rate.

  Investments in instruments that do not have a quoted market price in an active market and the fair value of which cannot be reliably measured, as well as derivatives that are linked to and have to be settled by delivery of such unquoted equity instruments, are measured at fair value, utilising models considered to be appropriate by management.

- Amounts owed to depositors

  Amounts owed to depositors include deposits under repurchase agreements, negotiable certificates of deposit and other deposits.

  These instruments incorporate all market risk factors, including a measure of the group's credit risk relevant for that financial liability when designated at fair value through profit or loss. The fair value of these financial liabilities is determined by discounting the contractual cashflows using a Nedbank-specific credit-adjusted yield curve that reflects the level at which the group would issue similar instruments at the reporting date. The market risk parameters are valued consistently to similar instruments held as assets.

  The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. When the fair value of a financial liability cannot be reliably determined, the liability is recorded at the amount due.

  Fair value is considered reliably measurable if:

  – the variability in the range of reasonable fair-value estimates is not significant for that instrument; or
  – the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

- Investment contract liabilities

  The fair value of investment contract liabilities is determined by reference to the fair value of the underlying assets.

- Long-term debt instruments
  The fair value of long-term debt instruments is determined by reference to published market values on the relevant exchange.
- Complex instruments
  These instruments are valued by using internally developed models that are specific to the instrument and that have been calibrated to market prices. In less active markets data is obtained from less frequent market transactions, broker quotes and through extrapolation and interpolation techniques. Where observable prices or inputs are not available, other relevant sources of information such as historical data, fundamental analysis of the economics of the transaction and proxy information from similar transactions are used. These models are continually reviewed and assessed to ensure that the best available data is being utilised in the determination of fair value.
- Other liabilities
  Short positions in equities arise in trading activities where equity shares, not owned by the group, are sold in the market to third parties. The fair value of these instruments is determined by reference to the gross short position valued at the offer rate.

  Where the group has assets and liabilities with offsetting market risks, it may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position, as appropriate.

6 Fair-value measurement ... continued

6.2 Fair-value hierarchy

6.2.1 Financial assets

Rm	Note	Total financial assets	Total financial assets recognised at amortised cost	Total financial assets recognised at fair value
2009		**532 533**	**432 718**	**99 815**
Cash and cash equivalents	21	**17 260**	**17 260**	
Other short-term securities	22	**14 408**		**14 408**
Derivative financial instruments	23	**12 871**		**12 871**
Government and other securities	25	**35 754**	**18 583**	**17 171**
Loans and advances	26	**444 403**	**393 625**	**50 778**
Other assets	28	**3 917**	**3 250**	**667**
Investments in associate companies and joint ventures	30	**908**		**908**
Investment securities	29	**3 012**		**3 012**
2008		534 821	436 863	97 958
Cash and cash equivalents	21	17 699	17 699	
Other short-term securities	22	10 411	*	10 411
Derivative financial instruments	23	23 114		23 114
Government and other securities	25	41 834	24 528	17 306
Loans and advances	26	433 422	390 077	43 345
Other assets	28	4 731	4 559	172
Investments in associate companies and joint ventures	30	867		867
Investment securities	29	2 743		2 743

** Represents amounts less than R1 million*

Summary of fair-value hierarchies

Rm	Total financial assets recognised at fair value 2009	2008
Other short-term securities	**14 408**	10 411
Derivative financial instruments	**12 871**	23 114
Government and other securities	**17 171**	17 306
Loans and advances	**50 778**	43 345
Other assets	**667**	172
Investments in associate companies and joint ventures	**908**	867
Investment securities	**3 012**	2 743
	99 815	97 958

Reconciliation to balance sheet

Rm
Total financial assets
Total non-financial assets
Total assets

	Held for trading			Designated at fair value through profit			Available for sale		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	153	**35 680**	**426**	**14 709**	**44 880**	**2 433**	**910**	**607**	**17**
	495	**8 862**		**414**	**4 637**				
	3	**12 852**	**16**						
	(345)	**645**	**55**	**13 591**	**2 421**		**197**	**607**	
		13 321	**82**		**37 375**				
				221	**446**				
						908			
			273	**483**	**1**	**1 525**	**713**		**17**
	(1 028)	39 055	1 271	15 513	39 977	2 163	678	310	19
	131	5 823		1 228	3 229				
	1	23 111	2						
	(1 160)	1 839	293	13 626	2 398		*	310	
		8 277	719		34 349				
		5		167					
						867			
			257	492	1	1 296	678		19

	Total financial assets classified at level 1		Total financial assets classified at level 2		Total financial assets classified at level 3	
	2009	2008	**2009**	2008	**2009**	2008
	909	1 359	**13 499**	9 052		
	3	1	**12 852**	23 111	**16**	2
	13 443	12 466	**3 673**	4 547	**55**	293
			50 696	42 626	**82**	719
	221	167	**446**	5		
					908	867
	1 196	1 170	**1**	1	**1 815**	1 572
	15 772	15 163	**81 167**	79 342	**2 876**	3 453

	Note	2009	2008
	5	**532 533**	534 821
	5	**12 457**	12 311
		544 990	547 132

6 Fair-value measurement ... continued

6.2 Fair-value hierarchy ... continued

6.2.2 Financial liabilities

Rm	Note	Total financial liabilities	Total financial liabilities recognised at amortised cost	Total financial liabilities recognised at fair value
2009		**501 998**	**379 045**	**122 953**
Derivative financial instruments	23	**10 799**		**10 799**
Amounts owed to depositors	38	**465 899**	**361 995**	**103 904**
Other liabilities	39	**5 218**	**4 779**	**439**
Long-term debt instruments	40	**20 082**	**12 271**	**7 811**
2008		504 366	354 407	149 959
Derivative financial instruments	23	23 077		23 077
Amounts owed to depositors	38	461 084	343 424	117 660
Other liabilities	39	6 145	4 874	1 271
Long-term debt instruments	40	14 060	6 109	7 951

Summary of fair-value hierarchies

Rm	Total financial liabilities recognised at fair value 2009	2008
Derivative financial instruments	**10 799**	23 077
Amounts owed to depositors	**103 904**	117 660
Other liabilities	**439**	1 271
Long-term debt instruments	**7 811**	7 951
	122 953	149 959

Reconciliation to balance sheet

Rm
Total financial liabilities
Total equity and non-financial liabilities
Total equity and liabilities

The financial instruments recognised at fair value have been categorised under the three levels of the IFRS 7 Financial Instruments: Disclosure as follows:

Level 1: Unadjusted quoted prices in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis.

Level 2: Valuation techniques using market observable inputs. Various factors influence the availability of observable inputs and these may vary from product to product and change over time. Factors include, for example, the depth of activity in the relevant market, the type of product, whether the product is new and not widely traded in the market, the maturity of market modelling and the nature of the transaction (bespoke or generic).

Level 3: Valuation techniques that include significant inputs that are not observable. To the extent that a valuation is based on inputs that are not market observable, the determination of the fair value can be more subjective, dependent on the significance of the unobservable inputs to the overall valuation. Unobservable inputs are determined based on the best information available and may include reference to similar instruments, similar maturities, appropriate proxies or other analytical techniques.

	Held for trading			Designated at fair value through profit		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	216	**40 091**	**53**	**7 811**	**74 782**	**–**
	3	**10 743**	**53**			
		29 122			**74 782**	
	213	**226**				
				7 811		
	1 209	41 641	132	7 951	99 026	–
	9	22 936	132			
		18 684			98 976	
	1 200	21			50	
				7 951		

	Total financial liabilities classified at level 1		Total financial liabilities classified at level 2		Total financial liabilities classified at level 3	
	2009	2008	**2009**	2008	**2009**	2008
	3	9	**10 743**	22 936	**53**	132
			103 904	117 660		
	213	1 200	**226**	71		
	7 811	7 951				
	8 027	9 160	**114 873**	140 667	**53**	132

	Note	**2009**	2008
	5	**501 998**	504 366
	5	**42 992**	42 766
		544 990	547 132

6 Fair-value measurement ... continued

6.3 Details of changes in valuation techniques

There have been no significant changes in valuation techniques during the year under review.

6.4 Significant transfers between level 1 and level 2

There have been no significant transfers between level 1 and level 2 during the year under review.

6.5 Level 3 reconciliation

Rm	Opening balance at 1 January	Gains/(Losses) in profit for the year*	Gains/(Losses) in other comprehensive income for the year*
2009			
Assets			
Held for trading	1 271	(22)	(56)
Derivative financial instruments	2	17	*
Government and other securities	293	(15)	(5)
Loans and advances	719	(40)	(51)
Investment securities	257	16	
Designated at fair value	2 163	184	–
Investments in associate companies and joint ventures	867	22	
Investment securities	1 296	162	
Available-for-sale financial assets	19	–	–
Investment securities	19		
Total financial assets classified at level 3	3 453	162	(56)

* ***Gains/(Losses):*** Gains and losses include, but are not limited to, fair-value gains or losses, translation gains or losses, trading gains or losses and, where applicable, dividend and interest income.

** ***Transfers in:*** The amount of R2 million transferred into designated at fair value represents investment securities that were previously categorised as available-for-sale instruments.

*** ***Transfers out:*** The amount of R1 million transferred out of held for trading represents derivative financial instruments that have been transferred to liabilities.

The amount of R72 million transferred out of held for trading represents loans and advances that are now carried at amortised cost.

The amount of R2 million transferred out of available for sale, represents investment securities that are now categorised as designated at fair value.

Rm	Opening balance at 1 January	Gains/(Losses) in profit for the year*	(Gains)/Losses in other comprehensive income for the year*
2009			
Liabilities			
Held for trading	132	(95)	5
Derivative financial instruments	132	(95)	5
Total financial liabilities classified at level 3	132	(95)	5

* ***(Gains)/Losses:*** Gains and losses include, but are not limited to, fair-value gains or losses, translation gains or losses, trading gains or losses and, where applicable, dividend and interest expense.

** ***Transfers in:*** The amount of R1 million transferred out of held for trading represents derivative financial instruments that have been transferred from assets.

Purchases and issues	Sales and settlements	Transfers in**	Transfers out***	Closing balance at 31 December
–	(694)	–	(73)	426
	(2)		(1)	16
	(218)			55
	(474)		(72)	82
				273
135	(51)	2	–	2 433
61	(42)			908
74	(9)	2		1 525
–	–	–	(2)	17
			(2)	17
135	(745)	2	(75)	2 876

Purchases and issues	Sales and settlements	Transfers in**	Transfers out	Closing balance at 31 December
10	–	1	–	53
10		1		53
10	–	1	–	53

6 Fair-value measurement ... continued

6.6 Effect of changes in significant unobservable assumptions to reasonable possible alternatives

As discussed above, the fair-value measurement of financial instruments are, in certain circumstances, measured using valuation techniques that include assumptions that are not market observable. Where these scenarios apply, the group performs stress testing on the fair value of the relevant instruments. In performing the stress testing, appropriate levels for the unobservable input parameters are chosen so that they are consistent with prevailing market evidence and in line with the group's approach to valuation control.

In accordance with IFRS 7 Financial Instruments: Disclosure, the following information is intended to illustrate the potential impact of the relative uncertainty in the fair value of financial instruments for which valuation is dependent on unobservable input parameters. However, it is unlikely in practice that all unobservable parameters would simultaneously be at the extremes of their ranges of reasonably possible alternatives. Furthermore, the disclosure is neither predictive nor indicative of future movements in fair value.

The following table shows the effect on fair value of changes in unobservable input parameters to reasonably possible alternative assumptions:

2009	Principal assumption stressed	Stress parameters %	Balance sheet value Rm	Favourable change in fair value due to stress test Rm	Unfavourable change in fair value due to stress test Rm
Assets					
Derivative financial instruments	Correlations, volatilities and credit spreads.	Between (25) and 25.	16	13	(13)
Government and other securities	Credit spreads.	Between (20) and 20.	55	1	(1)
Loans and advances	Credit spreads.	Between (20) and 20.	82	*	*
Investment securities	Correlations, volatilities and credit spreads.	Between (20) and 20.	1 815	232	(295)
Investments in associate companies and joint ventures	Valuation multiples.	Between (6) and 6.	908	57	(57)
Total financial assets classified at level 3			2 876	303	(366)
Liabilities					
Derivative financial instruments	Correlations, volatilities and credit spreads.	Between (25) and 25.	53	9	(9)

** Represents amounts less than R1 million.*

6.7 Fair-value approximates carrying value

The group measures all significant fixed-rate instruments at fair value, with all changes in fair value being recognised in profit and loss in the statement of comprehensive income.

Loans and advances and other financial assets and liabilities that are not recognised at fair value principally comprise variable-rate financial assets and liabilities. The interest rates on these financial assets and liabilities are adjusted when the applicable benchmark interest rate changes.

Loans and advances are not actively traded in the SA market and therefore one cannot determine the fair value of these loans and advances based on observable market prices. Because of the unique characteristics of the loans and advances book, and the fact that there have been no recent transactions involving the disposals of loans and advances there is no basis to determine what price would be agreed with a market participant. The group is not currently in the scenario of a forced sale for the underlying loans and advances and therefore it would be incorrect to value the loans and advances on such a basis.

The group has developed and applied a fair-value methodology in respect of gross exposures for loans and advances and financial liabilities that are measured at amortised cost at 31 December 2009. The methodology incorporates the average interest rates per product type and the projected monthly cashflows per product type.

Future forecasts for the overall group's probability of default (PD) and loss given default (LGD) for periods 2010 through to 2012, based on the latest internal data available, are applied to the first three years' projected cashflows. Average PDs and LGDs are applied to the projected cashflows for the period 2012 onwards.

In the determination of the fair value of loans and advances for 31 December 2009, the group used point-in-time LGD and performed stress tests on the underlying data based on the scenarios below and the results are as follows:

2009

Percentage	**Through-the-cycle LGD**	**Downturn LGD**
Positive outlook	**(0,63%)**	**(0,13%)**
Neutral outlook	**(0,53%)**	**0,02%**
Negative outlook	**(0,48%)**	**0,09%**

The percentages are the added/(deducted) value that would be attributed if the various scenarios were applied to the fair-value model.

Negative percentages indicate that the fair value is above the carrying value of the reported loans and advances value (refer to note 26) and positive percentages indicate that the fair value is below the carrying value of the reported loan and advances value (refer to note 26).

In the determination of the fair value of loans and advances for 31 December 2008, the group used point-in-time LGD and performed stress tests on the underlying data based on the scenarios below and the results are as follows:

2008

Percentage	Through-the-cycle LGD	Downturn LGD
Positive outlook	(0,11%)	0,45%
Neutral outlook	(0,03%)	0,56%
Negative outlook	0,01%	0,61%

Through-the-cycle LGD refers to the average LGD over a full economic cycle (7 – 12 years). Downturn LGD refers to the loss given default during an economic downturn.

For impaired advances the carrying value as determined after consideration of the group's IAS 39 credit impairments is considered the best estimate of fair value.

The group is therefore satisfied that, after considering the internal credit models together with other assumptions and the variable-interest-rate exposure, the carrying value of loans and receivables and financial liabilities measured at amortised cost approximates fair value.

7 Liquidity gap

Rm	<3 months	>3 months <6 months	>6 months <1 year	>1 year <5 years	>5 years	Non-determined	Total
2009							
Cash and cash equivalents (including mandatory reserve deposits with central bank)	**15 573**					**1 687**	**17 260**
Other short-term securities	**12 421**	**974**	**1 013**				**14 408**
Derivative financial instruments	**3 136**	**1 290**	**2 221**	**3 777**	**2 447**		**12 871**
Government and other securities	**519**	**2 013**	**7 581**	**18 574**	**7 067**		**35 754**
Loans and advances	**79 002**	**16 330**	**30 943**	**152 310**	**165 818**		**444 403**
Other assets	**2 027**					**18 267**	**20 294**
	112 678	**20 607**	**41 758**	**174 661**	**175 332**	**19 954**	**544 990**
Total equity and liabilities						**37 993**	**37 993**
Derivative financial instruments	**2 245**	**991**	**1 055**	**2 910**	**3 598**		**10 799**
Amounts owed to depositors	**333 401**	**50 576**	**58 509**	**20 401**	**3 012**		**465 899**
Provisions and other liabilities	**2 025**					**8 192**	**10 217**
Long-term debt instruments			**511**	**9 387**	**10 184**		**20 082**
	337 671	**51 567**	**60 075**	**32 698**	**16 794**	**46 185**	**544 990**
Net liquidity gap	**(224 993)**	**(30 960)**	**(18 317)**	**141 963**	**158 538**	**(26 231)**	**–**
2008							
Cash and cash equivalents (including mandatory reserve deposits with central bank)	15 969					1 730	17 699
Other short-term securities	6 159	1 467	2 088	697			10 411
Derivative financial instruments	547	139	11 756	6 832	3 840		23 114
Government and other securities	5 387	1 893	414	21 996	12 144		41 834
Loans and advances	88 208	13 797	22 836	129 712	178 869		433 422
Other assets	3 836					16 816	20 652
	120 106	17 296	37 094	159 237	194 853	18 546	547 132
Total equity and liabilities						36 442	36 442
Derivative financial instruments	599	161	11 545	6 157	4 615		23 077
Amounts owed to depositors	345 136	32 297	60 648	21 414	1 589		461 084
Provisions and other liabilities	234					12 235	12 469
Long-term debt instruments			479	7 214	6 367		14 060
	345 969	32 458	72 672	34 785	12 571	48 677	547 132
Net liquidity gap	(225 863)	(15 162)	(35 578)	124 452	182 282	(30 131)	–

Where necessary, comparative information has been enhanced to provide more detailed analysis.

8 Contractual maturity analysis for financial liabilities

Rm	Statement of financial position amount	<3 months	>3 months <6 months	>6 months <1 year	>1 year <5 years	>5 years	Non-determinable maturity	Total
2009								
Long-term debt instruments	**20 082**	**356**	**213**	**1 293**	**14 608**	**12 311**		**28 781**
Amounts owed to depositors	**465 899**	**329 977**	**52 586**	**61 730**	**23 367**	**3 199**	**–**	**470 859**
Current accounts	**42 738**	**42 743**						**42 743**
Savings deposits	**8 727**	**8 728**						**8 728**
Other deposits and loan accounts	**290 522**	**228 483**	**17 870**	**23 076**	**15 978**	**3 181**		**288 588**
Foreign currency liabilities	**6 599**	**6 599**						**6 599**
Negotiable certificates of deposit	**102 377**	**28 470**	**34 695**	**38 616**	**7 308**	**18**		**109 107**
Deposits received under repurchase agreements	**14 936**	**14 954**	**21**	**38**	**81**			**15 094**
Derivative financial instruments – liabilities	**10 799**	**2 245**	**991**	**1 055**	**2 910**	**3 598**		**10 799**
Provisions and other liabilities	**10 217**	**2 025**					**8 192**	**10 217**
	506 997	**334 603**	**53 790**	**64 078**	**40 885**	**19 108**	**8 192**	**520 656**
Guarantees on behalf of clients	**27 827**	**27 827**						**27 827**
Confirmed letters of credit and discounting transactions	**1 476**	**1 476**						**1 476**
Unutilised facilities and other	**42 710**	**42 710**						**42 710**
	72 013	**72 013**	**–**	**–**	**–**	**–**	**–**	**72 013**
2008								
Long-term debt instruments	14 060	141	219	1 063	10 621	9 138		21 182
Amounts owed to depositors	461 084	350 874	35 887	66 531	24 490	1 596	–	479 378
Current accounts	43 754	43 761						43 761
Savings deposits	9 027	9 030						9 030
Other deposits and loan accounts	294 816	240 306	15 432	26 910	19 201	1 574		303 423
Foreign currency liabilities	6 068	6 068						6 068
Negotiable certificates of deposit	86 391	30 648	20 421	39 567	5 143	22		95 801
Deposits received under repurchase agreements	21 028	21 061	34	54	146			21 295
Derivative financial instruments – liabilities	23 077	599	161	11 545	6 157	4 615		23 077
Provisions and other liabilities	12 469						12 469	12 469
	510 690	351 614	36 267	79 139	41 268	15 349	12 469	536 106
Guarantees on behalf of clients	25 154	25 154						25 154
Confirmed letters of credit and discounting transactions	3 117	3 117						3 117
Unutilised facilities and other	46 216	46 216						46 216
	74 487	74 487	–	–	–	–	–	74 487

Derivatives are not profiled on an undiscounted basis.

Where necessary, comparative information has been enhanced to provide more detailed analysis.

9 Historical value at risk (99%, one day) by risk type

	2009				2008			
Rm	**Average**	**Minimum**	**Maximum**	**Year-end**	Average	Minimum	Maximum	Year-end
Foreign exchange	**4,1**	**0,9**	**10,3**	**3,7**	6,1	2,3	20,1	3,4
Interest rate	**16,8**	**6,8**	**30,8**	**6,8**	13,6	7,6	25,9	19,2
Equity products	**0,4**		**2,7**	**1,0**	1,1	0,4	3,1	1,6
Credit	**6,0**	**2,5**	**10,9**	**3,2**	6,2	3,4	8,7	6,6
Commodity	**0,5**		**2,4**	**1,2**				
Diversification	**(6,8)**			**(4,4)**	(9,7)			(6,9)
Total value-at-risk exposure	**21,0**	**9,2**	**35,5**	**11,5**	17,3	10,1	25,8	23,9

10 Interest rate repricing gap

Rm	**<3 months**	**>3 months <6 months**	**>6 months <1 year**	**>1 year <5 years**	**>5 years**	**Trading, non-rate and foreign**	**Total**
2009							
Total assets	**400 631**	**2 914**	**5 949**	**29 917**	**16 234**	**89 345**	**544 990**
Total equity and liabilities	**337 895**	**30 047**	**37 539**	**11 759**	**4 651**	**123 099**	**544 990**
Interest rate hedging activities	**(31 359)**	**26 605**	**29 484**	**(10 246)**	**(14 484)**		
Repricing profile	**31 377**	**(528)**	**(2 106)**	**7 912**	**(2 901)**	**(33 754)**	
Cumulative repricing profile	**31 377**	**30 849**	**28 743**	**36 655**	**33 754**		
Expressed as a percentage of total assets	**5,8**	**5,7**	**5,3**	**6,7**	**6,2**		
2008							
Total assets	410 608	5 236	1 321	33 307	21 278	75 382	547 132
Total equity and liabilities	332 931	36 157	45 233	12 753	3 817	116 241	547 132
Interest rate hedging activities	(46 246)	24 254	42 430	(3 766)	(16 672)		
Repricing profile	31 431	(6 667)	(1 482)	16 788	789	(40 859)	
Cumulative repricing profile	31 431	24 764	23 282	40 070	40 859		
Expressed as a percentage of total assets	5,7	4,5	4,3	7,3	7,5		

11 Credit analysis of other short-term securities, and government and other securities

	Investment grade		**Subinvestment grade**		**Not rated**		**Total**	
Credit ratings	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm
Other short-term securities	**14 336**	10 261	**71**	145	**1**	5	**14 408**	10 411
Negotiable certificates of deposit	**8 341**	6 601					**8 341**	6 601
Treasury bills and other	**5 995**	3 660	**71**	145	**1**	5	**6 067**	3 810
Government and other securities	**35 663**	41 753	**91**	81	**–**	–	**35 754**	41 834
Government and government-guaranteed	**24 131**	30 629					**24 131**	30 629
Other dated securities	**11 532**	11 124	**91**	81			**11 623**	11 205
	49 999	52 014	**162**	226	**1**	5	**50 162**	52 245

All debt securities that are purchased by the group are rated using an internal rating system, being the Nedbank Group Rating (NGR) scale. The group requires that all investments be rated using the NGR scale to ensure that credit risk is measured consistently and accurately across the group.This ensures compliance with the group's policy surrounding the rating of investments. The NGR scale has been mapped to the Standard & Poor's credit rating system. According to the NGR scale, investment grade can be equated to a Standard & Poor's rating of above BBB-. All government and other short-term securities are current and not impaired. Investment grade includes credit ratings from NGR 1 to NGR 11 and subinvestment grade includes credit ratings from NGR 12 to NGR 25.

12 Interest and similar income

	2009 Rm	2008 Rm
Home loans (including properties in possession)	**14 642**	17 501
Commercial mortgages	**7 904**	8 837
Finance lease and instalment debtors	**7 568**	8 206
Credit cards	**1 188**	1 332
Bills and acceptances	**41**	67
Overdrafts	**1 397**	2 081
Term loans and other	**12 558**	13 135
Government and other securities	**3 430**	3 199
Short-term funds and securities	**604**	796
	49 332	55 154
Interest and similar income may be analysed as follows:		
Interest and similar income from financial instruments not at fair value through profit or loss	**43 486**	50 529
Interest and similar income from financial instruments at fair value through profit or loss	**5 846**	4 625
	49 332	55 154

13 Interest expense and similar charges

	2009 Rm	2008 Rm
Deposit and loan accounts	**19 341**	25 342
Current and savings accounts	**1 140**	1 827
Negotiable certificates of deposit	**9 547**	8 334
Other liabilities	**2 073**	2 843
Long-term debt instruments	**1 694**	1 528
	33 795	39 874
Interest expense and similar charges may be analysed as follows:		
Interest expense and similar charges from financial instruments not at fair value through profit or loss	**26 402**	29 989
Interest expense and similar charges from financial instruments at fair value through profit or loss	**7 393**	9 885
	33 795	39 874

14 Non-interest revenue

	2009 Rm	2008 Rm
Commission and fee income**	**7 873**	7 308
Administration fees	**207**	191
Cash-handling fees	**510**	446
Insurance commission	**483**	546
Exchange commission	**249**	274
Fees	**467**	543
Guarantees	**116**	106
Card income	**1 881**	1 845
Service charges	**2 335**	1 950
Other commission	**1 625**	1 407
Securities dealing and fair-value adjustments	**320**	503
Securities dealing***	**265**	134
Fair-value adjustments (note 14.1)	**55**	369
Net trading income***	**1 823**	1 572
Foreign exchange	**1 111**	1 063
Debt securities	**766**	557
Equities	**(54)**	(48)
Other		
Rental income	**25**	25
Investment income	**56**	229
Long-term asset sales	**9**	8
Dividends received from unlisted investments	**47**	221
Sundry income****	**242**	240
Foreign currency translation losses	**(1)**	*
	10 338	9 877

* *Represents amounts less than R1 million.*
** *Commission and fee income includes an amount of R2 million (2008: R5 million) received for trust and fiduciary fees.*
*** *These amounts relate to gains and losses on financial assets and liabilities held for trading.*
**** *Includes revenue relating to certain investments in associates presented as designated as fair value through profit and loss in terms of IFRS 7 : Financial Instruments, and its disclosure amendments in respect of fair-value hierarchy (refer to note 6).*

14.1 Analysis of fair value adjustments

	2009 Rm	2008 Rm
Fair value adjustments can be analysed as follows:		
Held for trading	**478**	(926)
Designated at fair value through profit or loss	**(423)**	1 295
	55	369

14.2 Government grants

The group advances home loans from its Retail cluster for affordable housing. The group receives various government grants, from the South African and foreign governments. The government grants take a variety of forms including interest rate subsidies on loans advanced to the group and payment in respect of previously written-off advances in respect of qualifying deceased estates. The government grants that are received by the group in respect of affordable housing are recognised when the conditions of the government grant have been fulfilled and the grant is due to the group.

Certain government assistance is directed directly towards the client, including grants made to clients as first-time homeowners. Although the group may assist the client in obtaining the grant, these do not qualify as government grants envisaged by the accounting standard.

The group receives certain South African government grants in the form of refunds for Skills Development Levies and they pertain to prior training that has been facilitated by the group on behalf of its employees.

No assistance has been received by the group from any government or government organisation in respect of any troubled asset or financial crisis-related programme.

15 Operating expenses

	2009 Rm	2008 Rm
Staff costs	**7 298**	6 589
Salaries and wages	**7 311**	6 764
Long-term employee benefits*	**(26)**	(259)
Share-based payments expense – employees**	**13**	84
Computer processing	**1 760**	1 635
Depreciation for computer equipment	**325**	326
Amortisation of computer software	**441**	399
Operating lease charges for computer equipment	**137**	146
Other computer processing expenses	**857**	764
Communication and travel	**599**	608
Depreciation for vehicles	**3**	2
Other communication and travel	**596**	606
Occupation and accommodation	**1 197**	1 053
Depreciation for owner-occupied land and buildings	**77**	68
Operating lease charges for land and buildings	**494**	431
Other occupation and accommodation expenses	**626**	554
Marketing and public relations	**889**	887
Fees and insurances	**1 209**	1 116
Auditors' remuneration	**89**	80
Statutory audit – current year	**62**	58
– prior year	**2**	4
Non-audit services – interim reviews	**5**	4
– other services	**20**	14
Other fees and insurance costs	**1 120**	1 036
Furniture, office equipment and consumables	**310**	308
Depreciation for furniture and other equipment	**195**	201
Operating lease charge for furniture and other equipment	**26**	31
Other office equipment and consumables	**89**	76
Other sundries	**412**	288
	13 674	12 484
Included in staff costs are the following:		
– Executive directors' remuneration***	**27**	16
– Non-executive directors' remuneration***	**10**	10
	37	26

Certain expenses incurred by the company on behalf of subsidiary companies are recovered from subsidiary companies.

* *Includes contributions to defined-benefit and defined-contribution pension funds and post-retirement medical aid funding and any adjustments for defined-benefit obligations together with any fair-value adjustments of plan assets held. Refer to note 35.*

** *Excluding amounts related to the group's BEE schemes.*

*** *Refer to pages 21 to 23 of the Remuneration Report for a detailed breakdown of directors' remuneration.*

15.1 Black economic empowerment (BEE) transaction expenses

	2009	2008
BEE share-based payments expenses	**107**	176
Fees	**11**	11
	118	187

Refer to note 48 for a description of the BEE schemes.

16 Indirect taxation

	2009 Rm	2008 Rm
Value-added taxation	**343**	299
Revenue stamps	**4**	3
Other transaction taxes	**55**	54
	402	356

Value-added taxation comprises the portion that is irrecoverable as a result of the interest earned in the banking sector.

17 Non-trading and capital items

	2009 Rm	2008 Rm
(Loss)/Profit on sale of subsidiaries and investments	**(42)**	758
Profit/(Loss) on sale of property and equipment	**20**	(2)
Impairment of investments	*	*
Impairment of property and equipment, and capitalised development costs	**(10)**	(11)
	(32)	745

** Represents amounts less than R1 million.*

18 Direct taxation

18.1 Charge for the year

	2009 Rm	2008 Rm
SA normal taxation:		
– Current charge	**1 170**	1 453
– Capital gains taxation – deferred	**35**	(18)
– Deferred taxation	**(321)**	86
Foreign taxation	**80**	16
Current and deferred taxation on income	**964**	1 537
Prior-year overprovision – current taxation	**116**	(315)
Prior-year underprovision – deferred taxation	**(146)**	354
Total taxation on income	**934**	1 576
Secondary tax on companies (STC)	**25**	107
Taxation on non-trading and capital items	**1**	108
	960	1 791

18.2 Taxation rate reconciliation

	2009 %	2008 %
Standard rate of SA normal taxation	**28**	28
Reduction in taxation rate		(2)
Non-taxable dividend income	**(7)**	(5)
Capital items	**(1)**	(1)
Structured deals	**(1)**	(1)
Secondary tax on companies		1
Other	**1**	2
Effective taxation rate	**20**	22

18.3 Future taxation relief

The group has estimated taxation losses of R266 million (2008: R300 million) that can be set off against future taxable income, of which R214 million (2008: R287 million) has been applied to the deferred taxation balance. Furthermore, the group has accumulated STC credits amounting to R323 million at the year-end (2008: R460 million), which have arisen as a result of dividends received exceeding dividends paid. A deferred taxation asset of R32 million (2008: R46 million) has been raised on these STC credits.

19 Earnings

19.1 Earnings per share

Basic earnings and headline earnings per share are calculated by dividing the relevant earnings amount by the weighted average number of shares in issue. Diluted earnings and diluted headline earnings per share are calculated by dividing the relevant earnings by the weighted average number of shares in issue after taking into account the dilutive impact of potential ordinary shares to be issued.

	Basic		Headline	
Rm	**Basic**	**Diluted**	**Basic**	**Diluted**
2009				
Profit attributable to equity holders of the parent	**3 790**	**3 790**	**3 790**	**3 790**
Adjusted for:				
– Non-trading and capital items (per note 17)			**32**	**32**
– Taxation on non-trading and capital items (per note 18)			**1**	**1**
Adjusted profit attributable to equity holders of the parent	**3 790**	**3 790**	**3 823**	**3 823**
Weighted average number of ordinary shares	**27 240 023**	**27 240 023**	**27 240 023**	**27 240 023**
Adjusted for:				
– Share schemes that have a dilutive effect*				
Adjusted weighted average number of ordinary shares	**27 240 023**	**27 240 023**	**27 240 023**	**27 240 023**
Earnings per share (cents)	**13 913**	**13 913**	**14 034**	**14 034**
2008				
Profit attributable to equity holders of the parent	6 106	6 106	6 106	6 106
Adjusted for:				
– Non-trading and capital items (per note 17)			(745)	(745)
– Taxation on non-trading and capital items (per note 18)			108	108
Adjusted profit attributable to equity holders of the parent	6 106	6 106	5 469	5 469
Weighted average number of ordinary shares	27 240 023	27 240 023	27 240 023	27 240 023
Adjusted for:				
– Share schemes that have a dilutive effect*				
Adjusted weighted average number of ordinary shares	27 240 023	27 240 023	27 240 023	27 240 023
Earnings per share (cents)	22 416	22 416	20 077	20 077

** Share schemes are potentially dilutive for Nedbank Group Limited shares and not for Nedbank Limited shares.*

19.2 Headline earnings reconciliation

	2009		2008	
Rm	**Gross**	**Net of taxation**	Gross	Net of taxation
Profit attributable to equity holders of the parent		**3 790**		6 106
Less: non-trading and capital items	**(32)**	**(33)**	745	637
Profit on sale of subsidiaries, investments and property and equipment	**(22)**	**(23)**	756	648
Impairment of investments, property and equipment and capitalised development costs	**(10)**	**(10)**	(11)	(11)
Headline earnings		**3 823**		5 469

20 Dividends

20.1 Ordinary shares

	Millions of shares	Cents per share	Rm
2009			
Final declared for 2008 – paid 2009	27	2 496	674
Interim declared for 2009	27	5 170*	1 396
Ordinary dividends paid 2009		7 666	2 070
2008			
Final declared for 2007 – paid 2008	27	3 429	934
Interim declared for 2008	27	4 993**	1 360
Ordinary dividends paid 2008		8 422	2 294
Final ordinary dividend declared for 2008		2 496**	

STC on dividends equals 10% of the amount declared, which will be partially offset by STC credits.

The final ordinary dividend for 2009 had not yet been declared at the date of approval of these financial statements.

* *Total dividend declared for 2009 = 5 170 cents per share.*
** *Total dividend declared for 2008 = 7 489 cents per share.*

20.2 Preference shares

	Days	Rate %	Rm
2009			
Dividends paid:			
Nedbank Limited	365		335,3
1 July 2008 – 31 December 2008	184		182,1
1 July 2008 – 14 December 2008	167	11,625	165,8
15 December 2008 – 31 December 2008	17	11,250	16,3
1 January 2009 – 30 June 2009	181		153,2
1 January 2009 – 8 February 2009	39	11,250	37,6
9 February 2009 – 24 March 2009	44	10,500	39,6
25 March 2009 – 3 May 2009	40	9,750	33,4
4 May 2009 – 28 May 2009	25	9,000	19,3
29 May 2009 – 30 June 2009	33	8,250	23,3
Imperial Bank Limited	365		30,0
1 July 2008 – 31 December 2008	184		16,3
1 July 2008 – 14 December 2008	167	10,850	14,8
15 December 2008 – 31 December 2008	17	10,500	1,5
1 January 2009 – 30 June 2009	181		13,7
1 January 2009 – 8 February 2009	39	10,500	3,4
9 February 2009 – 24 March 2009	44	9,800	3,6
25 March 2009 – 3 May 2009	40	9,100	3,0
4 May 2009 – 28 May 2009	25	8,400	1,7
29 May 2009 – 30 June 2009	33	7,700	2,0
Total dividend paid			365,3

	Number of shares	Cents per share	Rm
Dividends declared:			
Nedbank Limited			
Final declared for 2008 – paid March 2009	312 781 032	58,26844	182
Interim declared for 2009 – paid September 2009	312 781 032	48,98630	153
Imperial Bank Limited			
Final declared for 2008 – paid March 2009	3 000 000	545,32877	16
Interim declared for 2009 – paid September 2009	3 000 000	457,20548	14
			365
Final declared for 2009 – payable March 2010 (Nedbank Limited)	349 082 721	40,15068	140
Final declared for 2009 – payable March 2010 (Imperial Bank Limited)	3 000 000	374,73973	11

20.2 Preference shares ... continued

	Days	Rate %	Rm
2008			
Dividends paid:			
Nedbank Limited	366		333,4
1 July 2007 – 31 December 2007	184		161,3
1 July 2007 – 19 August 2007	50	9,750	41,8
20 August 2007 – 14 October 2007	56	10,125	48,6
15 October 2007 – 9 December 2007	56	10,500	50,4
10 December 2007 – 31 December 2007	22	10,875	20,5
1 January 2008 – 30 June 2008	182		172,1
1 January 2008 – 13 April 2008	104	10,875	96,7
14 April 2008 – 16 June 2008	64	11,250	61,5
17 June 2008 – 30 June 2008	14	11,625	13,9
Imperial Bank Limited	366		29,9
1 July 2007 – 31 December 2007	184		14,4
1 July 2007 – 19 August 2007	50	9,100	3,8
20 August 2007 – 14 October 2007	56	9,450	4,3
15 October 2007 – 9 December 2007	56	9,800	4,5
10 December 2007 – 31 December 2007	22	10,150	1,8
1 January 2008 – 30 June 2008	182		15,5
1 January 2008 – 14 April 2008	104	10,150	8,7
15 April 2008 – 13 June 2008	60	10,500	5,2
14 June 2008 – 30 June 2008	18	10,850	1,6
Total dividend paid			363,3

	Number of shares	Cents per share	Rm
Dividends declared:			
Nedbank Limited			
Final declared for 2007 – paid March 2008	312 781 032	51,55479	161
Interim declared for 2008 – paid September 2008	312 781 032	55,02049	172
Imperial Bank Limited			
Final declared for 2007 – paid March 2008	3 000 000	481,17808	14
Interim declared for 2008 – paid September 2008	3 000 000	515,31507	16
			363
Final declared for 2008 – payable March 2009 (Nedbank Limited)	312 781 032	58,26844	182
Final declared for 2008 – payable March 2009 (Imperial Bank Limited)	3 000 000	545,32877	16

21 Cash and cash equivalents

	2009 Rm	2008 Rm
Coins and bank notes	**2 061**	2 187
Money at call and short notice	**2 878**	2 915
Balances with central banks – other than mandatory reserve deposits	**1 884**	2 536
Cash and cash equivalents excluding mandatory reserve deposits with central banks	**6 823**	7 638
Mandatory reserve deposits with central banks	**10 437**	10 061
	17 260	17 699

Money at call and short notice constitutes amounts withdrawable in 32 days or less. Mandatory reserve deposits are not available for use in the group's day-to-day operations. Cash on hand and mandatory reserve deposits are non-interest bearing. Other money market placements are floating-interest-rate assets.

22 Other short-term securities

22.1 Analysis

	2009 Rm	2008 Rm
Negotiable certificates of deposit	**8 341**	6 601
Treasury bills and other bonds	**6 067**	3 810
	14 408	10 411

22.2 Sectoral analysis

	2009 Rm	2008 Rm
Banks	**8 341**	6 601
Government and public sector	**6 067**	3 810
	14 408	10 411

23 Derivative financial instruments

These transactions have been entered into in the normal course of business and are carried at fair value. There are no commitments or contingent commitments under derivative instruments that are settled otherwise than with cash. The principal types of derivative contracts into which the group enters are described below.

Swaps
These are over-the-counter (OTC) agreements between two parties to exchange periodic payments of interest, or payments for the change in value of a commodity, or related index, over a set period based on notional principal amounts. The group enters into swap transactions in several markets. Interest rate swaps exchange fixed rates for floating rates of interest based on notional amounts. Basis swaps exchange floating or fixed interest calculated using different bases. Cross currency swaps are the exchange of interest based on notional values of different currencies.

Options
Options confer the right, but not the obligation, on the buyer to receive or pay a specific quantity of an asset or financial instrument for a specific price at or before a specified date. Options may be exchange-traded or OTC agreements. The group principally buys and sells currency, interest rate and equity options.

Futures and forwards
Short-term interest rate futures, bond futures, financial and commodity futures and forward foreign exchange contracts are all agreements to deliver, or take delivery of, a specified amount of an asset or financial instrument based on a specified rate, price or index applied against the underlying asset or financial instrument, at a specified date. Futures are exchange-traded at standardised amounts of the underlying asset or financial instrument. Forward contracts are OTC agreements and are principally dealt in by the group, in interest rates as forward rate agreements and in currency as forward foreign exchange contracts.

Collateral
The group may require collateral in respect of the credit risk present in derivative transactions. The amount of credit risk is principally the positive fair value of the contract. Collateral may be in the form of cash or in the form of a lien over a client's assets, entitling the group to make a claim for current and future liabilities.

23.1 Total carrying amount of derivative financial instruments

	2009 Rm	2008 Rm
Gross carrying amount of assets	**12 871**	23 114
Gross carrying amount of liabilities	**(10 799)**	(23 077)
Net carrying amount	**2 072**	37

A detailed breakdown of the carrying amount (fair value) and notional principal of the various types of derivative financial instruments held by the group is presented in the following tables.

23.2 Notional principal of derivative financial instruments

This represents the gross notional amounts of all outstanding contracts at year-end. This gross notional amount is the sum of the absolute amount of all purchases and sales of derivative instruments. The notional amounts do not represent amounts exchanged by the parties and therefore represent only the measure of involvement by the group in derivative contracts and not its exposure to market or credit risks arising from such contracts. The amounts actually exchanged are calculated on the basis of the notional amounts and other terms of the derivative, which relate to interest rates, exchange rates, securities prices or financial and other indices.

	2009			2008		
Rm	**Notional principal**	**Positive value**	**Negative value**	Notional principal	Positive value	Negative value
Equity derivatives	**11 457**	**5 903**	**5 554**	17 617	8 331	9 286
Options written	**5 011**		**5 011**	8 934		8 934
Options purchased	**5 360**	**5 360**		7 979	7 979	
Futures*	**1 086**	**543**	**543**	704	352	352
Commodity derivatives	**14 537**	**7 115**	**7 422**	16 549	7 877	8 672
Options written	**3**		**3**			
Options purchased				8	8	
Caps and floors	**3 158**	**1 500**	**1 658**	635	278	357
Swaps	**11 315**	**5 567**	**5 748**	15 521	7 591	7 930
Futures	**61**	**48**	**13**	385		385
Exchange rate derivatives	**174 332**	**92 276**	**82 056**	276 489	138 117	138 372
Forwards	**148 595**	**75 277**	**73 318**	250 059	124 474	125 585
Exchange futures	**150**	**86**	**64**			
Currency swaps	**16 817**	**12 533**	**4 284**	16 626	8 750	7 876
Options purchased	**4 380**	**4 380**		4 893	4 893	
Options written	**4 390**		**4 390**	4 911		4 911
Interest rate derivatives	**454 621**	**213 297**	**241 324**	496 214	243 171	253 043
Interest rate swaps	**311 638**	**155 953**	**155 685**	280 775	137 975	142 800
Forward rate agreements	**115 440**	**47 437**	**68 003**	131 065	66 354	64 711
Options purchased	**3 702**	**3 702**		25 601	25 601	
Options written	**4 621**		**4 621**	27 091		27 091
Futures	**10 857**	**4 616**	**6 241**	20 948	8 412	12 536
Caps	**3 458**		**3 458**	4 585	1 250	3 335
Floors	**2 619**	**819**	**1 800**	3 365	2 715	650
Credit default swaps	**2 286**	**770**	**1 516**	2 784	864	1 920
Total notional principal	**654 947**	**318 591**	**336 356**	806 869	397 496	409 373

** Includes contracts for difference with positive notionals of R543 million (2008: R34 million) and negative notionals of R543 million (2008: R318 million).*

23 Derivative financial instruments ... continued

23.3 Carrying amount of derivative financial instruments

The amounts disclosed represent the fair value of all derivative instruments held at year-end. The fair value of a derivative financial instrument is the amount at which it could be exchanged in a current transaction between willing parties, other than a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted-cashflow models and market-accepted option-pricing models.

		2009			2008	
Rm	**Net carrying amount**	**Carrying amount of assets**	**Carrying amount of liabilities**	Net carrying amount	Carrying amount of assets	Carrying amount of liabilities
Equity derivatives	**55**	**1 267**	**1 212**	(48)	903	951
Options written	**(1 212)**		**1 212**	(951)		951
Options purchased	**1 267**	**1 267**		903	903	
Futures**	**–**			–		
Commodity derivatives	**86**	**1 069**	**983**	157	1 383	1 226
Options written	**–**			–		
Options purchased	**–**			–		
Caps and floors	**(1)**	**106**	**107**	(13)	104	117
Swaps	**87**	**963**	**876**	170	1 279	1 109
Futures	**–**			–		
Exchange rate derivatives	**2 798**	**5 856**	**3 058**	469	14 339	13 870
Forwards	**2 487**	**5 068**	**2 581**	325	12 356	12 031
Exchange futures	**(2)**		**2**	–		
Currency swaps	**304**	**637**	**333**	177	1 344	1 167
Options purchased	**151**	**151**		639	639	
Options written	**(142)**		**142**	(672)		672
Interest rate derivatives	**(867)**	**4 679**	**5 546**	(541)	6 489	7 030
Interest rate swaps	**(806)**	**4 579**	**5 385**	(421)	6 084	6 505
Forward rate agreements	**(43)**	**57**	**100**	19	240	221
Options purchased	**10**	**10**		88	88	
Options written	**(7)**		**7**	(151)		151
Futures	**(1)**	**1**	**2**	(7)	2	9
Caps	*****	*****	*****	(5)	3	8
Floors	**23**	**24**	**1**	37	41	4
Credit default swaps	**(43)**	**8**	**51**	(101)	31	132
Total carrying amount	**2 072**	**12 871**	**10 799**	37	23 114	23 077

* *Represents amounts less than R1 million.*
** *Includes contracts for difference. The fair value is zero, as the variation margin is settled at the end of every day.*

23.4 Analysis of derivative financial instruments

Rm	Equity derivatives	Commodity derivatives	Exchange rate derivatives	Interest rate derivatives	Total
Derivative assets					
2009					
Maturity analysis					
Under one year	**951**	**182**	**4 516**	**998**	**6 647**
One to five years	**316**	**887**	**1 026**	**1 423**	**3 652**
Over five years			**314**	**2 258**	**2 572**
	1 267	**1 069**	**5 856**	**4 679**	**12 871**
2008					
Maturity analysis					
Under one year	208	133	11 116	984	12 441
One to five years	695	712	2 876	2 549	6 832
Over five years		538	347	1 956	2 841
	903	1 383	14 339	5 489	22 114
Derivative liabilities					
2009					
Maturity analysis					
Under one year	**866**	**154**	**2 674**	**598**	**4 292**
One to five years	**346**	**829**	**184**	**1 551**	**2 910**
Over five years			**200**	**3 397**	**3 597**
	1 212	**983**	**3 058**	**5 546**	**10 799**
2008					
Maturity analysis					
Under one year	229	116	11 264	696	12 305
One to five years	722	639	2 491	2 305	6 157
Over five years		471	115	4 029	4 615
	951	1 226	13 870	7 030	23 077
Notional principal of derivatives					
2009					
Maturity analysis					
Under one year	**8 654**	**2 142**	**155 799**	**221 859**	**388 454**
One to five years	**2 803**	**12 395**	**12 108**	**142 675**	**169 981**
Over five years			**6 425**	**90 087**	**96 512**
	11 457	**14 537**	**174 332**	**454 621**	**654 947**
2008					
Maturity analysis					
Under one year	3 021	3 404	228 687	272 051	507 163
One to five years	14 596	7 221	45 313	153 958	221 088
Over five years		5 924	2 489	70 205	78 618
	17 617	16 549	276 489	496 214	806 869

24 Financial instruments designated as at fair value through profit or loss

The group has satisfied the criteria for designation of financial instruments as at fair value through profit or loss in terms of the accounting policies.

Various fixed-rate advances and liabilities are entered into by the group. The overall interest rate risk of the group is economically hedged by the Asset and Liability Management Division of the group by way of interest rate swaps. The interest rate risk is then traded to the market through the central trading desk.

The swaps and frontdesk trading instruments meet the definition of 'derivatives', and are therefore measured at fair value in terms of IAS 39. Fixed-rate advances and liabilities, however, do not meet this definition. Therefore, to avoid any accounting mismatch of holding the advances at amortised cost and the hedging instruments at fair value, the advances and liabilities are designated as at fair value through profit or loss and are held at fair value.

Various instruments are designated as at fair value through profit or loss, which is consistent with the group's documented risk management or investment strategy. The fair value is the attribute of the instrument that is managed and reviewed on a regular basis by the risk-investment strategies of the group. The risk of the portfolio is measured and monitored on a fair-value basis.

24.1 Financial assets designated as at fair value through profit or loss

		Change in fair value due to change in credit risk	
Rm	Maximum exposure to credit risk	Current period**	Cumulative
2009			
Negotiable certificates of deposit purchased	238		
Treasury bills	4 813		
Government-guaranteed	13 587		
Other dated securities	2 426		
Commercial mortgage loans	17 284	(11)	
Instalment credit	4 111	(1)	
Leases and debentures	647		
Preference shares	1 774		
Loans and advances (secured and unsecured)	9 134		
Foreign correspondents	1 093		
Other loans	2 999		
Loans to other banks	137		
Trade and other bills and acceptances	196		
Debtors and accruals	221		
Listed investments	477		
Unlisted investments	1 513		
Endowment policy	18		
Other assets	446		
Associate companies	908		
	62 022	(12)	–

Rm	Change in fair value due to change in credit risk Maximum exposure to credit risk	Current period**	Cumulative
2008			
Negotiable certificates of deposit purchased	1 091		
Treasury bills	3 366		
Government-guaranteed	13 099		
Other dated securities	2 926		
Commercial mortgage loans	16 823	(1)	11
Instalment credit	2 794		1
Leases and debentures	632		
Preference shares	2 349		
Loans and advances (secured and unsecured)	6 143		
Overdrafts	*		
Foreign correspondents	2 850		
Other loans	2 143	(1)	
Loans to other banks	277		
Trade and other bills and acceptances	337		
Debtors and accruals	167		
Listed investments	490		
Unlisted investments	1 299		
Associate companies	867		
	57 653	(2)	12

** Represents amounts less than R1 million.*
*** Refer to note 27.1.*

Nedbank Limited has estimated the change in credit risk in accordance with IAS 39: Financial Instruments: Recognition and Measurement as being the amount arising from the change in fair value of the financial instrument that is not attributable to changes in market conditions that give rise to market risk. Individual credit spreads for loans and receivables that have been designated as at fair value through profit or loss are determined at inception of the deal. The credit spread is calculated as the difference between the benchmark interest rate and the interest rate charged to the client. Subsequent changes in the benchmark interest rate and the credit spread give rise to changes in fair value in the financial instrument. Loans and advances are reviewed for observable changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. No credit derivatives are used to hedge the credit risk on any of the financial assets designated as at fair value through profit or loss.

24 Financial instruments designated as at fair value through profit or loss ... continued

24.2 Financial liabilities designated as at fair value through profit or loss

Rm	Fair value	Contractually payable at maturity	Change in fair value due to change in credit risk Current period	Cumulative
2009				
Long-term subordinated-debt instruments	**7 811**	**8 094**	**5**	**267**
Call and term deposits	**22 602**	**22 640**	**16**	**71**
Fixed deposits	**67**	**73**		
Promissory notes and other liabilities	**6**	**6**		
Foreign currency liabilities	**4 907**	**4 907**		
Negotiable certificates of deposit	**47 200**	**47 119**	**51**	**148**
	82 593	**82 839**	**72**	**486**
2008				
Long-term subordinated-debt instruments	7 951	7 955	207	262
Call and term deposits	31 324	31 193	50	55
Fixed deposits	98	97		
Promissory notes and other liabilities	6	6		
Foreign currency liabilities	4 659	4 656		
Negotiable certificates of deposit	62 939	62 405	88	97
	106 977	106 312	345	414

The change in fair value due to credit risk has been determined as the difference between fair values determined using a credit-adjusted liability curve and a risk-free liability curve.

The curves are constructed using a standard 'bootstrapping' process to derive a zero-coupon yield curve. The credit-adjusted curve was based on offer rates of negotiable certificates of deposit and promissory notes with maturity periods of up to five years, and thereafter the offer rates of issued Nedbank bonds are applied.

25 Government and other securities

25.1 Analysis

	2009 Rm	2008 Rm
Government and government-guaranteed securities*	**24 131**	30 629
Other dated securities**	**11 623**	11 205
	35 754	41 834

25.2 Sectoral analysis

	2009 Rm	2008 Rm
Financial services, insurance and real estate	**3 274**	4 640
Banks	**3 889**	3 092
Manufacturing	**1 338**	523
Transport, storage and communication	**172**	246
Government and public sector	**26 402**	31 979
Other sectors	**679**	1 354
	35 754	41 834

25.3 Valuation

	2009 Rm	2008 Rm
Listed securities:		
– Carrying amount	**35 723**	41 823
– Market value	**35 981**	41 737
Unlisted securities:		
– Carrying amount	**31**	11
– Directors' valuation	**31**	11
Total market/directors' valuation	**36 012**	41 748

* *Government and other securities amounting to R14 936 million (2008: R21 028 million) have been pledged as collateral for deposits received under repurchase agreements. These amounts represent assets that have been transferred but that do not qualify for derecognition under IAS 39.*

** *Includes securitised assets. Refer to note 44.*

26 Loans and advances

The group extends advances to individuals and to the corporate, commercial and public sectors. Advances made to individuals are mostly in the form of mortgages, instalment credit, overdrafts, personal loans and credit card borrowings. The group's main activity is in the corporate and commercial sector, where advances are made to a large cross-section of businesses, predominantly in the finance and service area, manufacturing and building and property finance sectors.

The disclosure of loans and advances is presented as the gross amount owing before any impairment charges, as follows:

- 26.1 Total of gross loans and advances before impairment, presented according to the various classes of loans and advances.
- 26.5 Classification of loans and advances into 'neither past due nor impaired', 'past due but not impaired' and 'impaired' categories.
- 26.6 Age analysis of loans and advances.
- 26.7 Credit quality of loans and advances.

This note should be read in conjunction with Note 27 'Impairment of Loans and Advances', as this represents the gross exposure before any impairment provision.

Specific impairments have been raised against those loans identified as impaired, and the analysis per product type can be found in note 27.2.

Portfolio impairments are recognised against loans and advances classified as 'neither past due nor impaired' or 'past due'.

26.1 Categories of loans and advances

	2009 Rm	2008 Rm
Mortgage loans	**221 448**	213 148
Home loans	**145 388**	140 387
Commercial mortgages	**76 060**	72 761
Net finance lease and instalment debtors (note 26.4)	**63 337**	60 575
Gross investment	**67 659**	66 844
Unearned finance charges	**(4 322)**	(6 269)
Credit cards	**7 314**	7 225
Other loans and advances	**161 922**	160 120
Properties in possession	**886**	791
Overdrafts	**9 203**	10 990
Term loans	**66 669**	62 395
Personal loans	**9 184**	6 947
Other term loans	**57 485**	55 448
Overnight loans	**12 420**	15 760
Other loans to clients	**45 686**	50 480
Foreign client lending	**6 522**	8 369
Remittances in transit	**46**	108
Other loans*	**39 118**	42 003
Preference shares and debentures	**16 571**	15 605
Factoring accounts	**2 179**	394
Deposits placed under reverse repurchase agreements	**8 026**	2 630
Trade, other bills and bankers' acceptances	**282**	1 075
	454 021	441 068
Impairment of loans and advances (note 27)	**(9 618)**	(7 646)
	444 403	433 422
Comprises:		
– loans and advances to clients	**446 645**	431 921
– loans and advances to banks	**7 376**	9 147
	454 021	441 068

** Represents mainly loans relating to Specialised Finance and Debt Capital Markets within Nedbank Capital segment and other loans within the Nedbank Corporate, Nedbank Business Banking and Nedbank Retail segments.*

26 Loans and advances ... continued

26.2 Sectoral analysis

	2009 Rm	2008 Rm
Individuals	**177 125**	227 828
Financial services, insurance and real estate	**98 374**	100 151
Banks	**7 376**	9 147
Manufacturing	**27 559**	18 164
Building and property development	**10 018**	5 647
Transport, storage and communication	**28 153**	8 074
Retailers, catering and accommodation	**9 887**	7 179
Wholesale and trade	**8 081**	8 376
Mining and quarrying	**21 224**	16 682
Agriculture, forestry and fishing	**4 448**	3 000
Government and public sector	**14 922**	3 130
Other services	**46 854**	33 690
	454 021	441 068

26.3 Geographical analysis

	2009 Rm	2008 Rm
South Africa	**441 428**	431 722
Other African countries	**6 136**	3 579
Europe	**3 660**	2 288
Asia	**1 753**	2 121
United States of America	**659**	715
Other	**385**	643
	454 021	441 068

26.4 Net finance lease and instalment debtors

	2009 Rm	2008 Rm
Gross finance lease and instalment debtors:		
No later than one year	**11 572**	12 057
Later than one year and no later than five years	**55 896**	44 045
Later than five years	**191**	10 742
	67 659	66 844
Unearned future income on finance lease and instalment debtors	**(4 322)**	(6 269)
Net finance lease and instalment debtors	**63 337**	60 575
Net finance lease and instalment debtors:		
No later than one year	**10 007**	10 126
Later than one year and no later than five years	**53 169**	39 771
Later than five years	**161**	10 678
	63 337	60 575

26.5 Classification of loans and advances

Rm	Total 2009	Total 2008	Neither past due nor impaired 2009	Neither past due nor impaired 2008	Past due but not impaired 2009	Past due but not impaired 2008	Impaired 2009	Impaired 2008
Mortgage loans	**221 448**	213 148	**184 483**	176 883	**17 743**	25 671	**19 222**	10 594
Net finance lease and instalment debtors	**63 337**	60 575	**50 516**	53 994	**10 425**	4 790	**2 396**	1 791
Credit cards	**7 314**	7 225	**6 232**	5 914	**578**	728	**504**	583
Properties in possession	**886**	791					**886**	791
Overdrafts	**9 203**	10 990	**6 476**	8 185	**1 551**	1 906	**1 176**	899
Term loans	**66 669**	62 395	**59 136**	58 464	**6 349**	2 904	**1 184**	1 027
Overnight loans	**12 420**	15 760	**12 369**	15 682	**16**	78	**35**	
Other loans to clients	**45 686**	50 480	**44 164**	48 961	**676**	784	**846**	735
Preference shares and debentures	**16 571**	15 605	**16 430**	15 550	**12**		**129**	55
Factoring accounts	**2 179**	394	**2 158**	308	**6**	82	**15**	4
Deposits placed under reverse repurchase agreements	**8 026**	2 630	**8 026**	2 630				
Trade, other bills and bankers' acceptances	**282**	1 075	**282**	1 075				
	454 021	441 068	**390 272**	387 646	**37 356**	36 943	**26 393**	16 479

26 Loans and advances ... continued

26.6 Age analysis of loans and advances

	Total		<30 days	
Rm	**2009**	2008	**2009**	2008
Neither past due nor impaired	**390 272**	387 646	**390 272**	387 646
Mortgage loans	**184 483**	176 883	**184 483**	176 883
Net finance lease and instalment debtors	**50 516**	53 994	**50 516**	53 994
Credit cards	**6 232**	5 914	**6 232**	5 914
Properties in possession	**–**	–		
Overdrafts	**6 476**	8 185	**6 476**	8 185
Term loans	**59 136**	58 464	**59 136**	58 464
Overnight loans	**12 369**	15 682	**12 369**	15 682
Other loans to clients	**44 164**	48 961	**44 164**	48 961
Preference shares and debentures	**16 430**	15 550	**16 430**	15 550
Factoring accounts	**2 158**	308	**2 158**	308
Deposits placed under reverse repurchase agreements	**8 026**	2 630	**8 026**	2 630
Trade, other bills and bankers' acceptances	**282**	1 075	**282**	1 075
Past due but not impaired	**37 356**	36 943	**30 433**	23 735
Mortgage loans	**17 743**	25 671	**13 408**	16 774
Net finance lease and instalment debtors	**10 425**	4 790	**9 394**	2 928
Credit cards	**578**	728	**292**	523
Properties in possession	**–**	–		
Overdrafts	**1 551**	1 906	**1 322**	940
Term loans	**6 349**	2 904	**5 585**	2 460
Overnight loans	**16**	78	**16**	
Other loans to clients	**676**	784	**410**	110
Preference shares and debentures	**12**	–		
Factoring accounts	**6**	82	**6**	
Deposits placed under reverse repurchase agreements	**–**	–		
Trade, other bills and bankers' acceptances	**–**	–		
Subtotal	**427 628**	424 589	**420 705**	411 381
Impaired	**26 393**	16 479		
Mortgage loans	**19 222**	10 594		
Net finance lease and instalment debtors	**2 396**	1 791		
Credit cards	**504**	583		
Properties in possession	**886**	791		
Overdrafts	**1 176**	899		
Term loans	**1 184**	1 027		
Overnight loans	**35**	–		
Other loans to clients	**846**	735		
Preference shares and debentures	**129**	55		
Factoring accounts	**15**	4		
Deposits placed under reverse repurchase agreements	**–**	–		
Trade, other bills and bankers' acceptances	**–**	–		
Total loans and advances	**454 021**	441 068		

** Represents amounts less than R1 million.*

>31 days <90 days		>91 days <180 days		>181 days <365 days		>365 days	
2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
–	–	**–**	–	**–**	–		
6 018	13 086	**315**	90	**376**	29	**214**	3
3 716	8 798	**267**	70	**138**	29	**214**	
1 012	1 862	**19**	*		*		*
286	205						
215	958	**14**	8				
764	441	*****	*		*		3
	78						
25	662	**3**	12	**238**			
		12					
	82						
6 018	13 086	**315**	90	**376**	29	**214**	3

26 Loans and advances ... continued

26.7 Credit quality of loans and advances

	Total		NGR 1 – 12	
Rm	**2009**	2008	**2009**	2008
Neither past due nor impaired	**390 272**	387 646	**121 831**	107 657
Mortgage loans	**184 483**	176 883	**17 846**	15 715
Net finance lease and instalment debtors	**50 516**	53 994	**6 669**	6 983
Credit cards	**6 232**	5 914	**1 354**	515
Properties in possession	**–**	–		
Overdrafts	**6 476**	8 185	**769**	925
Term loans	**59 136**	58 464	**47 609**	45 124
Overnight loans	**12 369**	15 682	**7 993**	11 204
Other loans to clients	**44 164**	48 961	**22 826**	15 411
Preference shares and debentures	**16 430**	15 550	**8 581**	8 512
Factoring accounts	**2 158**	308	**2**	35
Deposits placed under reverse repurchase agreements	**8 026**	2 630	**8 026**	2 630
Trade, other bills and bankers' acceptances	**282**	1 075	**156**	603
Past due but not impaired	**37 356**	36 943	**828**	483
Mortgage loans	**17 743**	25 671	**8**	26
Net finance lease and instalment debtors	**10 425**	4 790	**806**	448
Credit cards	**578**	728	**7**	1
Properties in possession	**–**	–		
Overdrafts	**1 551**	1 906	**5**	7
Term loans	**6 349**	2 904	**2**	1
Overnight loans	**16**	78		
Other loans to clients	**676**	784		*
Preference shares and debentures	**12**	–		
Factoring accounts	**6**	82		
Deposits placed under reverse repurchase agreements	**–**	–		
Trade, other bills and bankers' acceptances	**–**	–		
Impaired	**26 393**	16 479		
Mortgage loans	**19 222**	10 594		
Net finance lease and instalment debtors	**2 396**	1 791		
Credit cards	**504**	583		
Properties in possession	**886**	791		
Overdrafts	**1 176**	899		
Term loans	**1 184**	1 027		
Overnight loans	**35**	–		
Other loans to clients	**846**	735		
Preference shares and debentures	**129**	55		
Factoring accounts	**15**	4		
Deposits placed under reverse repurchase agreements	**–**	–		
Trade, other bills and bankers' acceptances	**–**	–		
Total loans and advances	**454 021**	441 068	**122 659**	108 140

** Represents amounts less than R1 million.*

The group uses a master rating scale for measuring credit risk, which measures borrower risk excluding the effect of collateral and any credit mitigation (ie probability of default only). The comprehensive probability of default rating scale, which is mapped to default probabilities and external rating agency scales, enables the group to measure credit risk consistently and accurately across its entire portfolio. A brief explanation of the scale follows:

NGR 1 – 12: Represents borrowers who demonstrate a strong capacity to meet financial obligations and who have a negligible or low probability of default. This category comprises, but is not limited to, the group's large corporate clients, including financial institutions, parastatals and other government-related institutions.

NGR 13 – 20		NGR 21 – 25		NP1 – NP3		Unrated	
2009	2008	2009	2008	2009	2008	2009	2008
248 992	258 366	16 397	16 165			3 052	5 456
156 979	148 758	9 048	10 075			610	2 335
38 461	43 727	4 006	2 870			1 380	413
3 752	4 590	1 126	809				
5 319	6 835	156	259			232	166
10 827	11 999	596	1 224			104	117
3 927	4 036	448	441			1	1
19 673	30 681	973	487			692	2 381
7 809	6 995	7				33	43
2 125	273	31					
120	472	6				*	
18 966	18 659	15 737	17 121	1 732	650	93	30
6 962	13 766	9 715	11 764	1 042	105	16	10
7 077	2 265	2 116	1 633	391	438	35	6
142	204	419	510	10	13		
708	753	831	1 135	1	1	6	10
3 795	1 555	2 500	1 337	47	10	5	1
		16	78				
282	116	134	582	241	83	19	3
						12	
		6	82				
3	40	509	512	24 569	14 989	1 312	938
	*			18 806	10 473	416	121
3	11	1	4	2 391	1 776	1	*
				504	583		
						886	791
				1 169	898	7	1
	1			1 184	1 025	*	1
				35			
		508	508	336	203	2	24
	28			129	27		
				15	4		
267 961	277 065	32 643	33 798	26 301	15 639	4 457	6 424

NGR 13 – 20: Represents borrowers who demonstrate a satisfactory ability to make payments and who have a low or moderate probability of default. This category comprises, but is not limited to, small and medium businesses, medium-sized corporate clients and individuals.

NGR 21 – 25: Represents borrowers who are of higher risk. This category comprises higher-risk individuals or small businesses as well as borrowers that were rated higher on inception but have since migrated down the rating scale as a result of poor financial performance. However, the borrower has not defaulted and is continuing to make repayments.

NP 1 – 3: Represents clients who have defaulted. Where this rating appears in the 'past due but not impaired' category, the borrowers are continuing to make repayments against their obligation and are being closely monitored.

27 Impairment of loans and advances

27.1 Impairment of loans and advances

	Total impairment		Specific impairment		Portfolio impairment	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm
Balance at the beginning of the year	**7 646**	5 911	**5 408**	3 977	**2 238**	1 934
Impairment charge	**7 094**	5 104	**7 377**	4 800	**(283)**	304
Statement of comprehensive income charge net of recoveries	**6 659**	4 755	**6 942**	4 451	**(283)**	304
– Loans and advances	**6 671**	4 757	**6 954**	4 453	**(283)**	304
– Advances designated as at fair value through profit or loss (refer note 24.1)	**(12)**	(2)	**(12)**	(2)		
Recoveries	**435**	349	**435**	349		
Amounts written off against the impairment/Other transfers	**(5 122)**	(3 369)	**(5 102)**	(3 369)	**(20)**	
Impairment of loans and advances	**9 618**	7 646	**7 683**	5 408	**1 935**	2 238

27.2 Impairments of loans and advances by classification

	Balance at the beginning of the year Rm	Impairments charge Rm	Amounts written off against the impairment/ Other transfers Rm	Total Rm
Total impairment – 2009				
Home loans	**2 183**	**3 035**	**(1 560)**	**3 658**
Commercial mortgages	**743**	**334**	**(170)**	**907**
Properties in possession	**128**	**160**	**(120)**	**168**
Credit cards	**633**	**678**	**(746)**	**565**
Overdrafts	**804**	**454**	**(315)**	**943**
Other loans to clients	**1 527**	**1 185**	**(1 192)**	**1 520**
Net finance lease and instalment debtors	**1 594**	**1 208**	**(992)**	**1 810**
Preference shares and debentures	**29**	**43**	**(27)**	**45**
Trade, other bills and bankers' acceptances	**5**	**(3)**		**2**
Impairment of advances	**7 646**	**7 094**	**(5 122)**	**9 618**
Total impairment – 2008				
Home loans	1 091	1 650	(558)	2 183
Commercial mortgages	501	216	26	743
Properties in possession	36	127	(35)	128
Credit cards	456	762	(585)	633
Overdrafts	672	411	(279)	804
Other loans to clients	2 065	774	(1 312)	1 527
Net finance lease and instalment debtors	1 020	1 166	(592)	1 594
Preference shares and debentures	70		(41)	29
Trade, other bills and bankers' acceptances		(2)	7	5
Impairment of advances	5 911	5 104	(3 369)	7 646

27.2 Impairments of loans and advances by classification ... continued

	Balance at the beginning of the year Rm	Impairments charge Rm	Amounts written off against the impairment/ Other transfers Rm	Total Rm
Specific impairment – 2009				
Home loans	**1 671**	**3 112**	**(1 573)**	**3 210**
Commercial mortgages	**333**	**440**	**(185)**	**588**
Properties in possession	**128**	**160**	**(120)**	**168**
Credit cards	**544**	**702**	**(745)**	**501**
Overdrafts	**600**	**421**	**(282)**	**739**
Other loans to clients	**1 040**	**1 202**	**(1 189)**	**1 053**
Net finance lease and instalment debtors	**1 064**	**1 297**	**(981)**	**1 380**
Preference shares and debentures	**28**	**43**	**(27)**	**44**
Impairment of advances	**5 408**	**7 377**	**(5 102)**	**7 683**
Specific impairment – 2008				
Home loans	632	1 617	(578)	1 671
Commercial mortgages	152	161	20	333
Properties in possession	36	127	(35)	128
Credit cards	408	762	(626)	544
Overdrafts	534	367	(301)	600
Other loans to clients	1 415	826	(1 201)	1 040
Net finance lease and instalment debtors	748	947	(631)	1 064
Preference shares and debentures	52		(24)	28
Trade, other bills and bankers' acceptances		(7)	7	
Impairment of advances	3 977	4 800	(3 369)	5 408
Portfolio impairment – 2009				
Home loans	**512**	**(77)**	**13**	**448**
Commercial mortgages	**410**	**(106)**	**15**	**319**
Credit cards	**89**	**(24)**	**(1)**	**64**
Overdrafts	**204**	**33**	**(33)**	**204**
Other loans to clients	**487**	**(17)**	**(3)**	**467**
Net finance lease and instalment debtors	**530**	**(89)**	**(11)**	**430**
Preference shares and debentures	**1**			**1**
Trade, other bills and bankers' acceptances	**5**	**(3)**		**2**
Impairment of advances	**2 238**	**(283)**	**(20)**	**1 935**
Portfolio impairment – 2008				
Home loans	459	33	20	512
Commercial mortgages	349	55	6	410
Credit cards	48		41	89
Overdrafts	138	44	22	204
Other loans to clients	650	(52)	(111)	487
Net finance lease and instalment debtors	272	219	39	530
Preference shares and debentures	18		(17)	1
Trade, other bills and bankers' acceptances		5		5
Impairment of advances	1 934	304	–	2 238

27 Impairment of loans and advances ... continued

27.3 Sectoral analysis

	Total impairment		Specific impairment		Portfolio impairment	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Individuals	**6 056**	4 765	**5 264**	3 757	**792**	1 008
Financial services, insurance and real estate	**882**	994	**589**	445	**293**	549
Manufacturing	**282**	252	**167**	125	**115**	127
Building and property development	**198**	236	**131**	149	**67**	87
Transport, storage and communication	**255**	246	**134**	104	**121**	142
Retailers, catering and accommodation	**74**	344	**36**	292	**38**	52
Wholesale and trade	**249**	45	**198**	8	**51**	37
Mining and quarrying	**127**	75	**63**	41	**64**	34
Agriculture, forestry and fishing	**73**	61	**46**	31	**27**	30
Government and public sector	**50**	11	**20**	7	**30**	4
Other services	**1 372**	617	**1 035**	449	**337**	168
	9 618	7 646	**7 683**	5 408	**1 935**	2 238

27.4 Geographical analysis

	Total impairment		Specific impairment		Portfolio impairment	
South Africa	**9 429**	7 567	**7 576**	5 364	**1 853**	2 203
Other African countries	**78**	20	**51**	5	**27**	15
Europe	**39**	34	**6**	22	**33**	12
Asia	**14**	6	**1**		**13**	6
Other	**58**	19	**49**	17	**9**	2
	9 618	7 646	**7 683**	5 408	**1 935**	2 238

27.5 Ratio of impairments

	2009	2008
Impairment of advances at end of year	**9 618**	7 646
Total advances	**454 021**	441 068
Ratio (%)	**2,12**	1,73

27.6 Interest on specifically impaired loans and advances **1 811** 1 174

Interest on specifically impaired loans and advances is determined for the period for which the loan and advance was classified as specifically impaired.

The amount is calculated by multiplying the discounted expected recovery by the effective interest rate for the specifically impaired loan and advance. The interest on specifically impaired loans and advances reflects the unwinding of the time value of money for the expected discounted recovery.

Interest on specifically impaired loans and advances does not represent the contractual interest that has been earned on the outstanding balance of a loan and advance.

28 Other assets

	2009 Rm	2008 Rm
Sundry debtors and other accounts	**3 917**	4 731
	3 917	4 731

29 Investment securities

	2009 Rm	2008 Rm
Listed investments at market value	**731**	490
Private equity portfolio	**482**	489
Other	**249**	1
Unlisted investments at directors' valuation	**2 281**	2 253
Endowment policies	**18**	19
Morning Tide Investments 168 (Pty) Limited	**91**	86
Strate Limited	**31**	28
Private equity portfolio	**1 248**	1 076
Other	**893**	1 044
Total listed and unlisted investments	**3 012**	2 743

A register of private equity and other investments is available for inspection at the company's registered office.

30 Investments in associate companies and joint ventures

30.1 Carrying amount

	2009 Rm	2008 Rm
Unlisted investments	**922**	913
	922	913

30.2 Movement in carrying amount

	2009 Rm	2008 Rm
Carrying amount at beginning of year	**913**	735
Share of associate companies' and joint ventures' profit after taxation for the current year	**(1)**	9
Net acquisitions of associate companies and joint ventures at carrying value	**10**	169
Carrying amount at end of year	**922**	913

30.3 Analysis of carrying amount

	2009 Rm	2008 Rm
Associate investments – on acquisition: Net asset value	**821**	811
Share of retained earnings since acquisition	**101**	102
	922	913

Information relating to investments in associate companies appears on pages 156 and 157.

30.4 Valuation

	2009 Rm	2008 Rm
Unlisted at directors' valuation	**922**	913
	922	913

30 Investments in associate companies and joint ventures ... continued

30.5 Summarised financial information of investments in associate companies and joint ventures

	Total Rm
2009	
Total assets	5 200
Total liabilities	4 439
Operating results	300
Total revenues	1 560
2008	
Total assets	5 092
Total liabilities	4 435
Operating results	195
Total revenues	1 045

31 Non-current assets held for sale

	Previously included in:	Net carrying amount Rm
2009		
Properties sold not yet transferred	**Property and equipment**	**12**
		12
2008		
Properties sold not yet transferred	Property and equipment	10
		10

Commitments for the sale of several properties had been entered into at year-end. Transfer, however, had not been effected at these dates. Transfer of the properties is expected to take place during the following year.

32 Deferred taxation

32.1 Reconciliation of deferred taxation balance

	2009 Rm	2008 Rm
Deferred taxation asset		
Balance at the beginning of the year	**71**	65
Current-year temporary differences recognised in the statement of comprehensive income	**(47)**	15
Impairment of loans and advances	**(15)**	13
Other income and capital items	**(26)**	(4)
Taxation losses (utilised)/recognised	**(6)**	6
Other movements	**12**	(9)
Balance at the end of the year	**36**	71
Deferred taxation liability		
Balance at the beginning of the year	**1 982**	1 470
Current-year temporary differences recognised in the statement of comprehensive income	**(478)**	545
Capital gains taxation	**(68)**	213
Client credit agreements	**(229)**	(132)
Deferred acquisition costs	**(32)**	23
Deferred fee income	**(31)**	(9)
Depreciation	**14**	(11)
Fair value adjustments of financial instruments	**(34)**	164
Impairment of loans and advances	**29**	(120)
Other income and expense items	**(199)**	472
Property revaluations	**(2)**	(3)
Share-based payments	**60**	22
Taxation losses recognised/(utilised)	**14**	(74)
Other movements	**10**	(33)
Balance at the end of the year	**1 514**	1 982

32.2 Analysis of deferred taxation

	2009 Rm	2008 Rm
Deferred taxation asset		
Impairment of loans and advances	**48**	63
Other income and capital items	**(12)**	2
Taxation losses		6
	36	71
Deferred taxation liability		
Capital gains taxation	**254**	329
Client credit agreements	**540**	752
Deferred acquisition costs	**244**	277
Deferred fee income	**(160)**	(130)
Depreciation	**243**	229
Fair value adjustments of financial instruments	**43**	77
Impairment of loans and advances	**(432)**	(461)
Other income and expense items	**576**	804
Property revaluations	**291**	281
Secondary taxation on companies	**(33)**	(45)
Share-based payments	**8**	(57)
Taxation losses	**(60)**	(74)
	1 514	1 982

33 Investment property

33.1 Fair value

	2009 Rm	2008 Rm
Fair value at the beginning of the year	**104**	75
Acquisitions		7
Disposals	**(2)**	
Net gain from fair-value adjustments		22
Fair value at the end of the year	**102**	104

33.2 Fair value of investment property

Investment properties are freehold and are either held to earn rentals or for capital appreciation. Internal professional valuers perform valuations on an annual basis. External valuations are obtained once every three years on a rotational basis in accordance with the group's policies for the valuation of properties. The internal and external valuers are all members or associates of the Institute of Valuers (SA).

The carrying amount of these properties is the fair value of property as determined by registered independent valuers who have recent experience in the location and category of the property being valued. In determining the fair value of properties the assumed discount rate applied for future income streams is 11,88% and takes into account the type of property and the property's location.

	2009 Rm	2008 Rm
Valuations determined by reference to existing market conditions	**98**	98
Valuations based on discounted future income streams	**4**	6
	102	104

33.3 Rental income and operating expenses from investment property

	2009 Rm	2008 Rm
Rental income from investment property	**12**	11
Direct operating expense arising from investment property that generated rental income	**9**	13

33.4 Minimum contractual lease rental income from investment property

	2009 Rm	2008 Rm
2009		14
2010	**13**	4
2011	**1**	
2012 and beyond	**1**	
	15	18

NOTES

34 Property and equipment

	Land		Buildings	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Gross carrying amount				
Balance at 1 January	**621**	607	**2 166**	1 873
Acquisitions	**4**	8	**725**	269
Increases arising from revaluations	**20**	15	**46**	40
Transfers to non-current assets held for sale		(6)		(8)
Disposals	**(14)**		**(261)**	
Gross-up of carrying value/depreciation*			**277**	
Reclassification	**15**	(3)	**(15)**	
Writeoff of accumulated depreciation on revaluations				
Effect of movements in foreign exchange rates				(8)
Balance at 31 December	**646**	621	**2 938**	2 166
Accumulated depreciation and impairment losses				
Balance at 1 January			**170**	144
Depreciation charge for the year			**77**	68
Acquisitions				
Writeoff of accumulated depreciation on revaluations			**(33)**	(41)
Transfers to non-current assets held for sale				(1)
Impairments				
Disposals			**(104)**	
Grossup of carrying value/depreciation*			**277**	
Effect of movements in foreign exchange rates			**2**	
Balance at 31 December	**–**	–	**389**	170
Carrying amount				
At 1 January	**621**	607	**1 996**	1 729
At 31 December	**646**	621	**2 549**	1 996

** During the year under review the group implemented a new system for the recording, valuation and calculation of depreciation so as to improve the recording of land and buildings. This has resulted in a grossup being required for both the carrying value and the related accumulated depreciation for assets recorded on a net basis in the previous system.*

Registers providing the information regarding land and buildings, as required in terms of Schedule 4 of the Companies Act, 61 of 1973, are available for inspection at the registered office of the company.

Equipment (principally computer equipment, motor vehicles, fixtures and furniture) is stated at cost less accumulated depreciation and impairment losses. Property is recognised at the revalued amount, which is based on external valuations obtained every three years on a rotation basis for all properties in accordance to the group's accounting policy. The valuers are all members or associates of the Institute of Valuers (SA). An annual internal review is also done on those properties not subject to external valuation. The carrying amount of properties is the fair value as determined by the valuers less subsequent accumulated depreciation and impairment losses. Adjustments in the valuation of the properties are recorded in the revaluation reserve, which is amortised over the remaining useful life of the property.

In respect of certain property there are restrictions of title in terms of regulatory restrictions such as servitudes. This does not have a material effect on the ability of the group to transfer these properties. No material plant and equipment has been pledged as security for liabilities.

In determining the fair value of properties the assumed discount rates applied for future income streams range between 8,5% and 12,5% (2008: 8,5% and 14,0%) and take into account the type of property and the property's location.

If land and buildings were carried under the cost and not the revaluation model, the carrying amount would have been R2 063 million (2008: R1 372 million).

Computer equipment		Furniture and other equipment		Vehicles		Total	
2009 Rm	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm
2 504	2 305	**1 732**	1 566	**20**	24	**7 043**	6 375
320	346	**271**	325	**2**	3	**1 322**	951
						66	55
						–	(14)
(115)	(146)	**(102)**	(157)	**(2)**	(8)	**(494)**	(311)
						277	
						–	(3)
						–	–
(1)	(1)		(2)		1	**(1)**	(10)
2 708	2 504	**1 901**	1 732	**20**	20	**8 213**	7 043
1 835	1 638	**902**	824	**12**	12	**2 919**	2 618
325	326	**195**	201	**3**	2	**600**	597
			(4)			**–**	(4)
						(33)	(41)
						–	(1)
						–	–
(103)	(131)	**(97)**	(121)	**(2)**	(3)	**(306)**	(255)
						277	–
(1)	2	**1**	2		1	**2**	5
2 056	1 835	**1 001**	902	**13**	12	**3 459**	2 919
669	667	**830**	742	**8**	12	**4 124**	3 757
652	669	**900**	830	**7**	8	**4 754**	4 124

35 Long-term employee benefits

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

The benefits provided by the defined-benefit schemes are based on years of membership and/or salary levels. These benefits are provided from contributions by employees and the group, and income from the assets of these schemes. The benefits provided by the defined-contribution schemes are determined by the accumulated contributions and investment earnings.

At the dates of the latest valuations and the defined-benefit plans were in a sound financial position in terms of section 16 of the Pension Funds Act. During 1998 active members in the Nedgroup Pension Fund (defined-benefit) were granted a further option to transfer to one of the defined-contribution funds and approximately three-quarters of the then valuation surplus was allocated to members and pensioners.

The funds that constitute the assets and liabilities that the group has recognised in the statement of financial position in respect of its defined-benefit plans are listed below. The latest actuarial valuations were performed at 31 December 2009.

Refer to note 15 for the expense relating to the defined-contribution plans.

Postemployment benefits

Defined-benefit pension and provident funds

- Nedgroup Pension Fund (including the Optiplus policy).
- BoE Funds, which consist of NBS Group Pension Fund, BoE Limited Pension Fund (1969) and Pension Fund of BoE Bank: Business Division.
- Nedbank UK Pension Fund.
- Other funds, which consist of Nedbank Swaziland Limited Pension Fund and Nedbank Lesotho Pension Fund.

Defined-benefit medical aid schemes

- Nedgroup Medical Aid Scheme for Nedbank employees and pensioners.
- Nedgroup Medical Aid Scheme for past BoE employees and pensioners.

Other long-term employee benefits

Disability fund

- Nedbank Group Disability Fund [including the Old Mutual Alternative Risk Transfer Fund (OMART) policy].

Insurance policies held with related parties

- Optiplus (Nedgroup Pension Fund) and OMART (Nedbank Group Disability Fund) are insurance policies, the proceeds of which can only be used to pay or fund the employee benefits under the specific funds. However, these policies are not qualifying insurance policies in terms of IAS 19 Employee Benefits since they are held with related parties. These rights to reimbursement are therefore recognised as separate assets and in all other respects are treated in the same way as other plan assets.

35.1 Analysis of long-term employee benefit assets and liabilities

Rm	Assets	Liabilities	Net asset/ (liability)
2009			
Post-employment benefits	**1 533**	**(1 048)**	**485**
Other long-term employee benefits – disability fund	**250**	**(250)**	**–**
	1 783	**(1 298)**	**485**
2008			
Post-employment benefits	1 457	(1 017)	440
Other long-term employee benefits – disability fund	210	(210)	–
	1 667	(1 227)	440

The group's defined-benefit obligation in terms of the Nedbank Group Disability Fund is recognised together with an equal reimbursement right which arises as a result of the insurance policy that the group's parent company has with OMART.

35.2 Postemployment benefits

	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)	Unrecognised actuarial (gains)/ losses and assets	Net asset/ (liability)
Analysis of postemployment benefit assets and liabilities (Rm)					
2009					
Pension funds	**3 432**	**4 633**	**1 201**	**(473)**	**728**
Nedgroup Fund	**2 752**	**3 889**	**1 137**	**(427)**	**710**
BoE Funds	**359**	**453**	**94**	**(94)**	**–**
Nedbank UK Fund	**209**	**180**	**(29)**	**47**	**18**
Other funds	**112**	**111**	**(1)**	**1**	**–**
Medical aid funds	**1 085**	**790**	**(295)**	**52**	**(243)**
Nedgroup scheme for Nedbank employees	**972**	**790**	**(182)**	**48**	**(134)**
Nedgroup scheme for BoE employees	**113**		**(113)**	**4**	**(109)**
Total	**4 517**	**5 423**	**906**	**(421)**	**485**
2008					
Pension funds	3 248	4 389	1 141	(510)	631
Nedgroup Fund	2 608	3 613	1 005	(390)	615
BoE Funds	326	468	142	(142)	–
Nedbank UK Fund	205	201	(4)	20	16
Other funds	109	107	(2)	2	–
Medical aid funds	911	743	(168)	(23)	(191)
Nedgroup scheme for Nedbank employees	808	743	(65)	(24)	(89)
Nedgroup scheme for BoE employees	103		(103)	1	(102)
Total	4 159	5 132	973	(533)	440

35 Long-term employee benefits ... continued

35.2 Postemployment benefits ... continued

	Pension and provident funds	Medical aid funds	Total
Present value of defined-benefit obligation (Rm)			
2009			
Balance at the beginning of the year	**3 248**	**911**	**4 159**
Current service cost	**27**	**41**	**68**
Interest cost	**235**	**68**	**303**
Contributions by plan participants	**9**		**9**
Actuarial gains	**223**	**102**	**325**
Benefits paid	**(278)**	**(37)**	**(315)**
Effect of foreign exchange rate changes	**(32)**		**(32)**
Balance at the end of the year	**3 432**	**1 085**	**4 517**
2008			
Balance at the beginning of the year	2 870	807	3 677
Current service cost	25	34	59
Interest cost	266	69	335
Contributions by plan participants	9		9
Actuarial (gains)/losses	(87)	35	(52)
Recognition of pension fund asset	394		394
Benefits paid	(233)	(34)	(267)
Effect of foreign exchange rate changes	4		4
Balance at the end of the year	3 248	911	4 159
Fair value of plan assets (Rm)			
2009			
Balance at the beginning of the year	**4 389**	**743**	**5 132**
Expected return on plan assets	**343**	**53**	**396**
Actuarial gains	**185**	**27**	**212**
Contributions by the employer	**15**		**15**
Contributions by plan participants	**9**		**9**
Benefits paid	**(280)**	**(33)**	**(313)**
Effect of foreign exchange rate changes	**(28)**		**(28)**
Balance at the end of the year	**4 633**	**790**	**5 423**
2008			
Balance at the beginning of the year	4 648	749	5 397
Expected return on plan assets	419	62	481
Actuarial losses	(473)	(38)	(511)
Contributions by the employer	15		15
Contributions by plan participants	8		8
Benefits paid	(233)	(30)	(263)
Effect of foreign exchange rate changes	5		5
Balance at the end of the year	4 389	743	5 132

35.2 Postemployment benefits ... continued

	Pension and provident funds	Medical aid funds	Total
Net asset/(liability) recognised (Rm)			
2009			
Present value of defined-benefit obligation	**(3 432)**	**(1 085)**	**(4 517)**
Fair value of plan assets	**4 633**	**790**	**5 423**
Funded status	**1 201**	**(295)**	**906**
Unrecognised net actuarial gains	**(386)**		**(386)**
Unrecognised asset due to asset ceiling	**(87)**	**52**	**(35)**
	728	**(243)**	**485**
Asset	**1 533**		**1 533**
Liability	**(805)**	**(243)**	**(1 048)**
2008			
Present value of defined-benefit obligation	(3 248)	(911)	(4 159)
Fair value of plan assets	4 389	743	5 132
Funded status	1 141	(168)	973
Unrecognised net actuarial gains	(369)		(369)
Unrecognised asset due to asset ceiling	(141)	(23)	(164)
	631	(191)	440
Asset	1 457		1 457
Liability	(826)	(191)	(1 017)
Net (income)/expense recognised (Rm)			
2009			
Current service cost	**27**	**41**	**68**
Interest cost	**235**	**68**	**303**
Expected return on plan assets	**(343)**	**(53)**	**(396)**
Amortisation of unrecognised actuarial gains	**(1)**		**(1)**
	(82)	**56**	**(26)**
2008			
Current service cost	25	34	59
Interest cost	266	69	335
Expected return on plan assets	(419)	(62)	(481)
Amortisation of unrecognised actuarial gains	(38)		(38)
Past service cost – benefit of rule change allocated to members	394		394
Asset recognition – benefit of rule change allocated to the fund	(526)		(526)
Effect of application of asset ceiling	(2)		(2)
	(300)	41	(259)

35 Long-term employee benefits ... continued

35.2 Postemployment benefits ... continued

	Pension and provident funds	Medical aid funds	Total
Movements in net asset/(liability) recognised (Rm)			
2009			
Balance at the beginning of the year	**631**	**(191)**	**440**
Net income/(expense) recognised in the statement of comprehensive income	**82**	**(56)**	**26**
Contributions paid by the employer	**15**	**4**	**19**
Balance at the end of the year	**728**	**(243)**	**485**
2008			
Balance at the beginning of the year	316	(156)	160
Net income/(expense) recognised in the statement of comprehensive income	300	(41)	259
Contributions paid by the employer	15	6	21
Balance at the end of the year	631	(191)	440
Distribution of plan assets (%)			
2009			
Equity instruments	**36,61**	**25,00**	**34,91**
Debt instruments	**36,71**	**17,00**	**33,84**
Property	**5,61**		**4,79**
Cash	**5,31**	**43,00**	**10,80**
International	**15,76**	**14,00**	**15,50**
Other		**1,00**	**0,16**
	100,00	**100,00**	**100,00**
2008			
Equity instruments	34,54	28,00	33,59
Debt instruments	32,24	13,00	29,45
Property	4,80		4,11
Cash	2,37	45,00	8,54
International	16,97	14,00	16,54
Other	9,08		7,77
	100,00	100,00	100,00
Actual return on plan assets (Rm)			
2009	**528**	**80**	**608**
2008	(54)	24	(30)

35.2 Postemployment benefits ... continued

	Pension and provident funds	Medical aid funds
Principal actuarial assumptions (%)		
2009		
Discount rates	**5,70 – 10,50**	**7**
Expected rates of return on plan assets	**5,85 – 10,50**	**7**
Inflation rate	**3,50 – 6,00**	**5,3**
Expected rates of salary increases	**7**	**5**
Pension increase allowance	**1,39 – 4,78**	
Annual increase to medical aid subsidy		**5**
Average expected retirement age (years)	**63**	**60**
2008		
Discount rates	5,8 to 8,5	7,3
Expected rates of return on plan assets	5,5 to 10,0	7,3
Inflation rate	2,8 to 5,3	5,3
Expected rates of salary increases	4,9 to 6,3	5,3
Pension increase allowance	0,5 to 3,8	
Annual increase to medical aid subsidy		5,3
Average expected retirement age (years)	63	60

Pension and provident funds

The expected long-term return is a function of the expected long-term returns on equities, cash and bonds. In setting these assumptions, the asset splits at the latest available date were used and adjustments were made to reflect the effect of expenses.

	2009	2008
Weighted average assumptions (%)		
Discount rate	**10,19**	8,11
Expected return on plan assets	**9,39**	8,87
Future salary increases	**5,87**	5,29
Future pension increases	**4,41**	3,59

Medical aid funds

The overall expected long-term rate of return on plan assets is 7,3%. The expected rate of return is based on market expectations, at the beginning of the period, for returns over the entire life of the related obligation. The expected rate of return is based on the expected performance of the entire portfolio.

35 Long-term employee benefits ... continued

35.2 Postemployment benefits ... continued

	Pension and provident funds	Medical aid funds	Total
Experience adjustments on present value of defined-benefit obligation for past six years (Rm)			
2009	**192**	**(98)**	**94**
2008	(70)	33	(37)
2007	(17)	(64)	(81)
2006	84	43	127
2005	(31)	47	16
2004	(78)	16	(62)
Experience adjustments on fair value of plan assets for past six years (Rm)			
2009	**185**	**27**	**212**
2008	(473)	(39)	(512)
2007	432	22	454
2006	433	47	480
2005	366	42	408
2004	153	28	181
Estimate of future contributions (Rm)			
Contributions expected for ensuing year	**16**		**16**

	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)
Fund surplus/(deficit) for past six years (Rm)			
Pension funds			
2009	**3 432**	**4 633**	**1 201**
2008	3 248	4 389	1 141
2007	2 870	4 648	1 778
2006	2 919	4 199	1 280
2005	2 903	3 622	719
2004	2 676	3 145	469
Medical aid funds			
2009	**1 085**	**790**	**(295)**
2008	911	743	(168)
2007	807	749	(58)
2006	810	700	(110)
2005	714	614	(100)
2004	628	538	(90)

	2009	2008
Effect of 1% change in assumed medical cost trend rates (Rm)		
1% increase – effect on current service cost and interest cost	**21**	18
1% increase – effect on accumulated benefit obligation	**156**	136
1% decrease – effect on current service cost and interest cost	**(16)**	(15)
1% decrease – effect on accumulated benefit obligation	**(129)**	(112)

Staff costs includes an amount of R692 million (2008: R626 million) for defined-contribution expense.

36 Intangible assets

Rm	Goodwill	Software	Software development costs	Total
2009				
Cost				
Balance at the beginning of the year	**1 614**	**3 554**	**893**	**6 061**
Acquisitions		**137**	**489**	**626**
Development costs commissioned to software		**439**	**(439)**	**–**
Impairment losses		**(1)**	**(10)**	**(11)**
Disposals and retirements		**(13)**		**(13)**
Foreign currency translation and other movements		**(13)**		**(13)**
Balance at the end of the year	**1 614**	**4 103**	**933**	**6 650**
Accumulated amortisation and impairment losses				
Balance at the beginning of the year	**224**	**2 638**	**222**	**3 084**
Amortisation charge		**441**		**441**
Impairment losses				**–**
Disposals and retirements		**(13)**		**(13)**
Foreign currency translation and other movements		**(13)**		**(13)**
Balance at the end of the year	**224**	**3 053**	**222**	**3 499**
Carrying amount				
At the beginning of the year	**1 390**	**916**	**671**	**2 977**
At the end of the year	**1 390**	**1 050**	**711**	**3 151**
2008				
Cost				
Balance at the beginning of the year	1 616	3 156	645	5 417
Acquisitions		92	583	675
Development costs commissioned to software		328	(328)	–
Impairment losses		(7)	(7)	(14)
Disposals and retirements	(2)	(14)		(16)
Foreign currency translation and other movements		(1)		(1)
Balance at the end of the year	1 614	3 554	893	6 061
Accumulated amortisation and impairment losses				
Balance at the beginning of the year	224	2 256	222	2 702
Amortisation charge		399		399
Impairment losses		(3)		(3)
Disposals and retirements		(14)		(14)
Balance at the end of the year	224	2 638	222	3 084
Carrying amount				
At the beginning of the year	1 392	900	423	2 715
At the end of the year	1 390	916	671	2 977

36 Intangible assets

36.1 Analysis of goodwill

Rm	2009 Cost	2009 Accumulated impairment losses	2009 Carrying amount	2008 Cost	2008 Accumulated impairment losses	2008 Carrying amount
Peoples Mortgage Limited	**198**	**(198)**	**–**	198	(198)	–
Imperial Bank Limited	**285**	**(25)**	**260**	285	(25)	260
Old Mutual Bank	**206**		**206**	206		206
Capital One	**82**		**82**	82		82
American Express	**81**		**81**	81		81
Nedbank Limited – BoE Limited	**757**		**757**	757		757
Other	**5**	**(1)**	**4**	5	(1)	4
	1 614	**(224)**	**1 390**	1 614	(224)	1 390

Goodwill is allocated to individual cash-generating units based on business activity. Impairment testing is done on a regular basis by comparing the net carrying value of the cash-generating units to the estimated value in use. The value in use is determined by discounting estimated future cashflows of each cash-generating unit. The discounted-cashflow calculations have been performed using Nedbank's cost of equity, which is calculated using the Capital Asset Pricing Model. No impairments resulting from impairment testing have been effected for the reporting periods presented. Management regards the useful lives of all cash-generating units to be indefinite.

The value in use of the various cash-generating units was based on the following assumptions:

Risk-free rate (%)	**8,45**
Beta range	**0,53 – 0,76**
Equity risk premium (%)	**6,00**
Terminal growth rate range (%)	**0.00 – 5,00**
Cashflow projection (years)	**3**
Discount rate range (%)*	**9,81 – 12,98**

** Management does not anticipate an impairment of goodwill if the discount rates applied increase by 20%.*

	2009 Rm	2008 Rm
Goodwill on a geographical basis relates to Africa in total and is as follows:		
Carrying amount	**1 390**	1 390
Estimated value in use	**85 705**	94 716
Net estimated recoverable amounts	**84 315**	93 326

Refer to note 3 for key assumptions used when assessing goodwill impairment.

37 Share capital

37.1 Ordinary share capital

	2009 Rm	2008 Rm
• Authorised		
30 000 000 (2008: 30 000 000) ordinary shares of R1 each	**30**	30
• Issued		
27 240 023 (2008: 27 240 023) fully paid ordinary shares of R1 each	**27**	27
No ordinary shares were issued during the financial year ended 31 December 2009.		
	27	27

Subject to the restrictions imposed by the Companies Act, 61 of 1973, as amended, the unissued shares are under the control of the directors until the forthcoming annual general meeting.

37.2 Preference share capital and premium

	2009 Rm	2008 Rm
Nedbank Limited preference share capital and premium		
• Authorised		
1 000 000 000 (2008: 1 000 000 000) non-redeemable, non-cumulative preference shares of R0,001 each	**1**	1
• Issued		
349 082 721 (2008: 312 781 032) non-redeemable, non-cumulative preference shares of R0,001 each	*****	*
Preference share premium	**3 483**	3 122
	3 483	3 122

37.3 Non-controlling interest attributable to preference shareholders

	2009 Rm	2008 Rm
Imperial Bank Limited preference share capital and premium		
• Authorised		
8 000 000 (2008: 8 000 000) non-redeemable, non-cumulative, non-participating preference shares of R0,0005 each	*****	*
• Issued		
3 000 000 (2008: 3 000 000) non-redeemable, non-cumulative, non-participating preference shares of R0,0005 each	*****	*
Preference share premium	**91**	300
	91	300
Total preference share capital and premium	**3 574**	3 422

** Represents amounts less than R1 million.*

Nedbank Limited preference shares are classified as equity instruments, while Imperial Bank Limited preference share capital and premium are classified as minority interest by Nedbank Limited.

37 Share capital ... continued

Each preference share confers on the holder the right to capital of the company in the form of a cash dividend prior to payment of dividends to any other class of shareholder. The rate is limited to 75% of the prevailing prime rate for Nedbank Limited and 70% of the prevailing prime rate for Imperial Bank Limited on a deemed value of R10 for Nedbank Limited and R100 for Imperial Bank preference shares, and is never compounded. The dividends, if declared, accrue half-yearly on 30 June and 31 December and are payable within 120 days of these dates respectively.

If a preference dividend is not declared, the dividend will not accumulate and will never become payable by the entities, whether in preference to payments to any other class of share or otherwise.

If, due to any amendment of the Income Tax Act, 58 of 1962, the dividends become taxable in the hands of the shareholders and the payment of the preference share dividends becomes a deductible expense for each company, then the 75% of prevailing prime rate will be increased to the extent that each company incurs a saving on servicing the preference shares. If such an amendment does not result in a saving for each company, but a decrease in the returns on the preference share investment, no amendment to the rate is envisaged.

Each preference share confers on the holder the right to a return of capital on the winding-up of the entities prior to any payment to any other class of share, but holders are not entitled to any further participation in the profits, assets or any surplus assets of the entities in such circumstances.

The holders of this class of share are not entitled to be present or vote (not even by proxy) at any meeting of the entities, except when a declared dividend or part thereof remains in arrears and unpaid after six months from the due date or a resolution is proposed that directly affects the rights attached to the preference share or the interests of the holder, including resolutions to wind up the entities or reduce the share capital.

At every general meeting where the preference shareholder is entitled to vote the voting rights are restricted to the holder's nominal value in proportion to the total nominal value of all shares issued by the entities.

No shares in the capital of the entities, in priority to the preference shares, can be created or issued without prior sanction of the holders of preference shares by way of a resolution passed at a separate class meeting properly constituted in terms of the provisions set out in the articles of association of the holders of preference shares.

38 Amounts owed to depositors

38.1 Classifications

	2009 Rm	2008 Rm
Current accounts	**42 738**	43 754
Savings deposits	**8 727**	9 027
Other deposits and loan accounts	**290 522**	294 816
Call and term deposits	**172 506**	183 795
Fixed deposits	**27 232**	25 118
Cash management deposits	**32 794**	35 941
Securitisation notes	**1 120**	1 239
Other deposits and loan accounts	**56 870**	48 723
Foreign currency liabilities	**6 599**	6 068
Negotiable certificates of deposit	**102 377**	86 391
Deposits received under repurchase agreements*	**14 936**	21 028
	465 899	461 084
Comprises:		
– amounts owed to depositors	**393 194**	423 892
– amounts owed to banks	**72 705**	37 192
	465 899	461 084

Deposit products include current accounts, savings accounts, call and notice deposits, fixed deposits and negotiable certificates of deposit. Term deposits vary from six months to five years in both the wholesale and retail markets.

Foreign currency liabilities are either matched by advances to clients or hedged against exchange rate fluctuations.

** Government and other securities (note 25) amounting to R14 936 million (2008: R21 028 million) have been pledged as collateral for deposits received under repurchase agreements. These amounts represent assets that have been transferred but that do not qualify for derecognition under IAS 39.*

38.2 Sectoral analysis

	2009 Rm	2008 Rm
Banks	**72 705**	37 192
Government and public sector	**24 046**	32 992
Individuals	**160 760**	140 850
Business sector	**208 388**	250 050
	465 899	461 084

38.3 Geographical analysis

	2009 Rm	2008 Rm
South Africa	**451 928**	441 218
Other African countries	**4 500**	4 979
Europe	**8 756**	14 463
Asia	**378**	334
United States of America	**337**	77
Other		13
	465 899	461 084

39 Provisions and other liabilities

	2009 Rm	2008 Rm
Creditors and other accounts	**4 479**	4 464
Short trading securities and spot positions	**213**	1 200
Leave pay accrual (note 39.1)	**526**	481
	5 218	6 145

39.1 Leave pay accrual

	2009 Rm	2008 Rm
Balance at the beginning of the year	**481**	445
Movements from business combinations – disposals		(4)
Recognised in profit or loss	**296**	43
Utilised during the year	**(251)**	(3)
Unused amounts reversed	**–**	–
Balance at the end of the year	**526**	481

Provisions have been raised in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets, as set out in note 41.

39.2 Day-one gains and losses

The group enters into transactions where the fair value of the financial instruments are determined using valuation models for which certain inputs are not based on market-observable prices or rates. Such financial instruments are initially recognised at the transaction price, which is the best indicator of fair value. The transaction price may differ from the valuation amount obtained, giving rise to a day-one profit or loss.

The difference between the transaction price and the valuation amount, commonly referred to as 'day-one profit or loss', is deferred and either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market-observable inputs, or realised when the financial instrument is derecognised.

The group's day-one profits are attributable to commodity financial instruments.

	2009 Rm	2008 Rm
Opening balance	**55**	57
Recognised in the statement of comprehensive income – amortisation	**(20)**	(2)
Closing balance	**35**	55

40 Long-term debt instruments

	Nominal value	Instrument terms	2009 Rm	2008 Rm
Subordinated debt			11 124	10 625
Rand-denominated	(ZARm)		10 385	10 625
Callable bonds repayable on 30 December 2010 (IPB2) (a)	500	8,38% per annum*	493	488
Callable bonds repayable on 4 December 2013 (IPB3) (b)	300	JIBAR + 2,5% per annum**	151	152
Callable notes repayable on 24 April 2016 (NED05) (c)	1 500	7,85% per annum*	1 499	1 480
Callable notes repayable on 20 September 2018 (NED06) (d)	1 800	9,84% per annum*	1 781	1 869
Callable notes repayable on 8 February 2017 (NED07) (c)	650	9,03% per annum*	658	671
Callable notes repayable on 8 February 2019 (NED08) (d)	1 700	8,90% per annum*	1 643	1 718
Callable notes repayable on 6 July 2022 (NED 09) (f)	2 000	JIBAR + 0,47% per annum**	2 036	2 060
Callable notes repayable on 15 August 2017 (NED10) (c)	500	JIBAR + 0,45% per annum**	505	508
Callable notes repayable on 17 September 2020 (NED11) (e)	1 000	10,54% per annum*	997	1 051
Callable notes repayable on 14 December 2017 (NED12A) (c)	500	JIBAR + 0,70% per annum**	502	503
Callable notes repayable on 14 December 2017 (NED12B) (c)	120	10,38% per annum*	120	125
US dollar-denominated	(US$m)		739	–
Callable notes repayable on 3 March 2022 (EMTN01) (i)	100	Three-month USD LIBOR	739	
Hybrid subordinated debt			1 766	1 839
Rand-denominated	(ZARm)		1 766	1 839
Callable notes repayable on 20 November 2018 (NEDH1A) (g)	487	15,05% per annum*	484	550
Callable notes repayable on 20 November 2018 (NEDH1B) (g)	1 265	JIBAR + 4,75% per annum**	1 282	1 289
Securitised liabilities			1 412	1 420
Rand-denominated	(ZARm)		1 412	1 420
Callable notes repayable on 18 November 2039 (GRN1A1) (h)	291	JIBAR + 0,25% per annum**	294	295
Callable notes repayable on 18 November 2039 (GR1A2A) (h)	1 407	JIBAR + 0,60% per annum**	993	999
Callable notes repayable on 18 November 2039 (GRN1B) (h)	98	JIBAR + 0,85% per annum**	75	75
Callable notes repayable on 18 November 2039 (GRN1C) (h)	76	JIBAR + 1,1% per annum**	50	51
Senior unsecured debt			5 773	–
Rand-denominated	(ZARm)		5 773	–
Senior unsecured notes repayable on 9 September 2012 (NBK1B)	1 000	JIBAR + 1,50% per annum**	1 005	
Senior unsecured notes repayable on 15 September 2015 (NBK2A)	2 000	10,55% per annum*	2 065	
Senior unsecured notes repayable on 15 September 2015 (NBK2B)	250	JIBAR + 2,20% per annum**	251	
Senior unsecured notes repayable on 9 September 2019 (NBK3A)	400	11,39% per annum*	414	
Senior unsecured notes repayable on 31 March 2013 (NBKI1)	1 750	3,9% CPI ref 106.70667	1 805	
Senior unsecured notes repayable on 28 October 2024 (NBK4)	130	Zero coupon	136	
Senior unsecured notes repayable on 31 March 2013 (NBKI1U)	98	3,8% real yield base CPI ref 108,68065	97	
Other			7	176
Rand-denominated	(ZARm)		7	6
Unsecured debentures repayable on 30 November 2029	200	Zero coupon	7	6
US dollar-denominated	(USDm)		–	170
Guaranteed loan repayable on 31 August 2009 +	18	1,5 basis points below six-month LIBOR on nominal value		170
Total long-term debt instruments in issue			20 082	14 060

40 Long-term debt instruments ... continued

During the year there were no defaults or breaches of principal, interest or any other terms and conditions of long-term debt instruments.

Coupon holders are entitled, in the event of interest default, to put the coupon covering such interest payments to Nedbank Group Limited. The US dollar subordinated-debt instruments are either matched by advances to clients or covered against exchange rate fluctuations. In accordance with the group's articles of association, the borrowing powers of the company are unlimited.

* Interest on these notes is payable biannually.

** Interest on these notes is payable quarterly.

\+ The debt instrument was redeemed on 31 August 2009.

(a) Callable by the issuer, Imperial Bank Limited, after approximately five years from the date of issue, being 30 March 2006 (ie 30 December 2010), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 2,67%.

(b) Callable by the issuer, Imperial Bank Limited, after five years from the date of issue, being 4 December 2008 (ie 4 December 2013), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 3,75%.

(c) Callable by the issuer, Nedbank Limited, after five years from the date of issue, being 24 April 2006, 8 February 2007, 15 August 2007, 14 December 2007 and 14 December 2007 (ie 24 April 2011, 8 February 2012, 15 August 2012, 14 December 2012 and 14 December 2012), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 1,70%, 1,95%, 1,45%, 1,70% and 1,70% respectively.

(d) Callable by the issuer, Nedbank Limited, after seven years from the date of issue, being 20 September 2006 and 8 February 2007 (ie 20 September 2013 and 8 February 2014), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 2,05% and 2,17% respectively.

(e) Callable by the issuer, Nedbank Limited, after eight years from the date of issue, being 17 September 2007 (ie 17 September 2015), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 2,85%.

(f) Callable by the issuer, Nedbank Limited, after ten years from the date of issue, being 6 July 2007 (ie 6 July 2017), at which time the interest will step up by 1,00% to a floating three-month JIBAR rate, plus a spread of 1,47%.

(g) Callable by the issuer, Nedbank Limited, after ten and a half years from the date of issue, being 20 May 2008 (ie 20 November 2018), at which the interest converts to a floating three-month JIBAR rate plus 712,5 basis points in perpetuity unless called.

(h) Callable by the issuer, Greenhouse Funding (Pty) Limited, after approximately five years from the date of issue, being 10 December 2007 (ie 18 November 2012), at which time the interest rate on the notes (GRN1A1, GR1A2A, GRN1B and GRN1C) will step up to a three-month JIBAR rate, plus a spread of 0,40%, 0,80%, 1,10% and 1,35% respectively.

(i) Callable by the issuer, Nedbank Limited, after eight years from the date of issue, being 3 March 2009 (ie 3 March 2017), at which time the interest rate will convert to a floating three-month USD LIBOR rate, plus a spread of 3,00%.

41 Contingent liabilities

	2009 Rm	2008 Rm
Guarantees on behalf of clients	**27 827**	25 154
Confirmed letters of credit and discounting transactions	**1 476**	3 117
Unutilised facilities and other	**42 710**	46 216
	72 013	74 487

The group in the ordinary course of business enters into transactions that expose the group to tax, legal and business risks. Provisions are made for known liabilities that are expected to materialise. Possible obligations and known liabilities where no reliable estimate can be made or it is considered improbable that an outflow would result, are reported as contingent liabilities. This is in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets.

There are a number of legal or potential claims against Nedbank Group Limited and its subsidiary companies, the outcome of which cannot at present be foreseen. The largest of these potential actions is a claim in the High Court for R1,3 billion against Nedbank Limited by certain shareholders in Pinnacle Point Group Limited, alleging that Nedbank Limited had a legal duty of care to them arising from a share swap transaction. Nedbank and its legal advisers are of the opinion that the claim is extremely ambitious, and that the claimants will have great difficulty succeeding.

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

42 Commitments

42.1 Capital expenditure approved by directors

	2009 Rm	2008 Rm
Contracted	**731**	498
Not yet contracted	**608**	284
	1 339	782

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.

42 Commitments ... continued

42.2 Operating lease commitments

Companies in the group have entered into leases over fixed property, furniture and other equipment for varying periods. The group is a major lessor of properties, which are subject to individual contracts that specify the group's option to renew leases, escalation clauses and purchase options, if applicable. Due to the large number of lease agreements entered into by the group, this information has not been provided in the annual financial statements, but is available from the group on request. The following are the minimum lease payments under non-cancellable leases:

2009	2010 Rm	2011 – 2014 Rm	Beyond 2014 Rm
Land and buildings*	882	1 769	2 556
Furniture and equipment	128	606	178
	1 010	2 375	2 734
2008			
Land and buildings*	490	1 033	2 326
Furniture and equipment	164	347	
	654	1 380	2 326

** The group may from time to time enter into subleases of properties where it is the lessee. These subleases are considered to be immaterial in the context of the group's overall leasing arrangements.*

The terms of renewal and escalation clauses are as follows:

The majority of material leases entered into by the group include an option to renew the lease. If the rental for the renewal period has not been agreed on or determined by the commencement date of the renewal period, the tenant continues to pay the existing monthly rental. Once the rental is determined, cumulative adjustments will be made to the amount payable for the following month. Escalation clauses for major leases entered into by the group range between 7% and 10,5% per annum. For all major lease agreements entered into, there is no requirement to pay contingent rent or purchase options.

42.3 Commitments under derivative instruments

The group enters into option contracts, financial futures contracts, forward rate and interest rate swap agreements and other financial agreements in the normal course of business (note 23).

43 Collateral

43.1 Collateral pledged

The group has pledged government and other securities (note 25) amounting to R14 936 million (2008: R21 028 million) as collateral for deposits received under repurchase agreements. These amounts represent assets that have been transferred, but that do not qualify for derecognition under IAS 39.

These transactions are entered into under terms and conditions that are standard industry practice regarding securities borrowing and lending activities.

43.2 Collateral held

The group segregates collateral received into the following two types:

- **Financial collateral**
  The group takes financial collateral to support credit exposures in the trading book. This includes cash and debt securities in respect of derivative transactions.

  These transactions are entered into under terms and conditions that are standard industry practice to securities borrowing and lending activities.

- **Non-financial collateral**
  In secured financial transactions, the group takes other physical collateral to recover outstanding exposure in the event of the borrower being unable or unwilling to fulfil its obligations. This includes mortgages over property (both residential and commercial), liens over business assets (including, but not limited to, plant, vehicles, aircraft, inventories and trade debtors) and guarantees from parties other than the borrower.

  Should a counterparty be unable to settle its obligations, the group takes possession of collateral as full or part settlement of such amounts. In general, the group seeks to dispose of such property and other assets that are not readily convertible into cash as soon as the market for the relevant asset permits.

43.3 Collateral taken possession of and recognised in the statement of financial position

Included in properties in possession (note 26: Loans and advances) is an amount of R676 million (2008: R559 million) that represents assets the group has acquired during the year by taking possession of collateral held as security.

44 Securitisations

The group is party to securitisation transactions involving GreenHouse Funding (Pty) Limited ('GreenHouse'), a residential-mortgage-backed securitisation programme, Octane ABS 1 (Pty) Limited ('Octane'), a securitisation programme of auto loans advanced by Imperial Bank Limited through its subsidiary Motor Finance Corporation and Synthesis Funding Limited ('Synthesis'), an asset-backed commercial-paper mortgage programme.

Synthesis primarily invests in long-term rated bonds and offers capital market funding to SA corporates. These assets are funded through the issuance of short-dated investment grade commercial paper to institutional investors. All the commercial paper issued by Synthesis Funding Limited is assigned the highest short-term RSA local-currency credit rating by both Fitch and Moody's, and is listed on the Bond Exchange of South Africa (BESA).

Under GreenHouse Series 1, R2 billion of residential mortgages originated by Nedbank Retail was securitised. The commercial paper issued by GreenHouse has been assigned credit ratings by both Fitch and Moody's and is listed on the BESA. The home loans of GreenHouse continue to be recognised in the statement of financial position of Nedbank Limited in terms of International Financial Reporting Standards (IFRS), due to the significant risks and rewards associated with the home loans not being transferred to the external investors.

Octane was established to securitise R2 billion of auto loans originated by Imperial Bank under Octane Series 1. The commercial paper issued by Octane Series 1 has been assigned credit ratings by Fitch and is listed on the BESA. The auto loans of Octane continue to be recognised in the statement of financial position of Imperial Bank Limited in terms of International Financial Reporting Standards due to the significant risks and rewards associated with the auto loans not being transferred to the external investors.

The following table shows the carrying amount of securitised assets, stated at the amount of the group's continuing involvement where appropriate, together with the associated liabilities, for each category of asset in the statement of financial position:*

	2009		2008	
Rm	**Carrying amount of assets**	**Associated liabilities**	Carrying amount of assets	Associated liabilities
Loans and advances to clients				
– Residential mortgage loans	**1 973**	**2 019**	1 972	2 031
– Motor vehicle financing	**1 672**	**1 594**	1 781	1 751
Other financial assets				
– Corporate and bank paper	**1 731**		2 067	
– Other securities	**4 024**		5 673	
– Commercial paper		**5 769**		7 727
Total	**9 400**	**9 382**	11 493	11 509

This table presents the gross balances within the securitisation schemes and does not reflect any elimination of intercompany balances.

** The value of any derivative instruments taken out to hedge any financial asset or liability is adjusted against such instrument in this disclosure.*

45 Foreign currency conversion guide

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

	2009 Actual	2008 Actual	**2009 Average**	2008 Average
United States dollar	**0,1355**	0,1067	**0,1203**	0,1211
Pound sterling	**0,0840**	0,0735	**0,0773**	0,0665
Euro	**0,0941**	0,0757	**0,0868**	0,0829

46 Cashflow information

46.1 Reconciliation of profit from operations to cash generated by operations

	2009 Rm	2008 Rm
Profit from operations	**4 990**	8 120
Adjusted for:		
– Depreciation (note 15)	**600**	597
– Amortisation: computer software (note 15)	**441**	399
– Movement in impairment of loans and advances	**7 094**	5 104
– Loss on disposal of property and equipment	**(19)**	40
– Net income on investment banking assets	**(9)**	(8)
– Effects of exchange rate changes on cash and cash equivalents (excluding foreign borrowings)	**172**	4
– Impairment losses on investments, property and equipment, and capitalised development costs (note 17)	**10**	11
– Profit on sale of subsidiaries, investments and property and equipment (note 17)	**22**	(756)
– Transaction taxes	**402**	356
Cash generated by operations	**13 703**	13 867

46.2 Cash received from clients

	2009 Rm	2008 Rm
Interest and similar income (note 12)	**49 332**	55 154
Commission and fees (note 14)	**7 873**	7 308
Net trading income (note 14)	**1 823**	1 572
Other income	**587**	768
	59 615	64 802

46.3 Cash paid to clients, employees and suppliers

	2009 Rm	2008 Rm
Interest expense and similar charges (note 13)	**(33 795)**	(39 874)
Staff costs (note 15)	**(7 298)**	(6 589)
Other operating expenses	**(5 473)**	(5 046)
	(46 566)	(51 509)

46.4 Increase in operating assets

	2009 Rm	2008 Rm
Other short-term securities	**(3 997)**	1 364
Government and other securities	**6 080**	(12 563)
Advances and other accounts	**(6 791)**	(79 417)
	(4 708)	(90 616)

46.5 Increase in operating liabilities

Current and savings accounts	**(1 316)**	(851)
Other deposits, loan accounts and foreign currency liabilities	**(3 763)**	29 847
Negotiable certificates of deposit	**15 986**	30 646
Deposits received under repurchase agreements	**(6 092)**	12 152
Creditors and other liabilities	**(14 125)**	8 980
	(9 310)	80 774

46.6 Taxation paid

Amounts receivable/(payable) at the beginning of the year	**197**	(246)
Statement of comprehensive income charge (excluding deferred taxation)	**(1 392)**	(1 261)
Total indirect taxation (note 16)	**(402)**	(356)
Portion of transaction taxation on property and equipment acquired to be depreciated in future years	**38**	(27)
Amounts receivable at the end of the year	**(418)**	(197)
	(1 977)	(2 087)

46.7 Disposal of investments in subsidiary companies net of cash

Cash and cash equivalents		20
Other assets		82
Investments in associate companies and joint ventures		4
Deferred taxation asset		1
Property and equipment		25
Provisions and other liabilities		(66)
Current taxation liabilities		2
Net assets disposed	**–**	68
Profit on disposal		21
Non-controlling interest		(29)
Consideration received	**–**	60
Cash and cash equivalents disposed	**–**	(20)
Net consideration	**–**	40

46.8 Dividends paid

Recognised in the group statement of changes in total shareholders' equity	**(2 070)**	(2 294)

47 Managed funds

	2009 Rm	2008 Rm
47.1 Fair value of funds under management – by type		
Unit trusts	**43 247**	32 945
	43 247	32 945
47.2 Fair value of funds under management – by geography		
South Africa	**43 247**	32 945
	43 247	32 945

47.3 Reconciliation of movement in funds under management – by type

	Unit trusts Rm	Total Rm
Balance at 31 December 2007	33 801	33 801
Inflows	16 842	16 842
Outflows	(13 422)	(13 422)
Mark-to-market value adjustment	(4 276)	(4 276)
Balance at 31 December 2008	**32 945**	**32 945**
Inflows	**21 863**	**21 863**
Outflows	**(15 659)**	**(15 659)**
Mark-to-market value adjustment	**4 098**	**4 098**
Balance at 31 December 2009	**43 247**	**43 247**

47.4 Reconciliation of movement in funds under management – by geography

	South Africa Rm	Total Rm
Balance at 31 December 2007	33 801	33 801
Inflows	16 842	16 842
Outflows	(13 422)	(13 422)
Mark-to-market value adjustment	(4 276)	(4 276)
Balance at 31 December 2008	**32 945**	**32 945**
Inflows	**21 863**	**21 863**
Outflows	**(15 659)**	**(15 659)**
Mark-to-market value adjustment	**4 098**	**4 098**
Balance at 31 December 2009	**43 247**	**43 247**

The group, through a number of subsidiaries, operates unit trusts, holds and invests funds on behalf of clients and acts as a trustee in a number of fiduciary capacities. In addition, companies in the group operate securities and custodial services on behalf of clients. Commissions and fees earned in respect of trust and management activities performed are included in the consolidated statement of comprehensive income as non-interest revenue.

NOTES

48 Share-based payments

Nedbank Group Limited shares, share options over Nedbank Group Limited shares and equity instruments in respect of Nedbank Group Limited shares are granted to employees as part of their remuneration package as services are rendered, as well as to clients, business partners and affinity groups as an incentive to retain business and develop growth within the group. The following are the share and share option schemes that have been in place during the year. All schemes are equity-settled at group level except the UK long-term incentive scheme which is cash-settled.

As the group cannot estimate reliably the fair value of services received nor the value of additional business received, the group rebuts the presumption that such services and business can be measured reliably. The group therefore measures their fair value by reference to the fair value of the shares, share options or equity instruments granted, in line with the group's accounting policy. The fair value of such shares, share options and equity instruments is measured at the grant date utilising the Black-Scholes valuation model.

48.1 Description of arrangements

Scheme	Trust/Special-purpose vehicle (SPV)	Description
Traditional employee schemes		
Nedbank Group (1994) Share Option Scheme	Nedbank Employee Share Trust	Share options were granted to key personnel to motivate senior employees to remain with the group. The granting of share options was based on job level, merit and performance, and was entirely at the discretion of the trustees acting on recommendations of executive management. Grants were made twice a year for new appointments and annually for existing staff, on a date determined by the trustees. The scheme is now closed to new participants and no further shares will be granted.
Nedbank Group (2005) Share Option and Restricted Scheme	Nedbank Group (2005) Share Scheme Trust	Share options are granted to key personnel to motivate senior employees to remain with the group. The granting of share options is based on job level, merit and performance, and is entirely at the discretion of the trustees acting on recommendations of executive management. Grants are made twice a year for new appointments and annually for existing staff, on a date determined by the trustees.
Nedbank Group (2005) Matched Share Scheme	Nedbank Group (2005) Share Scheme Trust	All employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.
Nedbank UK long-term incentive plan	Nedbank Group (2005) Share Scheme Trust amended to accommodate the UK participants	Employees who perform services in the United Kingdom on behalf of the group will be considered for participation in the UK LTIP. Selected employees will be granted share appreciation rights (SARs). SARs are similar to options in that SARs are granted at a predetermined exercise price and vesting and expiry date. When the participant elects to exercise SARs, the employer settles the difference between the current market price and the exercise price in cash.

Vesting requirements	Maximum term
Share options granted on appointment are time-based, of which 50% vest after three years and the remaining 50% after four years. Annual allocations to existing staff are linked to the achievement of predetermined targets for growth in headline earnings over the performance period of three and four years.	6 years
Completion of three years' service plus predetermined targets for average return on equity, average fully dilutive headline earnings per share growth and average cost-to-income ratio.	5 years
Three years' service and achievement of Nedbank Group performance target. Where this performance target is not met, 50% will vest, provided that the three years' service has been achieved.	3 years
Completion of three or five years' service from grant date, subject to corporate performance targets being met.	5 years

48 Share-based payments ... continued

48.1 Description of arrangements ... continued

Scheme	Trust/SPV	Description
Nedbank Eyethu BEE schemes – Employees		
Black Executive Scheme	Nedbank Eyethu Black Executive Trust	Restricted shares and share options were granted to certain black employees on a senior management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Black Management Scheme	Nedbank Eyethu Black Management Trust	Restricted shares and share options were granted to certain black employees on a middle and senior management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Broad-based Employee Scheme	Nedbank Eyethu Broad-based Employee Trust	Restricted shares granted to all qualifying employees who do not participate in any other share incentive scheme operating in the group. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights. However, the participants are not entitled to deal in the shares for a period of five years.
Nedbank Eyethu BEE schemes – Clients and business partners		
Black Business Partner Scheme	Wiphold Financial Services Number Two Trust and Brimstone-Mtha Financial Services Trust	Each trust was issued an equal number of restricted shares at R1,87 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Retail Scheme	Nedbank Eyethu Retail Trust	For every three shares acquired, participants qualify for an additional bonus share after a three-year period. The participants can elect to settle the payment for the shares in a once-off lump sum payment or by a monthly debit order over 36 months. Should there be any contractual breach by the participants, they will cease to qualify for the bonus shares. The scheme is now closed to new participants and no further shares will be granted.
Corporate Scheme	Nedbank Eyethu Corporate Scheme Trust and Aka-Nedbank Eyethu Trust	Restricted shares were allocated to existing black corporate clients and to Aka Capital (Pty) Limited, a key corporate client that has the role of the black development partner in the scheme, at par value, with notional funding over a period of six years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights. Should there be any contractual breach by the participants, they will cease to qualify for these shares. No new grants are being made in terms of the scheme.

Vesting requirements	Maximum term
Participants must remain in service for four, five and six years, after each of which 1/3 of the shares becomes unrestricted and 1/3 of the options vests.	7 years
Participants must remain in service for four, five and six years, after each of which 1/3 of the shares becomes unrestricted and 1/3 of the options vests.	7 years
n/a	5 years
No dealing in the shares during the 10-year notional funding period.	10 years
Participants must operate and maintain a primary transaction account with Nedbank for three years.	3 years
Participants must use Nedbank as their primary banker for six years.	6 years

48 Share-based payments ... continued

48.2 Effect on profit and financial position

	Share-based payments expense		Share-based payments reserve/liability	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Traditional employee schemes	**13**	84	**238**	285
Nedbank Group (1994) Share Option Scheme	*****	7	**19**	42
Nedbank Group (2005) Share Option and Restricted Share Scheme	**8**	57	**183**	212
Nedbank Group (2005) Matched Share Scheme	**2**	20	**27**	31
Nedbank UK long-term incentive plan	**3**	*	**9**	*
Nedbank Eyethu BEE schemes	**107**	176	**345**	377
Black Business Partner Scheme**	**10**	9		
Retail Scheme	**6**	73	*****	103
Corporate Scheme	**53**	60	**234**	181
Black Executive Scheme	**6**	10	**26**	25
Black Management Scheme	**32**	24	**85**	68
	120	260	**583**	662

* *Represents amounts less than R1 million.*

** *The share-based payments expense in respect of the Nedbank Eyethu BEE black business partners relates to the annual performance fee paid to them, calculated in terms of the trust deed.*

48.3 Movements in number of instruments

	2009		2008	
	Number of instruments	**Weighted average exercise price R**	Number of instruments	Weighted average exercise price R
Nedbank Group (1994) Share Option Scheme				
Outstanding at the beginning of the year	**1 870 387**	**63,19**	4 271 871	78,00
Forfeited			(37 896)	51,33
Exercised	**(1 146 002)**	**62,16**	(1 080 909)	59,78
Expired	**(96 105)**	**82,51**	(1 282 679)	115,76
Outstanding at the end of the year	**628 280**	**62,17**	1 870 387	63,19
Exercisable at the end of the year	**–**	**62,17**	1 675 787	61,89
Weighted average share price for options exercised (R)		**110,68**		106,42
Nedbank Group (2005) Share Option and Restricted Share Scheme				
Outstanding at the beginning of the year	**16 452 721**	**99,02**	16 306 244	113,68
Granted	**5 080 170**		2 516 999	
Forfeited	**(1 166 407)**	**64,59**	(1 336 047)	105,83
Exercised	**(2 607 550)**	**86,80**	(1 003 875)	77,83
Expired	**(237 874)**	**112,52**	(30 600)	110,98
Outstanding at the end of the year	**17 521 060**	**74,23**	16 452 721	99,02
Exercisable at the end of the year	**–**	**101,94**	3 564 940	78,63
Weighted average share price for options exercised (R)		**114,77**		102,41

48.3 Movements in number of instruments ... continued

	2009		2008	
	Number of instruments	Weighted average exercise price R	Number of instruments	Weighted average exercise price R
Nedbank Group (2005) Matched Share Scheme				
Outstanding at the beginning of the year	**595 170**		596 762	
Granted	**194 248**		295 983	
Forfeited	**(143 445)**		(30 905)	
Exercised	**(62 925)**		(266 670)	
Outstanding at the end of the year	**583 048**	**–**	595 170	–
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average share price for options exercised (R)		**85,00**		97,00
Nedbank UK long-term incentive plan				
Outstanding at the beginning of the year	**56 632**	**126,06**	35 000	134,27
Granted	**75 706**		34 132	120,62
Forfeited	**(7 434)**		(12 500)	134,30
Outstanding at the end of the year	**124 904**	**24,19**	56 632	126,06
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average share price for options exercised (R)		**–**		–
Retail Scheme				
Outstanding at the beginning of the year	**1 106 880**		1 200 296	
Forfeited			(17 159)	
Exercised	**(1 079 976)**		(509 205)	
Adjusted for anticipated number of shares to be granted	**(25 506)**		432 948	
Outstanding at the end of the year	**1 398**	**–**	1 106 880	–
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average share price for options exercised (R)		**86,73**		91,07
Corporate Scheme				
Outstanding at the beginning of the year	**10 230 707**	**108,06**	10 230 707	108,06
Forfeited	**(300 282)**	**108,06**		
Outstanding at the end of the year	**9 930 425**	**108,06**	10 230 707	108,06
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average share price for options exercised (R)		**–**		–
Black Executives Scheme				
Outstanding at the beginning of the year	**1 179 391**	**70,73**	946 705	69,29
Granted	**125 506**	**65,94**	281 588	74,85
Forfeited	**(149 880)**	**79,66**	(48 902)	66,70
Exercised	**(117 480)**	**47,87**		
Outstanding at the end of the year	**1 037 537**	**71,44**	1 179 391	70,73
Exercisable at the end of the year	**72 260**	**96,89**	–	–
Weighted average share price for options exercised (R)		**110,38**		–

48 Share-based payments ... continued

48.3 Movements in number of instruments ... continued

	2009		2008	
	Number of instruments	Weighted average exercise price R	Number of instruments	Weighted average exercise price R
Black Management Scheme				
Outstanding at the beginning of the year	**5 640 899**	**93,04**	4 554 109	90,03
Granted	**2 004 380**	**75,22**	2 015 248	102,68
Forfeited	**(688 678)**	**91,88**	(849 774)	101,33
Exercised	**(441 508)**	**63,71**	(6 342)	54,50
Expired	**(19 742)**	**81,31**	(72 342)	78,16
Outstanding at the end of the year	**6 495 351**	**89,69**	5 640 899	93,04
Exercisable at the end of the year	**318 531**	**76,38**	41 300	77,33
Weighted average share price for options exercised (R)		**110,80**		106,65

48.4 Instruments outstanding at the end of the year by exercise price

	2009		2008	
	Number of instruments	Weighted average remaining contractual life (years)	Number of instruments	Weighted average remaining contractual life (years)
Nedbank Group (1994) Share Option Scheme				
45,00			47 911	0,5
55,75	**120 500**	**0,6**	254 950	1,6
60,01	**377 980**	**0,4**	1 111 936	1,3
69,20			62 490	0,7
74,40	**129 800**	**1,3**	338 350	2,2
102,19			54 750	0,2
	628 280	**0,6**	1 870 387	1,5
Nedbank Group (2005) Share Option Scheme				
0,00	**6 830 572**	**1,9**	2 368 882	2,2
76,79	**1 351 596**	**0,5**	3 114 040	1,5
84,68	**224 200**	**0,6**	373 400	1,5
107,03	**251 400**	**1,6**	376 100	2,6
110,98	**3 659 481**	**1,1**	4 493 680	2,1
134,30	**605 200**	**2,4**	696 000	3,6
144,30	**4 598 611**	**2,1**	5 030 619	3,1
	17 521 060	**1,7**	16 452 721	2,4

48.4 Instruments outstanding at the end of the year by exercise price ... continued

	2009		2008	
	Number of instruments	**Weighted average remaining contractual life (years)**	Number of instruments	Weighted average remaining contractual life (years)
Nedbank Group (2005) Matched Share Scheme				
0,00	**583 048**	**1,3**	595 170	1,5
	583 048	**1,3**	595 170	1,5
Nedbank UK long-term incentive plan				
0,00	**102 404**	**3,9**		
120,62			34 132	4,2
134,30	**22 500**	**3,6**	22 500	4,6
	124 904	**3,8**	56 632	4,4
Retail Scheme				
0,00	**1 398**	**0,2**	1 106 880	0,2
	1 398	**0,2**	1 106 880	0,2
Corporate Scheme				
108,06	**9 930 425**	**1,6**	10 230 707	2,6
	9 930 425	**1,6**	10 230 707	2,6
Black Executives Scheme				
0,00	**290 482**	**2,4**	348 048	2,8
74,75	**284 760**	**2,6**	360 000	3,6
75,74	**57 715**	**6,2**		
104,51	**106 265**	**5,6**	106 265	6,6
107,03	**38 394**	**3,6**	51 239	4,6
108,45	**36 000**	**6,6**		
110,98	**17 721**	**2,5**	80 888	4,2
120,62	**79 906**	**5,2**	82 657	6,2
134,30	**48 000**	**2,6**	72 000	5,6
144,30	**78 294**	**4,2**	78 294	5,2
	1 037 537	**3,6**	1 179 391	4,1
Black Management Scheme				
0,00	**530 815**	**2,8**	486 767	2,9
74,75	**1 496 339**	**2,6**	2 026 167	3,6
75,74	**1 368 702**	**6,1**		
104,51	**793 197**	**5,6**	926 279	6,6
107,03	**239 367**	**3,6**	258 369	4,6
108,45	**306 286**	**6,6**		
110,98	**220 530**	**3,2**	242 300	4,2
120,62	**699 557**	**5,2**	770 645	6,2
134,30	**480 017**	**4,6**	516 559	5,6
144,30	**360 542**	**4,1**	413 813	5,2
	6 495 352	**4,5**	5 640 899	4,8

48 Share-based payments ... continued

48.5 Instruments granted during the year

The weighted average fair value of instruments granted during the year has been calculated using the Black-Scholes option pricing model, using the following inputs and assumptions:

	Nedbank Group (2005) Share Option and Restricted Share Scheme	Nedbank Group (2005) Matched Share Scheme	Nedbank UK long-term incentive plan	Black Executives Scheme	Black Management Scheme
2009					
Number of instruments granted	**5 080 170**	**194 248**	**586 774**	**125 506**	**2 004 380**
Weighted average fair value per instrument granted (R)	**75,36**	**67,77**	**0,17**	**39,14**	**27,40**
Weighted average share price (R)	**75,36**	**84,50**	**0,44**	**84,30**	**77,28**
Weighted average exercise price (R)			**0,97**	**65,94**	**75,22**
Weighted average expected volatility (%)*	**49,6**	**52,0**	**51,1**	**45,5**	**48,7**
Weighted average life (years)	**3,0**	**3,0**	**4,2**	**5,5**	**5,9**
Weighted average expected dividends (%)**		**7,6**		**5,1**	**6,6**
Weighted average risk-free interest rate (%)	**8,0**	**8,1**	**2,2**	**8,5**	**8,6**
Number of participants	**1 236**	**247**		**3**	**404**
Weighted average vesting period (years)	**3,0**	**3,0**	**3,4**	**5,0**	**5,0**
Possibility of not vesting (%)	**78**	**7**		**5**	**12**
Expectation of meeting performance criteria (%)	**22**	**93**	**100**	**95**	**88**
2008					
Number of instruments granted	2 516 999	295 983	34 132	281 588	2 015 248
Weighted average fair value per instrument granted (R)	111,53	95,26	19,01	49,51	27,87
Weighted average share price (R)	111,53	117,50	111,03	108,66	108,79
Weighted average exercise price (R)			120,62	74,85	102,68
Weighted average expected volatility (%)*	27,0	27,0	27,0	27,9	28,0
Weighted average life (years)	3,0	3,0	4,0	5,7	5,9
Weighted average expected dividends (%)**		7,3	8,1	5,3	7,2
Weighted average risk-free interest rate (%)	10,5	10,5	11,9	9,8	9,8
Number of participants	1 220	412	18	13	685
Weighted average vesting period (years)	3,0	3,0	3,0	5,0	5,0
Possibility of not vesting (%)	70	7		5	13
Expectation of meeting performance criteria (%)	30	93	100	95	88

Expected volatility is determined based on the historical average volatility for shares over their vesting periods.

* *Volatility is determined using expected volatility for all shares listed on JSE Limited.*
** *The dividend yield used for grants made has been based on forecast dividends.*

49 Related parties

49.1 Relationship with parent, ultimate controlling party and investees

The group's parent company is Nedbank Group Limited, which holds 100% (2008: 100%) of Nedbank Limited's ordinary shares. The ultimate controlling party is Old Mutual plc, incorporated in the United Kingdom.

Material subsidiaries of the group are identified on page 158 and associates and joint ventures of the group are identified on pages 156 and 157.

49.2 Key management personnel compensation

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, including all directors of the company and its parent, as well as members of the executive committee who are not directors, as well as close members of the family of any of these individuals.

Details of the compensation paid to the board of directors are disclosed in the Remuneration Report on pages 16 to 29 and details of their shareholdings in the company are disclosed on page 29. Compensation paid to the board of directors and compensation paid to other key management personnel, as well as the number of share options and instruments held, are shown below:

	Directors	Key management personnel	Total
Compensation (Rm)			
2009			
Directors' fees	**11**		**11**
Remuneration – paid by subsidiaries	**31**	**71**	**102**
Short-term employee benefits	**27**	**56**	**83**
Gain on exercise of options	**4**	**15**	**19**
	42	**71**	**113**
2008			
Directors' fees	12		12
Remuneration – paid by subsidiaries	25	80	105
Short-term employee benefits	16	68	84
Gain on exercise of options	9	12	21
	37	80	117
Number of share options and instruments			
2009			
Outstanding at the beginning of the year	**1 256 009**	**1 489 812**	**2 745 821**
Granted	**463 014**	**1 024 520**	**1 487 534**
Forfeited	**(8 700)**	**(438 165)**	**(446 865)**
Exercised	**(108 705)**	**(450 379)**	**(559 084)**
Transferred	**(5)**	**555 502**	**555 497**
Outstanding at the end of the year	**1 601 613**	**2 181 290**	**3 782 903**
2008			
Outstanding at the beginning of the year	1 412 503	1 380 971	2 793 474
Granted	209 250	315 507	524 757
Forfeited		(107 645)	(107 645)
Exercised	(166 744)	(276 521)	(443 265)
Expired	(199 000)		(199 000)
Transferred		177 500	177 500
Outstanding at the end of the year	1 256 009	1 489 812	2 745 821

49 Related parties ... continued

49.3 Related-party transactions

Transactions between Nedbank Limited and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between Nedbank Limited and its other related parties are disclosed below. All of these transactions were entered into in the normal course of business.

Outstanding balances (Rm)	Due from/(Owing to) 2009	2008
Parent/Ultimate controlling party		
Deposits owing to Old Mutual Life Assurance Company (SA) (Pty) Limited	**(600)**	(1 467)
Loan due from Old Mutual plc	**1 440**	
Bank balances owing to Old Mutual Life Assurance Company (SA) (Pty) Limited	**(1 746)**	(1 637)
Bank accounts (owing to)/due from Nedbank Group Limited	**(1 412)**	400
Forward exchange rate contracts with Old Mutual plc	**1**	(1)
Interest rate contracts with Old Mutual plc		(1)
Equity derivatives with Old Mutual plc		(307)
Fellow subsidiaries		
Loans due from Nedgroup Securities (Pty) Limited	**1 054**	3 235
Loans (owing to)/due from Nedbank Malawi Limited	**(36)**	67
Advances due from other fellow subsidiaries	**9 528**	11 863
Deposits (owing to)/due from Nedcor Securities (Pty) Limited	**(1 289)**	362
Deposits owing to Old Mutual Asset Managers (SA) (Pty) Limited	**(257)**	(123)
Deposits owing to Syfrets Securities Limited	**(3 172)**	(969)
Deposits owing to other fellow subsidiaries	**(233)**	(499)
Bank balances owing to Old Mutual Asset Managers (SA) (Pty) Limited	**(1)**	(1)
Bank balances due from Nedgroup Securities (Pty) Limited	**250**	(84)
Bank balances due from Syfrets Securities Limited	**723**	1 273
Bank balances owing to other fellow subsidiaries	**(8 575)**	(6 473)
Equity derivatives with fellow subsidiaries	**773**	503
Forward exchange rate contracts with various fellow subsidiaries	**19**	207
Interest rate contracts with various fellow subsidiaries	**6**	379
Associates		
Loans due from associates	**608**	577
Deposits owing to associates	**(43)**	(93)
Bank balances owing to associates	**(7)**	(13)
Key management personnel		
Mortgage bonds due from key management personnel	**7**	12
Deposits owing to key management personnel	**(12)**	(9)
Deposits owing to entities under the influence of key management personnel	**(1 222)**	(422)
Bank balances due from key management personnel	**38**	17
Bank balances owing to key management personnel	**(5)**	(8)
Bank balances due from entities under the influence of key management personnel	**13**	37
Bank balances owing to entities under the influence of key management personnel	**(81)**	(41)

The Wiphold and Brimstone consortia and Aka Capital (Pty) Limited are related parties since certain key management personnel of the company have significant influence over these entities. These entities are participants in the Nedbank Eyethu BEE schemes and the share-based payments reserve recognised in respect of these entities and key management personnel is detailed below:

	2009	2008
Wiphold consortium	**(108)**	(108)
Brimstone consortium	**(107)**	(107)
Aka Capital (Pty) Limited	**(37)**	(28)
Key management personnel – directors	**(34)**	(33)
Key management personnel – other	**(27)**	(27)
Share-based payments reserve	**(313)**	(303)

49.3 Related-party transactions ... continued

Outstanding balances (Rm)	Due from/(Owing to) 2009	2008
Performance fees are also paid to the Wiphold and Brimstone consortia in terms of the Nedbank Eyethu BEE scheme:		
Wiphold consortium	**(5)**	(5)
Brimstone consortium	**(4)**	(4)
Performance fee liability at year-end	**(9)**	(9)
Long-term employee benefit plans		
Bank balances owing to Nedbank Namibia Medical Aid Fund	**(23)**	(28)
Bank balances owing to Nedgroup Pension Fund	**(69)**	(134)
Bank balances and deposits owing to other funds	**(63)**	(15)

Transactions (Rm)	Income/(Expense) 2009	2008
Parent/Ultimate controlling party		
Dividend declared to Nedbank Group Limited	**(2 070)**	(2 294)
Interest income from Old Mutual plc	**49**	
Interest expense to Old Mutual Life Assurance Company (Pty) Limited	**(322)**	(384)
Fellow subsidiaries		
Interest income from fellow subsidiaries	**671**	596
Interest income from Syfrets Securities Limited	**128**	174
Interest income from Nedgroup Securities (Pty) Limited	**111**	451
Interest expense to Syfrets Securities Limited	**(677)**	(2 809)
Interest expense to other fellow subsidiaries	**(130)**	(102)
Interest expense to Old Mutual Asset Managers (Pty) Limited	**(20)**	(26)
Interest expense to Nedgroup Securities (Pty) Limited	**(436)**	(2 546)
Management fee income from fellow subsidiaries	**33**	39
Associates		
Interest income from associates		1
Interest expense to associates	**(7)**	(13)
Key management personnel		
Interest income from key management personnel	**2**	2
Interest income from entities under the influence of key management personnel	**7**	3
Interest expense to key management personnel	**(3)**	(2)
Interest expense to entities under the influence of key management personnel	**(37)**	(41)
The share-based payments charge in respect of the entities that are participants in the Nedbank Eyethu BEE schemes and key management personnel is detailed below:		
Aka Capital (Pty) Limited	**(8)**	(8)
Key management personnel – other	**(2)**	(3)
Share-based payments expense (included in BEE transaction expenses)	**(10)**	(11)
– Key management personnel – directors	**(3)**	(10)
– Key management personnel – other	**(10)**	(14)
Share-based payments expense (included in staff costs)	**(13)**	(24)
Performance fees are also paid to the Wiphold and Brimstone consortia in terms of the Nedbank Eyethu BEE scheme:		
– Wiphold consortium	**(12)**	(9)
– Brimstone consortium	**(9)**	(8)
Performance fee expense	**(21)**	(17)

49 Related parties ... continued

49.3 Related-party transactions ... continued

	Income/(Expense) 2009	2008
Long-term employee benefit plans		
Interest expense to Nedgroup Pension Fund	**(6)**	(8)
Interest expense to Nedbank Medical Aid Fund	**(2)**	(3)
Interest expense to other funds	**(2)**	(11)
The group has an insurance policy (Optiplus policy) with a fellow subsidiary, Old Mutual Life Assurance Company (SA) (Pty) Limited, in respect of its pension plan obligations. It also has an interest in the OMART cell captive within a fellow subsidiary in respect of its disability plan obligations. The value of this policy and this interest are shown as reimbursement rights, with a corresponding liability. In the case of the interest in the cell captive, the group recognises the surplus in the cell captive. The amounts included in the financial statements in respect of this policy and this interest are as follows:		
Optiplus policy reimbursement right	**806**	842
OMART policy reimbursement right	**323**	276
Included in long-term employee benefit assets	**1 129**	1 118
Optiplus policy obligation	**(806)**	(842)
Disability obligation	**(250)**	(210)
Included in long-term employee benefit liabilities	**(1 056)**	(1 052)

NOTES

ANALYSIS OF INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

FOR THE YEAR ENDED 31 DECEMBER

	Percentage holding 2009 %	2008 %	Acquisition date	Year-end	Date to which equity income accounted for
Unlisted					
Associates					
African Spirit Trading 306 (Pty) Limited	**33**	33	Oct 06	Dec	
Ballywood Properties 1 (Pty) Limited	**49**	49	Nov 05	Feb	
Bond Choice (Pty) Limited +	**29**	29	Jun 02	Feb	Dec 09
Capricorn Business and Technology Park (Pty) Limited	**41**	41	Nov 98	Sep	
Clidet No 683 (Pty) Limited	**49**	49	Aug 06	Feb	
Consep Developments (Pty) Limited	**25**	25	Dec 07	Feb	
Emergent Investments (Pty) Limited	**49**	43	Jul 07	Feb	
Erf 7 Sandown (Pty) Limited	**35**	35	Oct 06	Feb	
Falcon Forest Trading 85 (Pty) Limited	**30**	30	Mar 05	Feb	
Firefly Investments 74 (Pty) Limited	**35**	35	Oct 06	Feb	
Friedshelf 113 (Pty) Limited	**20**	20	Aug 02	Feb	
G & C Shelf 31 (Pty) Limited	**30**	30	May 04	Feb	
Hazeldean Retreat (Pty) Limited	**20**	20	Mar 07	Feb	
Lyric Rose (Pty) Limited	**49**	49	Oct 00	Feb	
Masingita Property Investment Holdings (Pty) Limited	**35**	35	Aug 05	Feb	
Mooirivier Mall (Pty) Limited	**30**	30	Nov 06	Feb	
Nedglen Property Development (Pty) Limited	**35**	35	Nov 04	Jun	
Newmarket Property Developments JV	**40**	40	Aug 06	Dec	
Odyssey Developments (Pty) Limited	**49**	49	Nov 07	Jun	
Oukraal Developments (Pty) Limited	**30**	30	Jan 08	Jun	
SafDev Tanganani (Pty) Limited	**25**	25	Oct 08	Jun	
TBA Genomineerdes (Pty) Limited	**30**	30	Jan 03	Jun	
The Waterbuck Trust	**40**	40	Oct 07	Feb	
The Woodlands Property Trust	**20**	20	Jan 05	Feb	
Visigro Investments (Pty) Limited	**30**	30	Jun 06	Feb	
Whirlprops 33 (Pty) Limited	**49**	49	Sep 06	Feb	Dec 09
XDV (Pty) Limited	**25**	25	Nov 06	Jun	
Other					

These associate companies are all property-related companies. There are regulatory constraints, apart from the provisions of the Companies Act, 1973, that restrict the distribution of funds to the shareholders. Distribution of funds may, however, be restricted by loan agreements that the entities have entered into.

* *Represents amounts less than R1 million*
\+ *No longer a subsidiary; shareholding changed from 62,0% to 28,5% as from January 2008.*

Equity-accounted earnings		Carrying amount		Market value/directors' valuation		Net indebtedness of loans to/(from) associates	
2009 Rm	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm
		40	22	**40**	22	**38**	20
		11	11	**11**	11		
(2)	5	**25**	27	**25**	27		
		14	14	**14**	14	**11**	10
		274	254	**274**	254	**166**	166
		22	21	**22**	21	**16**	14
		75	85	**75**	85	**66**	66
		20	17	**20**	17	**5**	4
		15	10	**15**	10	**2**	2
		19	18	**19**	18	**5**	2
		13	10	**13**	10		
		*****	*	*****	*		
		11	12	**11**	12	**12**	12
		*****	*	*****	*		
		30	30	**30**	30	**12**	33
		6	11	**6**	11	**38**	34
		11	8	**11**	8		
		23	22	**23**	22	**24**	22
		114	110	**114**	110	**32**	26
		29	16	**29**	16	**15**	15
		13	15	**13**	15		
		9	12	**9**	12	**3**	3
		15	11	**15**	11	**18**	14
			11		11		
		108	110	**108**	110	**(19)**	2
	3	*****	*	*****	*		
		20	19	**20**	19	**(20)**	(20)
1	1	**5**	37	**5**	37	**184**	152
(1)	9	**922**	913	**922**	913	**608**	577

ANALYSIS OF INVESTMENTS IN SUBSIDIARIES

FOR THE YEAR ENDED 31 DECEMBER

	Group			
	Issued capital		Effective holding	
	2009 Rm	2008 %	**2009 Rm**	2008 %
Banking**				
Imperial Bank Limited	**4**	4	**50.1**	50.1
Nedbank (Lesotho) Limited	**20**	20	**100**	100
Nedbank (Swaziland) Limited	**12**	12	**67.2**	67.2
Peoples Mortgage Limited	**45**	45	**100**	100
Trust and participation bond administration***				
Nedgroup Collective Investments Limited	**6**	6	**100**	100
Syfrets Participation Bond Managers Limited	*****	*	**100**	100
Other companies***				
BoE Management Limited	*****	*	**100**	100
Nedgroup Investment 102 Limited	**6**	6	**100**	100
Nedcor Trade Services Limited (Mauritius)	**2**	2	**100**	100

* *Represents amounts less than R1 million.*

** *The banking subsidiary companies are restricted in terms of Basel regulations and prudential requirements with regard to the distributions of funds to their holding company.*

*** *These entities are free of any restrictions imposed on the distribution of funds, save for compliance with any local regulations.*

Unless otherwise stated, all entities are domiciled in the Republic of South Africa.

	2009 Rm	2008 Rm
Headline earnings from subsidiaries (after eliminating intercompany transactions):		
Aggregate earnings	**3 881**	5 474
Aggregate losses	**58**	5

General information required in terms of the 4th schedule of the Companies Act, 61 of 1973, is detailed in respect of only those subsidiaries where the financial position or results are material to the group. It is considered that the disclosure in these statements of such information in respect of the remaining subsidiaries would entail expenses out of proportion to the value to members. Other subsidiaries consist of nominees, property-owning and financial holding companies acquired in the course of lending activities. A register detailing information in respect of all subsidiaries is available for inspection at the registered office.

Nedbank Group Limited will ensure that, except in the case of political risk, and unless specifically excluded by public notice in a country where a subsidiary is domiciled, its banking subsidiaries, and its principal non-banking subsidiaries, are able to meet their contractual liabilities.

COMPLIANCE WITH IFRS

Note number	Note description	IFRS required
1	Principal accounting policies	IAS 1
2	Standards and interpretations	IAS 1
3	Key assumptions concerning the future and key sources of estimation	IAS 1
4	Capital management	IAS 1
5	Consolidated statement of financial position – categories of financial instruments	IFRS 7
6	Fair-value measurement	IFRS 7
7	Liquidity gap	IFRS 7
8	Contractual maturity analysis for financial liabilities	IFRS 7
9	Historical value at risk (99%, one day) by risk type	IFRS 7
10	Interest rate repricing gap	IFRS 7
11	Credit analysis of other short term securities, and government and other securities	IFRS 7
12	Interest and similar income	IAS 18, IAS 32, IAS 39 and IFRS 7
13	Interest expense and similar charges	IAS 18, IAS 32, IAS 39 and IFRS 7
14	Non-interest revenue	IAS 18, IAS 32, IAS 39 and IFRS 7
15	Operating expenses	IAS 1
16	Indirect taxation	IAS 1
17	Non-trading and capital items	IAS 1, IAS 16 and IAS 36
18	Direct taxation	IAS 12
19	Earnings	IAS 33
20	Dividends	IAS 1
21	Cash and cash equivalents	IAS 1 and IFRS 7
22	Other short-term securities	IAS 1 and IFRS 7
23	Derivative financial instruments	IAS 32, IAS 39 and IFRS 7
24	Financial instruments designated as at fair value through profit or loss	IAS 32, IAS 39 and IFRS 7
25	Government and other securities	IAS 1,IAS 32, IAS 39 and IFRS 7
26	Loans and advances	IAS 17 and IFRS 7
27	Impairment of loans and advances	IAS 39 and IFRS 7
28	Other assets	IAS 1
29	Investment securities	IAS 32, IAS 39 and IFRS 7
30	Investments in associate companies and joint ventures	IAS 28 and IAS 31
31	Non-current assets held for sale	IFRS 5
32	Deferred taxation	IAS 12
33	Investment property	IAS 40
34	Property and equipment	IAS 16 and IAS 36
35	Long-term employee benefits	IAS 19, IAS 26 and IFRIC 14
36	Intangible assets	IAS 38 and IAS 36
37	Share capital	IAS 1
38	Amounts owed to depositors	IAS 1 and IFRS 7
39	Provisions and other liabilities	IAS 37, IAS 32, IAS 39
40	Long-term debt instruments	IAS 32, IAS 39 and IFRS 7
41	Contingent liabilities	IAS 37
42	Commitments	IAS 37, IAS 17 and IFRS 7
43	Collateral	IFRS 7
44	Securitisations	IFRS 7 and SIC 12
45	Foreign currency conversion guide	IAS 21
46	Cashflow information	IAS 7
47	Managed funds	IFRS 7
48	Share-based payments	IFRS 2
49	Related parties	IAS 24
	Analysis of investments in associates and joint ventures	IAS 28 and IAS 31
	Analysis of investments in subsidiaries	IAS 27

RISK AND BALANCE SHEET MANAGEMENT REPORT

EXECUTIVE SUMMARY

SA banking system and financial system

continues to remain structurally sound, liquid and strongly capitalised

- Financial soundness of banking system improved from 15th to 6th place in World Economic Forum Global Competitiveness Report.

Capital adequacy

increased significantly again in 2009

Regulatory capital

- Core Tier 1 – from 7,2% (2007) to 8,2% (2008) to **9,9% (2009)**.
- Tier 1 – from 8,2% (2007) to 9,6% (2008) to **11,5% (2009)**.
- Total – from 11,4% (2007) to 12,4% (2008) to **14,9% (2009)**.

Economic capital

- In 2009 the group's internal target solvency standard increased from A- (99,9%) to A (99,93%) while a more conservative definition of available financial resources (AFR), which covers the economic capital requirements, was also introduced.
- AFR surplus (after 10% capital buffer)
  - increased from R9,6 billion (2008) to R16,1 billion (2009), based on the old basis; and
  - amounts to R11,8 billion (2009), based on the new, more conservative basis.

Leverage ratio

- Low at 14,4 times (2008: 16,2 times), compared with international levels.

Stress and scenario testing

- Best-practice framework and process followed to confirm the robustness of the group's capital adequacy and to assist in derisking the bank in appropriate segments ahead of the global financial crisis.

Liquidity

remains sound

- Lengthened funding profile, including successful R5,4 billion senior-debt issue in September 2009.
- Strengthened liquidity buffers.
- Well-diversified funding mix (ie retail vs wholesale deposit reliance).
- Strong deposit franchise (across Retail, Business Banking and Corporate Banking businesses).
- Low reliance on interbank, foreign and capital markets.

Risk and capital management systems

prove consistently effective

- Enterprisewide Risk Management Framework (ERMF) and Capital Management Framework remain effective and well-embedded across the group.
- Sound risk governance prevails.
- Prudent risk appetite followed.
- Risk-based remuneration practices applied since 2008.
- With the exception of the retail asset classes where impairments remain challenging, wholesale credit asset classes remained within target credit loss ratios throughout the global financial crisis and local recession.

Global regulatory developments

comprehensive response to global financial crisis is in progress

- Significant new international regulatory requirements and proposals ('Basel III') related to capital, liquidity, risk management and accounting provisioning, aimed at a more resilient global banking sector, are currently due for implementation end 2012.
- Comprehensive quantitative impact study and finalisation of the proposals are due end 2010.
- Impact of the liquidity proposals would be pervasive if implemented as is, but we anticipate modifications and changes appropriate for South Africa and its various structural issues.
- Impact on capital and all other proposals for Nedbank Group are initially anticipated to be moderate, not significant.

Balance sheet management

a new balance sheet management cluster was established in 2009

Background

In 2009 the local banking industry continued to experience a tough and volatile year as a result of the impact of the ongoing global recession, combined with cyclical credit stresses in the domestic economy. In response to the global financial crisis, during 2009 Nedbank continued its focus on proactive risk management and strengthening of capital ratios as well as further diversifying the funding base, lengthening the funding profile and increasing liquidity buffers. Although underlying conditions in the banking industry are expected to remain challenging for 2010, the SA economy is expected to grow by around 2,2%, which should translate into a better year for banking.

The landscape of banking is changing rapidly following the global financial crisis and the significant international regulatory response that is underway. Much of this change relates to and impacts the measurement and management of risk, the balance sheet (in particular, capital and liquidity) and financial performance, as well as the associated remuneration practices of banks.

South Africa's banking industry has remained structurally sound and weathered the global financial crisis and local recession extremely well due to factors that include:

- Sound and proactive regulation of financial services, especially in the banking sector.
- Strong risk and capital management in the SA banking industry.
- Basel II being successfully implemented and embraced in South Africa.
- The National Credit Act being successfully implemented in South Africa to help minimise irresponsible lending practices, overgearing and excessive consumer debt.
- Fiscal authorities in South Africa never allowing interest rates to fall as low and for as long as in the United States, where this resulted in excessive borrowing and untenable levels of household debt. South Africa has not had negative real interest rates.
- Exchange controls preventing large flows of funds from local institutions out of the country.
- Rand liquidity remaining stable, with the interbank market operating normally.
- The 'originate and sell' business model and complex credit derivatives, which resulted in excessive leverage in some foreign banks, not being implemented and used in South Africa to the same extent.
- Lessons learned from the 2002/3 SA banking crisis.

In South Africa our banking regulator has consistently been effective, and this has played a significant role in preventing any local fallout from the global financial crisis. However, South Africa does operate in a globally regulated market and the significant response to the crisis by international regulators, in particular the Basel Committee on Banking Supervision (Basel Committee), will have an effect on the local banking industry.

Nedbank Group anticipates that the impact on the group of the proposed international regulatory changes will be moderate rather than pervasive, with one potential exception (see below). This view is substantiated by the sound positioning of the SA banking industry throughout the global financial crisis, successful Basel II implementation in 2008 and, in particular, Nedbank Group's prudent risk appetite, sound governance and strong risk culture, which is evidence of Nedbank Group's 'business benefits'-based approach to the implementation of Basel II, where our emphasis was not only to comply with Basel II, but also to elevate the group's risk, capital and balance sheet management to best-practice standards.

The possible exception to the moderate impact discussed above will be the new international regulatory liquidity proposals for which the impact would be pervasive if implemented as they stand, but we anticipate modifications and changes appropriate for South Africa and its various structural issues. SA banks are well-funded and liquid, and remained so throughout the global financial crisis mainly due to the sound, small and closed nature of the local funding system.

The new Group Executive Committee structure, which was completed in January 2010, also includes the creation of a specialist Balance Sheet Management cluster. This recognises the importance of managing risk on a portfolio basis and integrating the management of risk with liquidity and funding, capital management, shareholder value-add optimisation and reward practices. The creation of this new cluster is also acknowledgement that portfolio optimisation is an essential component of optimising the financial returns and long-term sustainability of the group.

Regulation 43 of the regulations relating to banks in South Africa requires disclosure to the public of reliable, relevant and timely qualitative and quantitative information that enables users of that information, among other things, to make an accurate assessment of a bank's financial condition, including its capital adequacy, financial performance, business activities, risk profile and risk management practices. Nedbank Group is fully committed to regulation 43.

The requirements of regulation 43 are aligned with International Financial Reporting Standards but significantly extend the public disclosure requirements. This extension of disclosure is embodied in what is commonly known as 'Pillar 3' of the Basel II Accord.

A copy of the unabridged Pillar 3 Report may be found on the group's website at www.nedbankgroup.co.za.

Global regulatory developments and the changing landscape of banking

The measures taken by the Basel Committee in July 2009 to strengthen the international Basel II framework, as well as the far-reaching proposals released in December 2009, are the committee's comprehensive response, under the mandate of the group of 20 leading economies, to address the lessons of the global financial crisis.

The Basel Committee's proposals aim to strengthen global capital and liquidity regulations with the goal of promoting a more resilient banking sector. The objective of the reform package is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy.

Through its reform package the Basel Committee also aims to improve risk management and governance as well as strengthen banks' transparency and disclosures. Moreover, the reform package also includes the committee's efforts to strengthen the resolution of systemically significant crossborder banks and the financial regulatory system.

The new Basel requirements and proposals are discussed in more detail below.

The first response package was released in July 2009 and included improvements to Basel II's Pillars 1, 2 and 3.

- Enhancements to Pillar 1
  - Securitisation (implementation end 2009).
  - Market trading risk (implementation end 2010).
- Enhancements to Pillar 2 Internal Capital Adequacy Assessment Process (ICAAP) (implementation July 2009)
  - Bankwide governance and risk management.
  - Principles for sound liquidity risk management.
  - Principles for risk concentrations.
  - Sound remuneration practices (risk-based).
  - Valuation and liquidity risks of financial instrument fair-value practices.
  - Principles for sound stress-testing practices.
  - Off-balance-sheet exposures and securitisation activities.
  - Reputational risk and implicit support.
- Enhancements to Pillar 3 (public disclosure/market discipline)
  - Securitisation exposures (implementation end 2009).

The second response package, which includes only proposals at this stage, was released in December 2009. The objectives of the proposals in this package are as follows:

- Raising the quality, consistency and transparency of the capital base, while also harmonising the other elements of a bank's capital structure.
- Strengthening risk coverage.

  In addition to the trading book and securitisation reforms announced in July 2009, the new proposals include strengthening of the capital requirements for counterparty credit risk exposures arising from derivatives, repurchase agreements (repos) and securities financing activities. The strengthened counterparty credit risk capital requirements will also increase incentives to move over-the-counter derivative exposures to central counterparties and exchanges, and generally improve counterparty credit risk management. The interconnectivity of large financial institutions is also a key focus area as reflected by, for example, introducing a multiplier (1,25) to the asset value correlation for these exposures held by banks.
- Introducing a leverage ratio as a supplementary measure to the Basel II risk-based framework.

  The leverage ratio will help contain the buildup of excessive leverage in the banking system. To ensure comparability the details of the leverage ratio will be harmonised internationally, fully adjusting for any remaining differences in accounting.
- Reducing procyclicality and promoting countercyclical capital buffers.

  The key objectives are:
  - Dampen any excess cyclicality of the minimum capital requirement.
  - Promote more forward-looking credit provisions based on 'expected losses', rather than the current 'incurred loss' provisioning model under the International Financial Reporting Standards.
  - Conserve capital to build buffers that can be used in stress by the introduction of a framework linking the amount of earnings a bank is allowed to distribute to shareholders to the bank's capital ratios.
  - Protect the banking sector from periods of excess credit growth by requiring banks further to increase capital buffers available when selected macroeconomic indicators suggest that credit volumes have grown excessively.
- Introducing a global liquidity framework.

  This would consist of a stressed liquidity coverage ratio, a longer-term structural stable funding ratio and a common set of monitoring metrics to assist in identifying and analysing liquidity risk trends. These complement the Basel Committee's 'Principles for sound liquidity risk management and supervision' issued in September 2008.

- Addressing systemic risk and banks' interconnectedness.

More specific proposals are expected to be developed in the first half of 2010.

The Basel Committee is mindful of the need to introduce these measures in a manner that raises the resilience of the global banking sector over the longer term, while avoiding negative effects on bank lending activity that could impair the economic recovery. To this end the committee is initiating a comprehensive impact assessment of the capital and liquidity standard proposals and has highlighted that 'decisions on the final proposals and their calibration will be made only after a thorough analysis of the impact assessment and the comments received on the consultative documents. The committee will ensure that implementation of the new standards is consistent with financial market stability and sustainable economic growth'.

The key timelines are as follows:

- Consultation period for the December 2009 proposals until 16 April 2010.
- Undertaking of a comprehensive impact assessment during the first half of 2010.
- Development of a fully calibrated set of standards by end 2010.
- Targeted implementation by end 2012 (including phase-in measures and grandfathering arrangements beyond 2012).

The complexity of the Basel Committee's proposals, the risks of unintended consequences and the interaction between these and other developments place a strong burden on the banking industry to assess the impacts carefully and ensure that the right balance is achieved between risk management and economic wellbeing.

In conclusion, most of these new developments are still at the proposal stage and changes are expected following the quantitative impact study, calibrations and consultative process. The exact impact remains uncertain, however, and the issue is not 'if', but 'how much?'.

Impact of the international regulatory developments on Nedbank Group

Nedbank Group is supportive of the recent international regulatory developments. While some details and clarity are still sought and refinement needed before they are finalised, the principles behind most of the proposals are appropriate, prudent and necessary.

The proposed changes will have an impact on the SA banking industry, although this will only come into effect after a minimum of three years following finalisation by the Basel Committee, as discussed above, and after the SA Reserve Bank (SARB) has determined exactly what will be adopted and/or modified as appropriate for the SA banking industry.

At this early stage Nedbank Group's expectation is that the impact of these proposals will be moderate, both on implementation requirements, strategy and financial performance returns, with the possible exception of the liquidity proposals.

In summary, our reasons for this view are as follows:

- South Africa fully embraced its Basel II implementation successfully completed two years ago, which involved a very strong collaborative approach among the regulator (SARB) and the banking industry.

  Nedbank Group's approach since 2004, which at all times embraced the true spirit of Basel II, involved implementing, inter alia, best-practice enterprisewide risk management across the group. We have invested significantly in advanced risk and capital management capabilities, as well as human resources and systems, and transformed these using our comprehensive Basel II programme as the main catalyst. Additionally, we launched the SMART Programme in H1 2009 to respond proactively to the global financial crisis.

  Many of the global issues around poor risk, capital and balance sheet management were a matter of implementation, governance and risk cultures, and risk management lessons that needed relearning. A significant portion of the new Basel proposals are about enforcing what was already required and/or expected, albeit in principles that are now more detailed and specific. The new proposals comprehensively formalise these requirements and therefore reduce opportunities for regulatory arbitrage. It's mostly the environment in which banks operate that has changed materially.

- As far as the proposed new capital requirements are concerned, SA banks' regulatory capital rules are already considerably more conservative than the Basel II international rules. The Tier 1 minimum ratio is 7% in South Africa, compared with 4% in Basel II, while the core Tier 1 minimum at 5,25% is more than double the minimum 2% of Basel II. In addition, all the major SA banks are currently operating at capital ratios significantly above the minimum regulatory ratios required in South Africa.

  All the major SA banks have also completed comprehensive ICAAPs in both 2008 and 2009. These are required to be signed off by the board of directors of each bank and then be subjected to a supervisory review and evaluation process by SARB.

  In view of the above we do not foresee a change for SA banks in the minimum capital requirements.

The new Basel proposals have, however, significantly increased the focus on, and quality of, core Tier 1 capital (with ordinary shareholders' equity and retained earnings by far the predominant form of Tier 1 capital).

In view of Nedbank Group's significantly strengthened capital ratios over the past two years to levels well beyond our target regulatory capital ratios (see page 209) and expected further strengthening over our current 2010 – 2012 business plan as a result of our ongoing Risk-weighted Asset Capital Optimisation Programme, SMART Programme, managing for value strategic focus area and internal generation of capital from projected retained earnings, Nedbank Group does not anticipate the need to raise additional capital in response to these global developments, notwithstanding the list of additional regulatory deductions being proposed.

The global financial crisis has highlighted that the appropriate level of capital for a bank is a direct function of its risk appetite, strategy and existing risk profile. This aligns directly with one of the key objectives of Basel II and that is to differentiate capital requirements, and adequacy of capital buffers above the regulatory minimum, to reflect the unique risk profile on a bank-by-bank basis, rather than the one-size-fits-all approach among all banks that Basel I engendered. The Basel Committee confirmed this again in 2009.

- Concerning the finalised (ie July 2009) and proposed (ie December 2009) new risk coverage requirements, Nedbank Group's trading book is small in relation to its total bank operations, securitisation exposure/activities are low and counterparty credit risk, including repurchase transactions and securities financing, is mostly restricted to low-risk, non-complex transactions, with credit derivatives activities restricted to single-name trades of SA exposures and biased towards providing risk mitigation. We therefore do not envisage a significant overall increase in minimum capital requirements related to these new requirements and proposals.
- With regard to the proposed new leverage ratio, at 14,4 times, excluding off-balance-sheet exposure (2008: 16,2 times), this requirement will not be an issue of concern for Nedbank Group. The risk appetite target approved by the board of directors is 18 times, well below the international average.
- With reference to the procyclicality and countercyclical capital framework proposals, the intended dampening of procyclicality via potentially more conservative through-the-cycle or downturn probabilities of default (the regulations already require the use of downturn loss given defaults) used in the Internal Ratings-based Credit Approach may have a marginal impact on Nedbank Group's minimum credit capital requirements.

  Nedbank Group agrees with the objectives of the November 2009 exposure draft (ED) released by the International Accounting Standards Board on the proposed move to an 'expected loss' approach to credit provisioning rather than the current 'incurred loss' model. However, much still needs to be worked out in this ED over the consultative period, such as whether it in fact would adequately reduce procyclicality, as well as the practicality of the implementation of the ED. At this stage it is too early to comment on the expected impact of the ED.

  The other capital conservation and capital buffer proposals generally align with current Nedbank Group practices and our target capital ratios that are validated by the group's ICAAP and extensive stress and scenario testing.
- As far as the new liquidity risk proposals are concerned, while our liquidity risk management aligns closely with best practice, the proposed new Basel liquidity ratios as they stand are a potential pervasive issue for the SA banking industry, as the local industry, compared with other first-world countries, has certain structural differences. These include, by way of example:
  – South Africa not being aligned with other jurisdictions in terms of deposit insurance schemes.
  – SA savings levels being low partly due to the lack of a large middle class, which typically generates significant pools of stable retail deposits.
  – SA banks having been disintermediated by money market funds, which account for nearly a third of total funding. This has resulted in more expensive funding (due to the wholesale nature) as well as a shorter liquidity profile.
  – Almost 90% of assets being corporate and mortgage loans, which typically have a long duration.
  – Small and less liquid local capital markets limiting the SA banks' ability to bolster liquidity buffers and/or lengthen their funding profiles.

  It is also important to recognise various positive structural differences between the SA and international financial markets that are currently not taken into account in the new Basel proposals. SARB may well consider adapting the new proposals to meet SA requirements.

  Some items that may be considered in modifying the proposals include:
  – Changes to some definitions (eg apply look-through principle to money market funding and classify as retail).
  – Lengthening the implementation period to make compliance practically achievable for the SA banks and importantly also to allow SARB adequate time to interact with government and the National Treasury to address some of the structural issues.

- – Reducing the minimum target ratio; maintaining global comparability of calculations, but modifying for South Africa's structural issues.
- – Adjusting for South Africa not being aligned with other jurisdictions in terms of deposit insurance schemes.
- – Clarifying whether cash reserves and liquid assets will be allowed to qualify as part of the stock of highly liquid assets. Currently only 25% of liquid assets and 0% of cash reserves qualify (the Basel paper suggests that 100% of sovereign paper and 100% of cash reserves could qualify).
- – The closed nature of SA money markets, mainly resulting from exchange controls, which means that rands are more 'sticky' for SA banks in the rand system than for euro- or dollar-denominated banks in their respective systems that are more open.
- – SA asset managers having four large banks for depositing funds. In Europe and the United States there are significantly more major banks for depositing funds, meaning wholesale funding is less 'sticky' compared with South Africa.
- – Given that liquidity risk is a consequential risk, legislation such as the National Credit Act (NCA) reduces systemic risk and so the need for oversized liquidity buffers. Many developed economies do not have the safety net of NCA-type legislation yet.

These are some of the SA structural issues that we anticipate are likely to be addressed collectively by government, SARB and the financial services industry for SA banks practically to align with the proposed liquidity ratios.

- On the banking industry systemic risk proposals, further work is ongoing on the proposals by the Basel Committee, but in South Africa a unique Pillar 2(a) 1,5% and Pillar 2(b) add-on, additional to the minimum Basel II 8% ratio requirement, are already in place.

As regards the emphasis on risk-based remuneration practices, Nedbank Group is positioned very well and has only a few minor gaps to close given our risk-based approach already implemented in recent years (see the Remuneration Report in this annual report).

In summary Nedbank Group recognises that to become worldclass at managing risk is a journey, not a destination. We believe we have made excellent progress over the past five years and that overall our risk, capital and balance sheet management, and ICAAP, align closely with best practice. This positioned the group to be resilient through the global financial crisis and local economic recession. However, there is always room for improvement, and as the bar has been raised with the new international regulatory proposals, we will continue with our endeavours strongly focused on continuously enhancing the group's risk, capital and balance sheet management processes and systems.

Key internal developments in 2009

The following is a summary of key enhancements made to Nedbank Group's Internal Capital Adequacy Assessment Process (ICAAP) during 2009:

- Significantly strengthened capital adequacy ratios, on the back of our Risk-weighted Asset Capital Optimisation Programme, and set higher target capital adequacy ratio ranges.
- Significantly strengthened liquidity buffers and lengthened the funding profile, including the successful R5,4 billion senior-debt issue in September 2009.
- Introduced more conservatism into the group's economic capital framework that is used for ICAAP:
  - – Increased the target debt solvency standard from A- (99,9%) (the same as Basel II) to A (99,93%). This aligns with the targeted standard of our parent company, Old Mutual plc.
  - – Refined the definition of 'available financial resources' to cover the economic capital requirements.
    - o The '50% of next year's earnings' are no longer included (even though business risk economic capital is still included).
    - o A Tier A and Tier B category were created, with Tier A to cover at least the minimum economic capital requirements at the new, more conservative A rating.

Definitions

Tier A = core Tier 1 regulatory capital and qualifying reserves*

Tier B = perpetual preference shares and hybrid debt capital

*(*In 'qualifying reserves' we now include a share-based payments reserve, foreign currency translation reserve and available-for-sale reserve, as we believe this to be correct and appropriate for economic capital calculations. These are currently excluded for regulatory capital purposes.)*

- Elevated stress and scenario testing to yet a new height in line with new best practice developing over the past year on the back of the global financial crisis.
- Appointed a head for the newly established Group Data Management Office to champion groupwide data governance and data quality, following the launch of the Group Data Project.
- Further embedded our economic profit and managing for value approaches in the 2010 – 2012 updated business plans

and day-to-day operational management. Completed the second full year of using economic profit driven off risk-based economic capital allocation to determine bonuses (short-term incentives) across the group's businesses.

- Delivered comprehensive, best-practice Pillar 3 public disclosure reports and were awarded two prizes at the annual Investment Analysts Society (IAS) Reporting and Communication Awards. The IAS is the society that most of the SA buy- and sell-side analysts and fund managers belong to, and their 2 000 members vote on the awards. The awards cover the 2008 year and are these analysts' view on the investor reporting Nedbank Group disclosed last year.

  Our awards were:

  – Award for best reporting and communication.
  – Overall Best Reporting and Communication Award, which is the main award (all the winners in each JSE Limited category competed).
- Enhanced and cascaded the group-level risk appetite metrics down to business clusters (see page 169).
- Completed, with the assistance of international consultants, 'deep dives' into the potential risks inherent in:
  – Commercial real estate portfolio (Property Finance).
  – Mortgage/home loans portfolio (Nedbank Retail).
  – Specialised lending portfolio (Nedbank Capital).
  – Motor vehicle finance (Nedbank Retail and Imperial Bank).
- Enhanced the incorporation of risk in the group's three-year business planning process for the 2010 – 2012 period via a more formal and comprehensive requirement for each major business to produce a risk strategy component, integrated with their business strategy. This is in addition to the group-level risk and capital strategy document produced.
- Addressed the Basel Committee's first response package to the G20's eight-point plan released in January 2009, following the meeting in November 2008, benchmarking these points against Nedbank Group's current practice and incorporating any gaps into the SMART Programme.
- Despite the difficult international markets, successfully raised Tier 2 subordinated debt in March 2009 in the amount of US$100 million and at acceptable pricing levels (London Interbank Offered Rate + 150 basis points).
- Implementation of new Quantitative Risk Management software for our asset and liability management process is progressing well and is due for completion in early 2010.
- Ongoing refinement and enhancement of Nedbank Group's Advanced Internal Ratings-based credit system and related credit modelling.
- And finally, after having invested significantly in a worldclass Basel II risk and capital management environment, we embarked on our programme of managing for value to extract significant value for the group from this investment, while ensuring that we continue to improve the underlying data that drives financial and non-financial information. This initiative has further been supported by the implementation of an enhanced financial reporting architecture, which has improved our target-setting processes, financial management activities and external reporting capabilities.

In addition there are a number of economic capital allocation methodology enhancements that will be implemented for 2010, which are expected to have a significant impact on the allocation of capital across the group's business clusters. The impact of the changes by business cluster will be disclosed with the 30 June 2010 results. The following is a summary of the key enhancements being implemented for 2010:

- Full alignment of the group's actual book capital with the aggregate amount allocated to the various business clusters using bottomup economic capital.
- Updating of the credit portfolio modelling correlations and credit economic capital allocation methodology taking into account recent global developments (including downturn years) and the new regulatory thinking in line with the new Basel III proposals discussed earlier.
- Measurement of operational risk for economic capital purposes using the Advanced Measurement Approach instead of the Standardised Approach. We submitted our application to use this approach to the SA Reserve Bank in January 2010 and await its feedback.

Risk appetite

Risk appetite is an articulation and allocation of the risk capacity or quantum of risk Nedbank Group is willing to accept in pursuit of its strategy, duly set and monitored by the Group Executive Committee and the board, and integrated into our strategy, business, risk and capital plans.

We measure and express risk appetite qualitatively and in terms of quantitative risk metrics. The quantitative metrics include earnings at risk (or earnings volatility) and, related to this, the chance of regulatory insolvency, chance of experiencing a loss and economic capital adequacy. These comprise our group-level risk appetite metrics. In addition, a large variety of risk limits, triggers, ratios, mandates, targets and guidelines are in place for all the financial risks (eg credit, market and asset and liability management risks).

In 2009 we sought to enhance the consolidation, focus and reporting of the key financial risk appetite metrics, and the cascade from group level down to cluster, business unit and monoline level.

Accordingly we established an enhanced suite of base case [through-the-cycle (TTC)] risk appetite metrics and incorporated these within the 2010 – 2012 business plans at both group and business cluster levels (see page 169). Stressed (extreme event) risk appetite metrics, linked to our stress- and scenario-testing programme, will be finalised in H1 2010.

Nedbank Group has cultivated and embedded a prudent and conservative risk appetite, focused on the basics and core activities of banking. This is illustrated by reference to the following:

- No direct exposure to US subprime credit assets nor associated credit derivative transactions.
- Conservative credit underwriting practices that have culminated in a high-quality well-collateralised wholesale book and further tightening of our retail book since 2007 in anticipation of the economic downturn and introduction of the National Credit Act.
- Reasonable credit concentration risk levels:
  - Large individual or single-name exposure risk is low. Refer to page 186 for details.
  - Geographic exposure risk is high (refer to page 188 that highlights that 94% of the group's loans and advances originate in South Africa), but in reality this concentration has been positive for Nedbank Group, given the global international crisis, and reflects focus on an area of core competence.
  - Industry exposure risk is reasonably well-diversified. Refer to page 188 for details.
  - At first sight our property exposure appears high, but this is in line with our domestic peer group and most banks worldwide. As a result of this perceived risk, we undertook a more detailed analysis, assisted by international risk consultants, of our commercial property exposures.

    The conclusions and recommendations that resulted from this detailed analysis were:

    - Potential credit losses in a stressed scenario would remain within Nedbank Group's risk appetite.
    - The portfolio is well-balanced, and higher risk loans are closely monitored.
    - The most appropriate business strategy is one of selective origination, sacrificing business volumes and market share growth for risk-based pricing, economic profit and margin management. This is broadly in line with our risk appetite over the past few years.
    - The commercial property portfolio is largely focused on developed properties with a track record of predictable cashflows from rentals over the medium term.

    Stemming from this detailed analysis were several useful benchmarks derived from the experience that international banks had, where we compare favourably.

    The analysis has been useful not only from the business perspective of shaping our commercial property loan origination and deal-pricing approach for the future, but also from the credit risk management perspective of providing us with additional relevant benchmarks against which to monitor our commercial property exposures and of highlighting risky exposures on which to focus increased risk management.
- Counterparty credit risk almost exclusively restricted to non-complex banking transactions. There is continued emphasis on the use of credit mitigation strategies, such as netting and collateralisation of exposures.

  Credit derivative activities have been restricted to single-name trades of SA exposures and biased towards providing risk mitigation. Refer to page 189 for further details on our relatively low counterparty credit risk exposure.
- A strong, well-diversified funding deposit base and a low reliance on offshore funding. Additionally, Nedbank Group's reliance on its top 10 depositors is not unduly concentrated.

  Refer to page 203 onwards for our analysis in support of this and our prudent liquidity risk management.
- Low level of securitisation exposure.

  Refer to page 192 for summary detail on this exposure.
- Low leverage ratio (total assets to shareholders' equity) of 14,4 times (16,2 times: 2008), which compares very favourably on an international benchmarking basis.
- Low risk of assets and liabilities exposed to the volatility of International Financial Reporting Standards fair-value mark-to-market accounting. Refer to page 70 'Consolidated statement of financial position – categories of financial instruments' and page 93 of the Nedbank Group Limited Annual Report 'Consolidated statement of financial position banking/trading categorisation' for details.
- Small market trading (proprietary) risk in relation to total bank operations (economic capital held is only 1,8% of total and is conservatively based on limits rather than utilisation, plus a 10% capital buffer). Although proprietary trading activities are small, they play an essential role in facilitating client trades.

  The risk appetite within the trading business has remained largely unchanged over the past two years. Trading activities have focused on the domestic market with a bias towards local interest rate and forex products.

The overall performance of the trading business in 2009 was sound, an indication that the impacts from the credit crunch and difficult equity markets were successfully navigated, and our risk systems sound. In addition, over the past year Nedbank Capital proactively managed and reduced the risk pertaining to single-stock futures and contracts for difference, and the forfaiting business was closed with the existing exposure being managed over the maturity of the book.

Refer to page 194 for more details.

- Low interest rate risk in the banking book, as reflected by the sensitivity analysis provided on page 208.
- Low equity (investment) risk, including private equity, exposure. The total equity risk exposure, including our private equity business, is R3,9 billion, comprising only 0,7% of total assets. Further, within this a wide range of individual investments exist and many are linked to a wider client relationship.

Refer to page 198 for further details.

- Immaterial assets non-core to the business of banking.
- Low foreign currency translation risk to the rand's volatility, which is in line with Nedbank Group's appropriate offshore capital structure.

Refer to page 208 for more details.

- Well-diversified earnings streams. Most of the group's earnings are generated by traditional, vanilla, annuity-based income in wholesale and retail banking, and specialised finance.
- Well-diversified subordinated debt and non-core Tier 1 profile. Despite the difficult international markets, Nedbank Group successfully raised Tier 2 subordinated debt in March 2009 in the amount of US$100 million and at acceptable pricing levels (ie LIBOR + 150 basis points). Refer to page 213 for details.
- Comprehensive stress and scenario testing to confirm the adequacy and robustness of our capital ratios and accompanying capital buffers.

Risk appetite – enhanced suite of metrics finalised in 2009

	Group target (board-approved)
Credit risk profile	
Credit loss ratio (%)	0,60% – 1,0%
Credit risk-weighted assets (RWA): Loans and advances (%)	52% – 58%
Credit property exposure: Loans and advances (%)	< 45%
Properties in possession (PIPs): Loans and advances (%)	< 0,1%
Average probability of default (PD) (%) – performing book (TTC)	< 3%
Average loss given default (LGD) (%) – performing book (TTC)	18% – 22%
Average expected loss (EL) (%) – performing book (TTC)	0,6% – 0,7%
Defaulted exposure of default (EAD): Total EAD (%)	< 2%
EAD: Exposure (%)	< 120%
Counterparty risk (derivatives) profile	
Counterparty credit risk (CCR) EAD: Total EAD (%)	< 2%
CCR economic capital (Ecap): Total Ecap (%)	< 0,5%
Securitisation risk profile	
Securitisation RWA: Total RWA (%)	< 0,4%
Trading market risk profile	
Value at risk (VaR) (99%, three-day)	< 127
Stress trigger (Rm)	< 846
Trading Ecap: Total Ecap (%)	< 3%
Equity (investment) risk profile	
Exposure: Total assets	< 2%
Equity investment Ecap: Total Ecap (%)	< 7%
Asset and liability management (ALM) risk profile – liquidity	
Short-term (0 to 31 days) funding: Total funding (%)	58% (tolerable deviation +5%)
Medium-term (32 to 180 days) funding: Total funding (%)	18% (tolerable deviation +7%)
Long-term (> 180 days) funding: Total funding (%)	24% (tolerable deviation -7%)
Contractual maturity mismatch (0 to 31 days): Total funding (%)	38% (tolerable deviation +5%)
Net interbank reliance: Total funding (%)	< 1,5% (tolerable deviation +1%)
ALM risk profile – interest rate risk in the banking book	
Net interest income (NII) interest sensitivity: Equity (%)	< 2,5%
NII interest sensitivity: 12-month NII (%)	< 7,5%
NII interest sensitivity: Interest-earning assets (basis points)	< 25 bps
Economic value of equity: Equity (%)	< 5%
ALM risk profile – foreign currency translation risk	
Currency equity: Total equity	< 5%
Group risk appetite metrics	
Earnings at risk	< 100%
Chance of a loss (1 in x years)	> 10
Chance of regulatory insolvency (1 in x years)	> 50
Available financial resources: Ecap (A solvency target)	> 110%
Total RWA: Total assets (%)	55% – 57%
Leverage ratio	< 18 times
Group capital adequacy	
Core Tier 1 (in current environment target above top end of range)	7,5% – 9%
Tier 1 (in current environment target above top end of range)	8,5% – 10%
Total (in current environment target above top end of range)	11,5% – 13%

Individual risk appetite targets, as relevant to the approved business activities, have been approved and cascaded down from group level for each business cluster, major business unit and the monolines in Nedbank Retail.

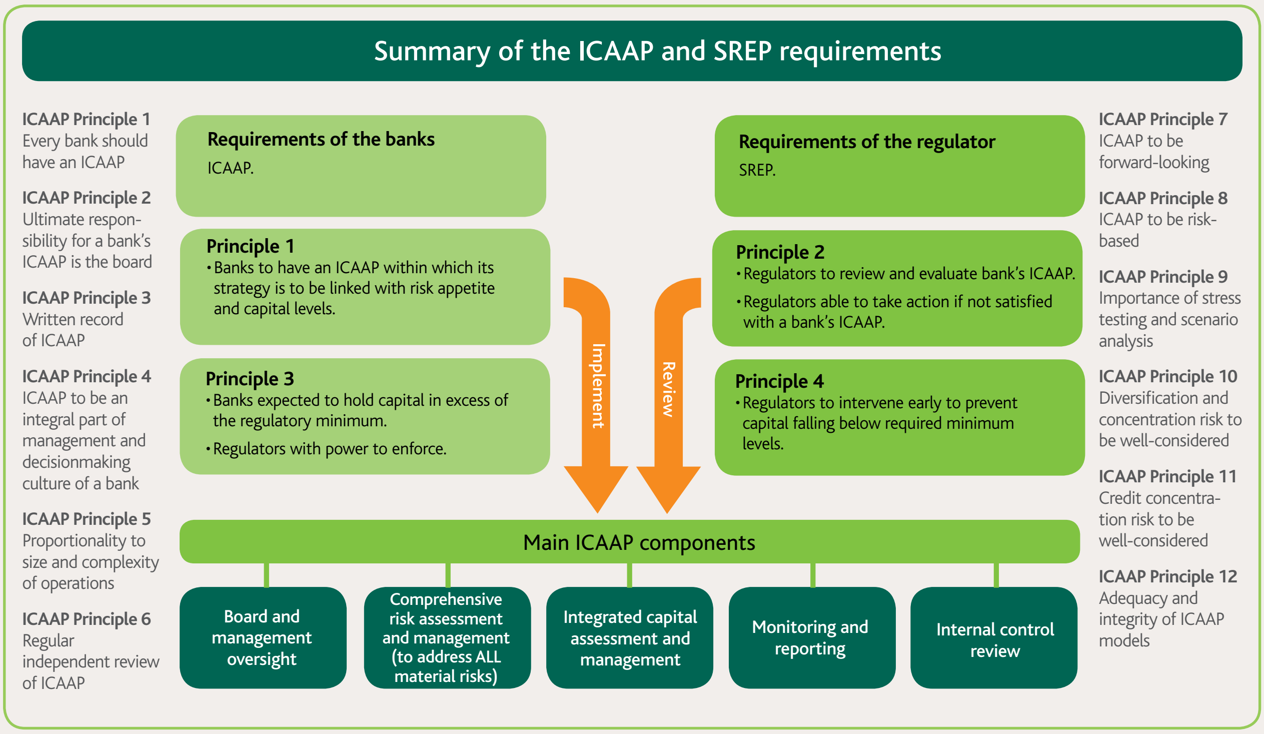
One of the risk appetite metrics that we are currently in excess of due to the retail asset classes and the current economic environment, and which is in line with our peer group, is the group's target credit loss ratio range, details of which may be found on page 179. We currently expect to remain outside the target range in 2010, but addressing this is a key component of the 2010 – 2012 business plans. The reversals of provisions in the balance sheet is expected to take longer as defaulted advances continue to increase, albeit at a slower rate. The group remains cautious about impairments.

In conclusion, Nedbank Group has a strong risk culture and a conservative risk appetite, which is well-formalised, managed and monitored on an ongoing basis, bearing the board's ultimate approval and oversight.

Overview of the Internal Capital Adequacy Assessment Process

In line with the four key principles contained in Pillar 2 of Basel II, the SA regulations relating to banks set out in regulation 39 the Internal Capital Adequacy Assessment Process (ICAAP) requirements of banks and related Supervisory Review and Evaluation Process (SREP) requirements of the SA Reserve Bank (SARB). A summary of this is depicted below.

In addition, SARB have provided further guidance on the 12 ICAAP principles.



ICAAP is primarily concerned with Nedbank Group's comprehensive approach, assessment, coverage and management of risk and capital from an internal perspective, that is over and above the minimum regulatory rules and capital requirements of Basel II.

ICAAPs have first been completed in South Africa in 2008, are approved by the board and then submitted to SARB for review.

Risk management

Summary of perspectives on Nedbank Group's risk profile and risk strategy

The key highlights for 2009 are as follows:

- Risk management systems
  - Continuously proving effective.
  - Enterprisewide Risk Management Framework remains sound and well-embedded.
- Competition Commission inquiry into banks
  - Await National Treasury response to the commission's recommendations.
- Group structure
  - Board/Management structures
    - New board members, Chief Executive Officer, Group Executive Committee and business clusters' Excos have been finalised.
  - Management of Old Mutual/Nedbank Group strategy is ongoing.
- Risk appetite
  - Prudent risk appetite prevails.
  - In Retail, increased appetite for unsecured lending while secured, asset-backed lending now has a much stronger emphasis on managing for value.
- Profitability
  - Resilient performance in challenging environment.
  - Earnings volatility too high in secured lending businesses in Retail; being addressed.
  - Wholesale risk profile remains sound.
    - Successful stress-testing strategy implemented in Business Banking in 2008.
    - Black economic empowerment (BEE) exposure contained and regularly stress-tested.
  - Consistent, well-managed earnings growth in Nedbank Capital (the investment bank).
  - Non-interest revenue subscale bankwide (and this impacts earnings volatility of group); key strategic focus area.
- Market risk
  - Risk appetite remained largely unchanged over the past two years; low proprietary trading risk.
  - Focused on the domestic market with a bias towards local interest rate and equity products.
  - Risk appetite for complex equity derivatives significantly curtailed in 2007.
  - Equity trading risk
    - Mainly in Nedbank Group's securities companies.
    - Risk appetite and limits remain low.
    - Low exposure to illiquid instruments.
  - Overall performance of the trading business has been sound.
    - Proactively managed and reduced the risk pertaining to single-stock futures and contracts for difference, and closed the forfait book.
    - Significant investment in risk management systems continues.
- Credit risk
  - Strong credit risk management framework.
  - Strengthening risk management in Retail.
  - Worsening group credit loss ratio from 1,17% (December 2008) to 1,47% (December 2009), on the back of retail impairments that remain challenging.
  - No large corporate defaults, but credit risk remains relatively high amid local recession.
  - Business Banking particularly resilient.
- Operational risk
  - Advanced Measurement Approach (AMA) application submitted to SA Reserve Bank in January 2010; to be adopted for economic capital in 2010.
- Imperial Bank
  - Nedbank has received section 37 approval from SARB for the acquisition of the minority shareholding in Imperial Bank, and its full integration into Nedbank Group will be a key focus in 2010.

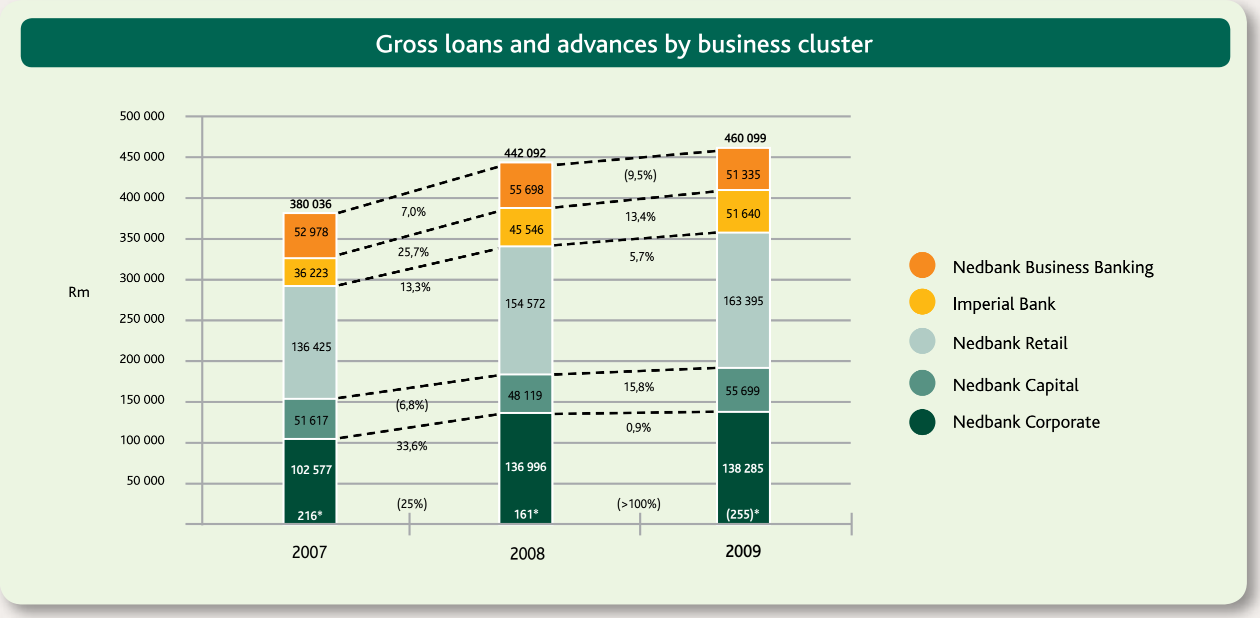
Credit risk

Loans and advances and Basel II exposure

Demand for credit grew at historically low rates and retail impairments increased dramatically as consumers came under severe pressure from falling income, job losses, declining asset prices and record high debt burdens. By the end of 2009 growth in asset finance had slowed to 1,0% year-on-year. Interest rates were reduced by 450 basis points to cushion the effects of a rapidly slowing economy and increasing unemployment.

Corporate demand for credit initially held up but lost momentum due to weak global and local demand, which eroded corporate profits through weaker pricing power, lower commodity prices and a strong rand. Support came from construction projects and increased government spending, boosted primarily by the public sector's infrastructure drive and preparations for the 2010 FIFA World Cup.

Net loans and advances after impairments are R450 billion, 3,7% up on the previous year. Gross loans and advances increased by 4,1% to R460 billion. The gross loans and advances by business cluster are as follows:



** These relate to eliminations passed through Central Management.*

The 4,1% increase in gross loans and advances reflects:

- Ongoing growth in Nedbank Capital and Imperial Bank.
- Slower growth in Nedbank Corporate and Nedbank Retail.
- Reduced advances in Nedbank Business Banking due to a slowdown in client demand for credit and a reduction of single-product loans in line with the drive to reduce higher risk exposures and focus on primary clients.

Growth in advances took place across a number of products, including personal loans, mortgage loans, preference shares, deposits placed under reverse repurchase agreements and other loans, offset by an ongoing decrease in overnight loans.

The group has focused on selective asset growth while improving margins, resulting in banking advances growth and lower levels of advances in the trading portfolio. Details of advances growth by division are as follows:

Loans and advances by business cluster

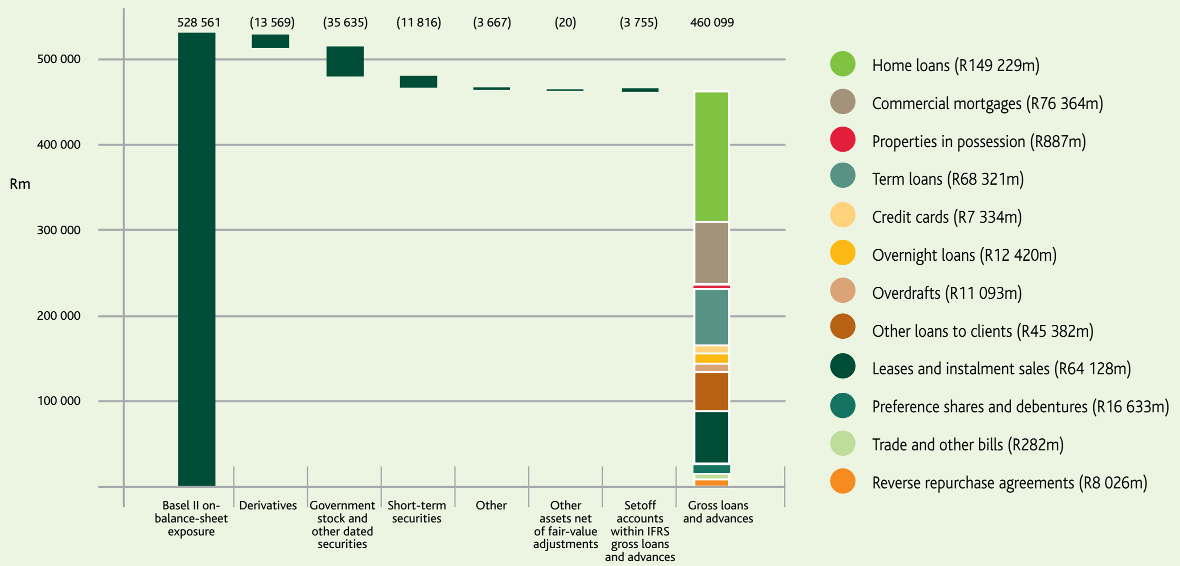
Rm	% change	2009	2008
Nedbank Capital	16,0	**55 315**	47 686
Nedbank Corporate	0,7	**137 173**	136 222
Nedbank Business Banking	(9,4)	**50 115**	55 321
Nedbank Retail	4,9	**157 500**	150 107
Imperial Bank	12,8	**50 451**	44 734
Other	(>100,0)	**(253)**	163
Net loans and advances	3,7	**450 301**	434 233

Summary of loans and advances by product

Rm	% change	2009	2008
Home loans	4,1	**149 229**	143 342
Commercial mortgages	4,6	**76 364**	73 031
Properties in possession	12,1	**887**	791
Term loans	6,5	**68 321**	64 144
Credit cards	1,2	**7 334**	7 248
Overnight loans	(21,2)	**12 420**	15 760
Overdrafts	(11,0)	**11 093**	12 461
Other loans to clients	1,8	**45 382**	44 581
Leases and instalment sales	4,5	**64 128**	61 362
Preference shares and debentures	6,2	**16 633**	15 667
Trade and other bills	(73,8)	**282**	1 075
Reverse repurchase agreements	>100	**8 026**	2 630
Gross loans and advances	4,1	**460 099**	442 092
Impairment of loans and advances	24,7	**(9 798)**	(7 859)
Net loans and advances	3,7	**450 301**	434 233

Basel II on-balance-sheet exposure at December 2009 is R528,6 billion. The reconciliation of the Basel II exposure to the gross loans and advances of R460,1 billion is shown below.

Reconciliation of on-balance-sheet exposure to gross loans and advances



Balance sheet credit exposure[3] by Basel II asset class and business cluster

Rm	Nedbank Business Banking	Nedbank Corporate[2]	Nedbank Capital[2]	Nedbank Retail[2]	Imperial Bank	Central Manage-ment	2009	2008
Advanced Internal Ratings-based Approach (AIRB)	52 013	129 510	69 124	150 414	–	22 270	**423 331**	469 860
Corporate	6 303	62 565	22 656	1			**91 525**	136 101
Specialised lending – high-volatility commercial real estate		7 442					**7 442**	8 301
Specialised lending – income-producing real estate	2 211	39 998					**42 209**	38 507
Specialised lending – object finance			439				**439**	449
Specialised lending – commodities finance			55				**55**	62
Specialised lending – project finance			4 811				**4 811**	2 897
Small and medium enterprises (SME) – corporate	19 390	4 096	186				**23 672**	23 798
Public sector entities	2	10 642	3 262			1 499	**15 405**	12 705
Local governments and municipalities	298	4 357	516				**5 171**	2 444
Sovereign			5 795			20 771	**26 566**	27 653
Banks	1	377	30 338				**30 716**	43 326
Securities firms		5	866				**871**	2 091
Retail mortgages	4 314		4	119 293			**123 611**	119 853
Retail revolving credit				7 028			**7 028**	6 832
Retail – other	2 580	1	6	20 654			**23 241**	23 520
SME – retail	16 914	27	190	3 209			**20 340**	21 091
Securitisation exposure				229			**229**	230
Standardised Approach	–	9 859	–	10 500	54 319	–	**74 678**	67 692
Corporate		2 649			1 557		**4 206**	1 628
SME – corporate		1 034			12 552		**13 586**	12 729
Public sector entities		24			6		**30**	21
Local government and municipalities		28			2 550		**2 578**	26
Sovereign		855			115		**970**	2 245
Banks		929		7 640			**8 569**	10 456
Securities firms		302					**302**	303
Retail mortgages		2 338		1 922	2 988		**7 248**	3 286
Retail – other		1 499		938	30 951		**33 388**	30 678
SME – retail		201			3 301		**3 502**	3 677
Securitisation exposure					299		**299**	283
Other								2 360
Properties in possession	9	2	–	876	–	–	**887**	791
Non-regulated entities	68	8 411	14 894	6 156	–	136	**29 665**	30 481

Balance sheet credit exposure[3] by Basel II asset class and business cluster ... continued

Rm	Nedbank Business Banking	Nedbank Corporate[2]	Nedbank Capital[2]	Nedbank Retail[2]	Imperial Bank	Central Manage-ment	2009	2008
On-balance-sheet exposure (Basel II)	52 090	147 782	84 018	167 946	54 319	22 406	**528 561**	568 824
Less assets included in Basel II asset classes	(281)	(6 217)	(28 319)	(4 550)	(2 679)	(22 661)	**(64 707)**	(87 224)
Derivatives		(79)	(13 222)	(141)	(127)		**(13 569)**	(25 218)
Government stock and other dated securities		(3 701)	(7 114)		(2 550)	(22 270)	**(35 635)**	(34 105)
Short-term securities		(949)	(7 842)	(3 025)			**(11 816)**	(13 969)
Call money		4	(648)	(291)			**(935)**	(1 524)
Deposits with monetary institutions		(620)	(2 220)				**(2 840)**	(2 232)
Remittances in transit	1	76		31			**108**	207
Other assets net of fair-value adjustments	(282)	(948)	2 727	(1 124)	(2)	(391)	**(20)**	(10 383)
Setoff of accounts within IFRS total gross loans and advances[1]	(475)	(3 280)					**(3 755)**	(39 508)
Gross loans and advances	51 334	138 285	55 699	163 396	51 640	(255)	**460 099**	442 092

[1] *The setoff as shown for December 2008 mainly relates to the corporate asset class within Nedbank Corporate in respect of cash management accounts. This was changed in 2009 to incorporate cash management setoff within the gross on-balance-sheet exposure. This change has caused the decrease in AIRB Approach corporate asset class exposure and the decrease in the 'setoff of account within International Financial Reporting Standards (IFRS) total gross loans and advances'.*

[2] *Nedbank Corporate, Capital and Retail include London branch exposure (AIRB Approach).*

[3] *Balance sheet exposure includes on-balance-sheet exposure and derivatives.*

AIRB Approach for Nedbank Limited

All credit exposure and asset classes in Nedbank Limited are covered by the Basel II AIRB Approach.

Summary of the AIRB Approach for Nedbank Limited**
Basel II credit exposures by business cluster and asset class

2009 Rm	AIRB on-balance-sheet exposure	AIRB off-balance-sheet exposure	Repurchase and resale exposure	Derivative exposure	Total credit extended*	Exposure at default	Downturn expected loss (performing)	Best estimate of expected loss (non-performing)
Nedbank Business Banking	52 013	19 201	–	–	71 214	69 546	454	819
Corporate	6 303	2 784			9 087	8 348	67	4
Specialised lending – income-producing real estate	2 211	189			2 400	2 450	8	7
SME – corporate	19 390	7 805			27 195	26 528	154	202
Public sector entities	2	3			5	3		
Local government and municipalities	298	25			323	333	1	
Banks	1	88			89	88		
Retail mortgages	4 314	1 272			5 586	5 454	35	99
Retail – other	2 580	227			2 807	2 857	34	162
SME – retail	16 914	6 808			23 722	23 485	155	345
Nedbank Corporate	129 191	58 907	–	–	188 098	171 536	394	417
Corporate	62 251	49 564			111 815	96 279	204	75
Specialised lending – high-volatility commercial real estate	7 442	629			8 071	8 231	58	61
Specialised lending – income-producing real estate	39 998	2 080			42 078	43 447	103	259
SME – corporate	4 096	995			5 091	4 987	25	22
Public sector entities	10 642	3 377			14 019	13 221	2	
Local government and municipalities	4 357	322			4 679	4 767	1	
Banks	377	1 940			2 317	575		
Retail – other	1				1	1		
SME – retail	27				27	28	1	
Nedbank Capital	46 657	7 783	8 026	12 976	75 441	60 833	140	29
Corporate	14 753	316	875	3 326	19 270	18 814	123	20
Specialised lending – object finance	439				439	457	2	
Specialised lending – commodities finance	55				55	57		
Specialised lending – project finance	4 811				4 811	4 989	9	
SME – corporate		2		186	188	234	1	
Public sector entities	2 561		467	702	3 729	3 480		
Local government and municipalities	417		451	99	967	474		
Sovereign	5 302				5 302	5 303		9
Banks	18 283	98	6 198	7 646	32 225	21 148	4	
Securities firms			35	854	889	858		
Retail mortgages				4	4	4		
Retail – other				6	6	7		
SME – retail	36			153	189	222	1	
Securitisation exposure		7 367			7 367	4 786		

Summary of the AIRB Approach for Nedbank Limited
Basel II credit exposures by business cluster and asset class continued

2009 Rm	AIRB on-balance-sheet exposure	AIRB off-balance-sheet exposure	Repurchase and resale exposure	Derivative exposure	Total credit extended*	Exposure at default	Downturn expected loss (performing)	Best estimate of expected loss (non-performing)
Nedbank Retail	150 414	43 219	–	–	193 633	187 412	2 421	4 970
Corporate	1	214			215	215	5	9
Retail mortgages	119 293	20 062			139 355	144 648	1 046	2 754
Retail revolving credit	7 028	17 189			24 217	11 844	457	479
Retail – other	20 654	4 517			25 171	25 614	816	1 371
SME – retail	3 209	1 237			4 446	4 862	97	357
Securitisation exposure	229				229	229		
Central Management	22 270	–	–	–	22 270	22 270	1	–
Public sector entities	1 499				1 499	1 499		
Sovereign	20 771				20 771	20 771	1	
Intercompany	73 935	6 265	–	206	80 406	75 075	80	–
Total	474 480	135 375	8 026	13 182	631 062	586 672	3 490	6 235

* *Total credit extended is AIRB on-balance-sheet exposure, derivatives and off-balance-sheet exposures (includes unutilised facilities).*
** *Nedbank Limited refers to the SA reporting entity in terms of Regulation 38 (BA700) of the SA banking regulations.*

Downturn expected loss (AIRB Approach)	9 725
IFRS impairment on loans and advances	8 003
Excess of downturn expected loss over eligible provisions	1 722

Impairments and defaulted loans and advances

Credit quality deteriorated further in 2009, with Nedbank Retail's impairments worsening significantly, although the rate of deterioration of new defaults slowed in the second half, while the business banking and wholesale-banking impairments ended the year at better levels than originally anticipated. Although the SA economy emerged from recession in the third quarter of 2009 and has begun to recover, some segments of the economy are still under significant strain. In the short term the recovery is expected to be hampered by high unemployment and high household debt levels.

The group's credit loss ratio of 1,47% for 2009 (2008: 1,17%) showed signs of improvement after peaking at 1,67% at 31 March 2009. Defaulted advances increased by 56,3% from R17 301 million to R27 045 million and total impairment provisions increased by 24,7% from R7 859 million to R9 798 million over the past year.

The impact of the credit cycle has to date largely impacted consumers and smaller businesses as reflected in the continued deterioration of retail credit loss ratios. High levels of unemployment, lower collateral values due to weak house and vehicle markets, and delays in recoveries resulting from debt counselling have all played a part in the increase in defaulted advances in retail secured loans. However, the 450 basis point interest rate cuts in 2009 have reduced the financial pressure on consumers, as reflected in a slightly slower rate at which retail impairments are increasing as well as the improvement in early-stage arrears for seven consecutive months during the year.

Wholesale banking has performed resiliently, even at the peak of the interest rate cycle, and credit loss ratios have improved since June 2009, remaining at better-than-anticipated levels for the current economic cycle. On the whole credit quality in the books of Capital, Corporate and Business Banking has remained within acceptable levels, although in this volatile economic environment the risk of corporate default remains high. Imperial Bank's impairments improved during the second half of the year as reflected in its lower credit loss ratio of 1,97% (June 2009: 2,50%). This was largely due to the improvement in recoveries and accounts in arrears in Motor Finance Corporation (MFC).

Management has maintained a strong focus on risk management and improving asset quality, particularly in retail home loans. In addition, increased attention has been given to improving the collection processes in Retail. In 2010 retail advances growth is expected to be flat to lower single digits, with wholesale advances growing at a similar rate to that of 2009.

Most of the group's exposure to BEE and other loans and advances secured by shares continue to be within their default cover ratios. Loans and advances that are below these cover ratios continue to service their debts and are considered to have appropriate impairment provisions.

The tables on the following pages summarise Nedbank Group's defaulted portfolio and the level of impairments. The policies, principles and definitions relating to the defaulted portfolio and impairments are well-articulated in the group's credit policy.

The key definitions relating to the following section are included below:

- Past due

  A loan or advance is considered past due when it exceeds its limit (fluctuating types of advances) or is in arrears (linear types of advances).

- Defaulted loans and advances

  Any advance or group of loans and advances that has triggered the Basel II definition of default criteria and which is in line with the revised SA banking regulations. For retail portfolios this is product-centric and therefore a default would be specific to a client or borrower account (a specific advance). For all other portfolios except project-based financing, it is client- or borrower-centric, meaning that, should any transaction within a borrowing group default, then all transactions within the borrowing group would be treated as defaulted.

  At a minimum a default is deemed to have occurred where, for example, a specific impairment is raised against a credit exposure due to a significant perceived decline in the credit quality, a material obligation is past due for more than 90 days or an obligor has exceeded an advised limit for more than 90 days.

- Impaired loans and advances

  Impaired loans and advances are defined as loans and advances in respect of which the bank has raised a specific impairment (International Accounting Standard 39 definition).

- Specific impairment

  A specific impairment is raised in respect of an asset that has triggered a loss event where the discounted collateral held against the advance is insufficient to cover the total expected losses. Such a loss event may be, for example, significant financial difficulty of the issuer or obligor, a breach of contract, such as a default or delinquency in interest or principal payments, with ageing arrears as the primary driver.

- Portfolio impairment

  The standard portfolio represents all the loans and advances that have not been impaired. These loans and advances have not yet individually evidenced a loss event, but loans and advances exist within the standard portfolio that may have an impairment without the bank yet being aware of it.

  A period of time will elapse between the occurrence of an impairment event and objective evidence of the impairment becoming evident. This period is generally known as the emergence period. For each standard portfolio an emergence period is estimated as well as the probability of the loss trigger and the loss given events occurring. These estimates are applied to the total exposures of the standard portfolio to calculate the portfolio impairment.

Summary of impairments, defaulted loans and advances and credit loss ratios

%	Nedbank Business Banking	Nedbank Corporate	Nedbank Capital	Nedbank Retail	Imperial Bank	2009	2008
Impairments to gross loans and advances	2,38	0,80	0,69	3,61	2,30	**2,13**	1,78
Specific impairments	1,59	0,43	0,56	3,18	1,78	**1,70**	1,26
Portfolio impairments	0,79	0,37	0,13	0,43	0,52	**0,43**	0,52
Impairments charge as a % of net interest income	10,48	11,02	12,69	70,20	47,07	**40,68**	29,82
Credit loss ratio	0,52	0,24	0,26	3,08	1,97	**1,47**	1,17
Credit loss ratio – specific	0,82	0,29	0,22	3,17	1,93	**1,54**	1,09
Credit loss ratio – portfolio	(0,30)	(0,05)	0,04	(0,09)	0,04	**(0,07)**	0,08
Defaulted loans and advances to gross loans and advances	5,45	2,19	1,41	11,51	3,14	**5,88**	3,91
Properties in possession to gross loans and advances	0,02	–	–	0,54	–	**0,19**	0,18

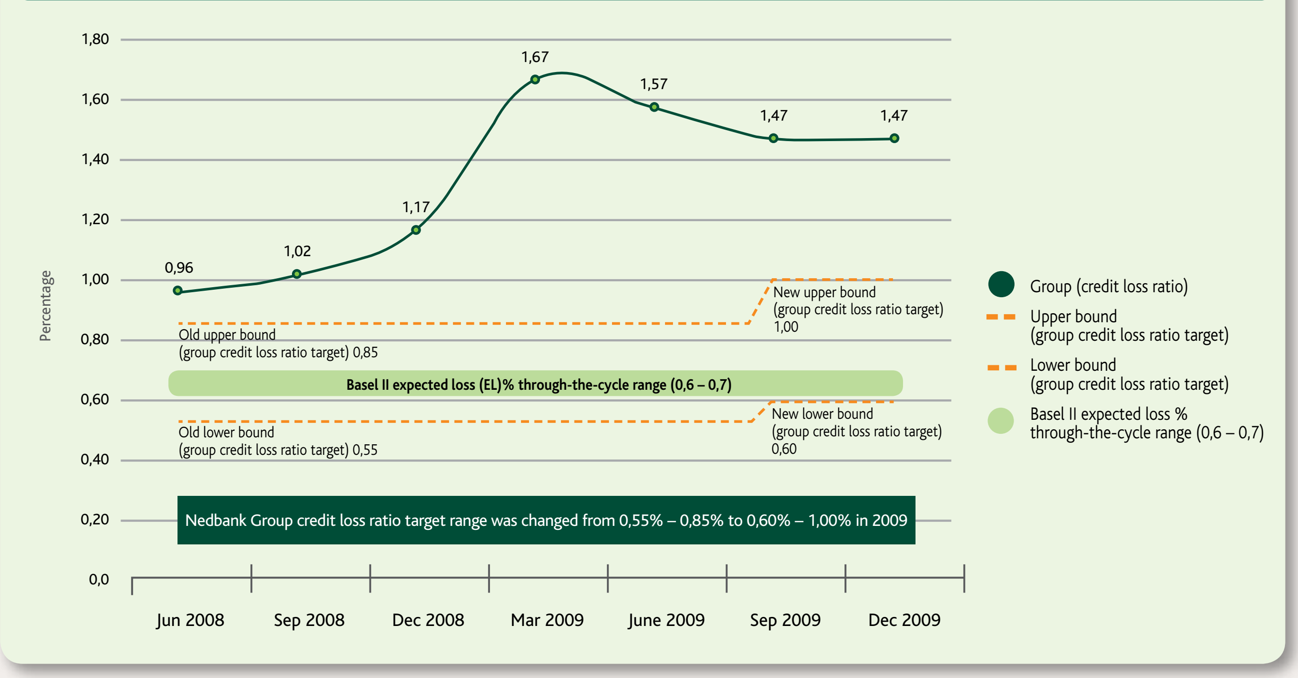
As discussed previously, 2009 saw Nedbank Group enhance the consolidation, focus and reporting of key financial risk appetite metrics. Business-cluster-specific credit loss ratio targets were formalised for the first time in 2009, after taking into account historic, through-the-cycle, sustainable performance as well as desired risk appetite. In addition to this, the group's credit loss ratio target was reviewed separately but in conjunction with the consolidated business cluster targets.

Following this, and integrated with the group's 2010 – 2012 business plans, the targeted credit loss ratio was increased from 0,55% – 0,85% to 0,60% – 1,00%. The decision to increase the target range was largely due to the projected change in mix between secured and unsecured products in Retail. This will help to lessen the volatility of Retail's financial performance, which is generally associated with the current concentration of secured lending in its portfolio, particularly residential mortgages. As the unsecured Retail products tend to have higher credit loss ratios, this results in an increase in Nedbank Group's target credit loss ratio range.

Nedbank Group also intends to update its methodology for calculating the credit loss ratio in H1 2010, appropriately removing the trading assets from loans and advances. Impairments are not raised against trading assets as these are designated at fair value through profit or loss, and therefore any losses are realised through a decrease in non-interest revenue. This is not expected to have a material impact on Nedbank Group's credit loss ratio.

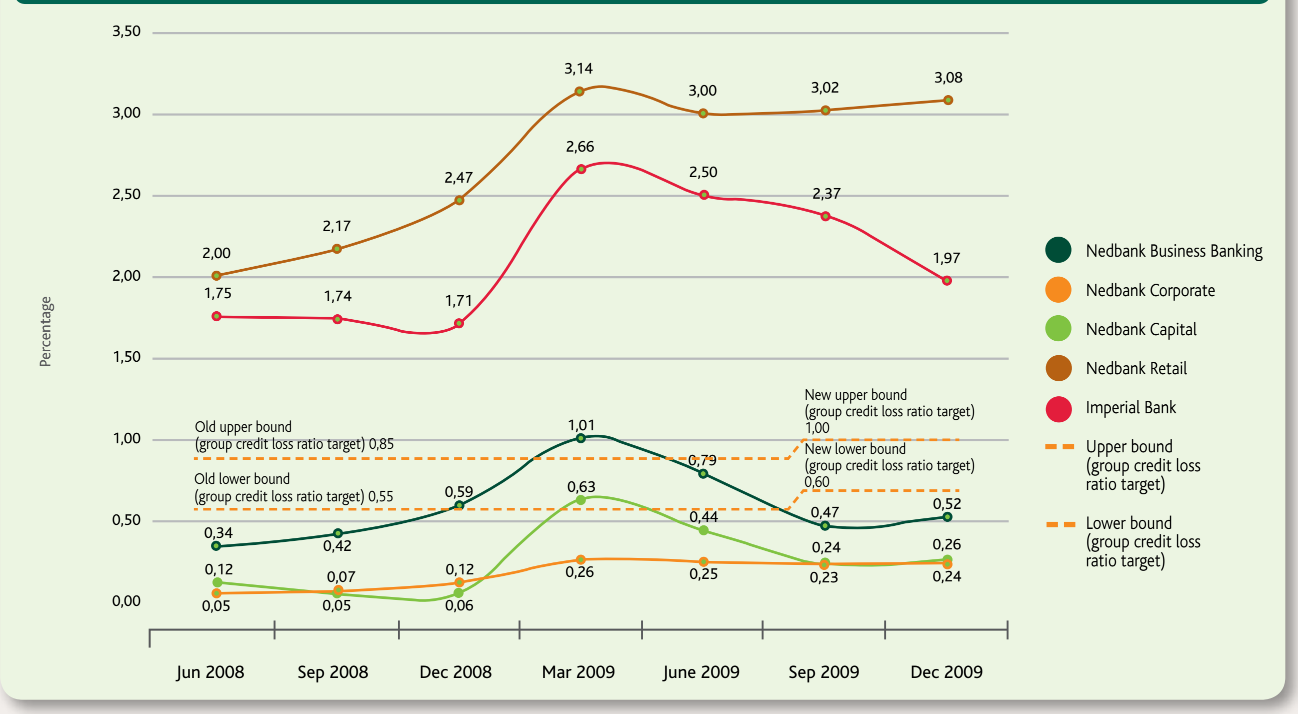
Nedbank Group's current credit loss ratio, at 1,47%, is outside the targeted credit loss ratio range of 0,6% – 1,0%, and addressing this is a key component of Retail's 2010 – 2012 business plans. The reversals of provisions in the balance sheet is expected to take longer as defaulted advances continue to increase, albeit at a slower rate. The group remains cautious about impairments.

Credit loss ratio vs target range



The business clusters credit loss ratios over time are also shown below.

Business clusters credit loss ratio trends

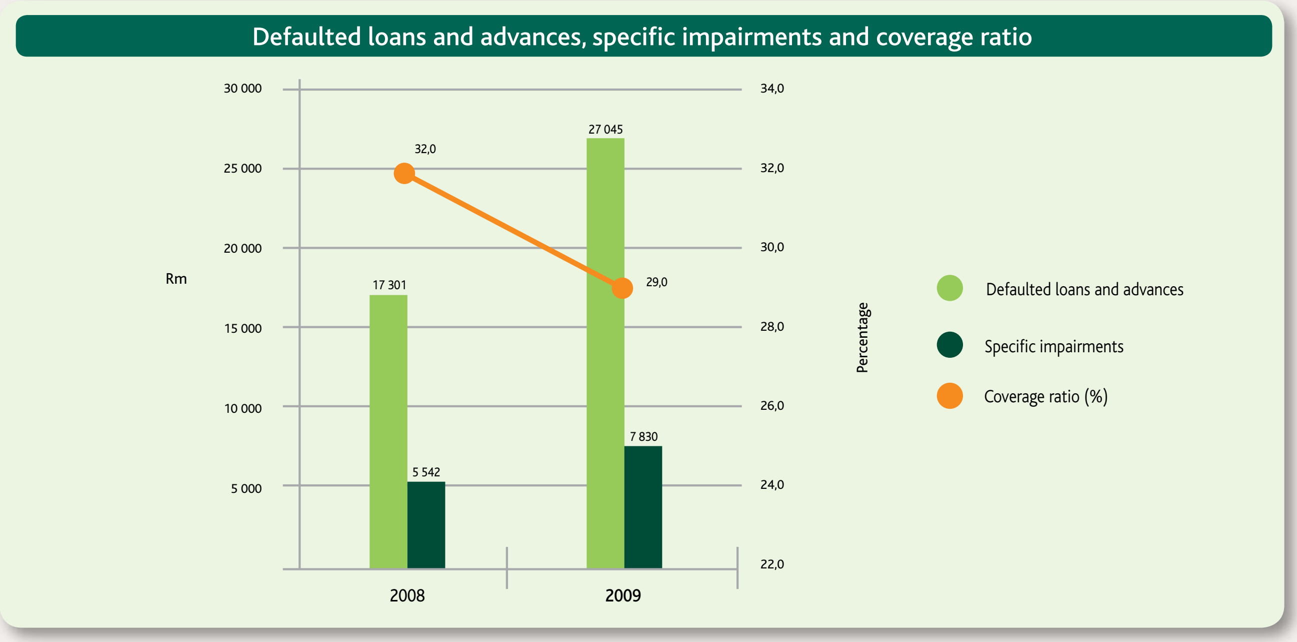


A summary of the impairments movements over the past year is shown on the next page.

Summary of impairments

Rm	Nedbank Business Banking	Nedbank Corporate	Nedbank Capital	Nedbank Retail	Imperial Bank	Central Manage-ment	2009	2008
Opening balance	1 377	774	433	4 465	812	(2)	**7 859**	6 078
Specific impairments	791	191	381	3 614	565		**5 542**	4 063
Specific impairments, excluding discounts	595	105	381	3 013	472		**4 566**	3 384
Specific impairments for discounted cashflow losses	196	86		601	93		**976**	679
Portfolio impairments	586	583	52	851	247	(2)	**2 317**	2 015
Income statement impairments charge (net of recoveries)	284	327	141	4 925	957	–	**6 634**	4 822
Specific impairments	398	289	113	5 054	944		**6 798**	4 209
Net increase/(decrease) in impairments for discounted cashflow losses	48	107	4	14	(9)		**164**	297
Portfolio impairments	(162)	(69)	24	(143)	22		**(328)**	316
Recoveries	40	38	–	328	51	–	**457**	379
Amounts written off/other transfers	(481)	(27)	(190)	(3 823)	(631)	–	**(5 152)**	(3 420)
Specific impairments	(463)	(33)	(188)	(3 816)	(631)		**(5 131)**	(3 406)
Portfolio impairments	(18)	6	(2)	(7)			**(21)**	(14)
Total impairments	1 220	1 112	384	5 895	1 189	(2)	**9 798**	7 859
Specific impairments	814	592	310	5 194	920		**7 830**	5 542
Specific impairments, excluding discounts	570	399	306	4 579	836		**6 690**	4 566
Specific impairments for discounted cashflow losses	244	193	4	615	84		**1 140**	976
Portfolio impairments	406	520	74	701	269	(2)	**1 968**	2 317
Total loans and advances	51 335	138 285	55 699	163 395	51 640	(255)	**460 099**	442 092
Total average loans and advances	54 187	136 676	53 498	160 034	48 593	(243)	**451 096**	411 063

Defaulted loans and advances increased by 56,3% to R27 045 million, while specific impairments increased to R7 830 million for the same period. This resulted in a decrease in the coverage ratio from 32,0% in 2008 to 29,0% in 2009 as shown below.



The coverage ratio is the amount of specific impairments that have been raised for the total defaulted loans and advances. This is effectively the inverse of the expected recoveries ratio. The expected recoveries are equal to the defaulted loans and advances less the specific impairments, as specific impairments are raised for any shortfall that would arise after all recoveries are taken into account.

The expected recoveries of defaulted loans and advances include recoveries as a result of liquidation of security or collateral, as well as recoveries as a result of a client curing or partial client repayments.

The absolute value of expected recoveries of defaulted accounts (which includes security values) will increase as the number of defaults increase. The expected recovery amount will in most instances be less than the total defaulted exposure, as it is seldom the case that 100% of the defaulted loan would be written off.

A decrease in the coverage ratio (or increase in the expected recoveries ratio) may arise as a result of the following:

- Expected recoveries improving due to higher recoveries being realised in the loss given default (LGD) calculation.
- A change in the defaulted product mix, with a greater percentage of products that have a higher security value (and therefore a lower specific impairment), such as secured products (home loans and commercial real estate).
- An increase in the collateral value, which is an input into the LGD calculation and would result in a decrease in the LGD (and decrease in specific impairments).
- A change in the mix of new versus older defaults as, in most products, the recoveries expected from defaulted clients decrease over time.
- A change in the writeoff policy, such as extending the period prior to writing off a deal that will result in a longer period in which recoveries can be realised.

The decrease in the group's coverage ratio is due largely to the change in the defaulted-product mix arising from the high amount of residential mortgage defaults in Nedbank Retail, as well as a higher amount of commercial mortgage and development loan defaults in Nedbank Property Finance.

The total defaulted loans and advances increased by R9,7 billion from 2008 to 2009. Residential mortgages account for 61% of this increase. Defaulted residential mortgages contributed 57,6% to the total defaulted loans and advances in 2008 and this increased to 59,0% in 2009. Residential mortgages have lower coverage ratios than most other asset classes due to the high amount of security generally held and therefore higher expected recoveries.

Similarly, defaulted commercial mortgages and development loans increased by R2,6 billion from 2008 to 2009 and contributed 5,1% of the total defaulted loans and advances in 2008, increasing to 13,0% in 2009. The majority of the exposures that defaulted were fully secured and therefore specific impairments increased by only R216 million from 2008 to 2009.

Defaulted loans and advances by product

Defaulted loans and advances and related security and impairments by business cluster and asset class

Rm	Nedbank Business Banking	Nedbank Corporate	Nedbank Capital	Nedbank Retail	Imperial Bank	Central Management	2009	2008
Advanced Internal Ratings-based Approach	2 787	2 781	305	17 873	–	–	**23 746**	14 710
Corporate	23	184	261				**468**	263
Specialised lending – high-volatility commercial real estate		1 647					**1 647**	202
Specialised lending – income-producing real estate	56	906					**962**	335
SME – corporate	897	43					**940**	468
Sovereign			44				**44**	
Retail mortgages	406			14 731			**15 137**	8 573
Retail revolving credit				483			**483**	427
Retail – other	421	1		2 216			**2 638**	2 343
SME – retail	984			443			**1 427**	2 099
Standardised Approach	–	–	–	–	1 623	–	**1 623**	918
Corporate					42		**42**	
SME – corporate					595		**595**	142
Retail mortgages					65		**65**	36
Retail other					789		**789**	632
SME – retail					132		**132**	108
Other regulated entities	–	152	–	–	–	–	**152**	225
Properties in possession	9	2	–	876	–	–	**887**	791
Non-regulated entities	–	97	478	62	–	–	**637**	657
Total defaulted loans and advances	2 796	3 032	783	18 811	1 623	–	**27 045**	17 301

The coverage ratio and expected recovery ratio by business cluster and by product is shown in detail in the table below.

Summary of impairments and defaulted loans and advances

2009	Defaulted loans and advances Rm	Expected recoveries Rm	Net uncovered position after discounting Rm	Total specific impairments Rm	Specific impairments on defaulted loans and advances Rm	Specific impairments for discounted cashflow losses Rm	Coverage ratio %	Expected recovery ratio %
Nedbank Business Banking	2 796	1 982	814	814	570	244	29,1	70,9
Residential mortgages	1 165	916	249	249	164	85	21,4	78,6
Commercial mortgages	399	329	70	70	6	64	17,5	82,5
Lease and instalment debtors	573	358	215	215	179	36	37,5	62,5
Credit card balances	4	1	3	3	2	1	75,0	25,0
Properties in possession	9	9					0,0	100,0
Other loans and advances	646	369	277	277	219	58	42,9	57,1
Nedbank Corporate	3 032	2 440	592	592	399	193	19,5	80,5
Residential mortgages	44	27	17	17	16	1	38,6	61,4
Commercial mortgages	2 551	2 177	374	374	236	138	14,7	85,3
Lease and instalment debtors	40	32	8	8	4	4	20,0	80,0
Personal loans	25	12	13	13	12	1	52,0	48,0
Properties in possession	2	2					0,0	100,0
Other loans and advances	370	190	180	180	131	49	48,6	51,4
Nedbank Capital	783	473	310	310	306	4	39,6	60,4
Other loans and advances	783	473	310	310	306	4	39,6	60,4
Nedbank Retail	18 811	13 617	5 194	5 194	4 579	615	27,6	72,4
Residential mortgages	14 677	11 962	2 715	2 715	2 435	280	18,5	81,5
Commercial mortgages	54	23	31	31	28	3	57,4	42,6
Lease and instalment debtors	840	320	520	520	491	29	61,9	38,1
Credit card balances	500		500	500	497	3	100,0	0,0
Personal loans	1 169	514	655	655	360	295	56,0	44,0
Properties in possession	876	708	168	168	168		19,2	80,8
Other loans and advances	695	90	605	605	600	5	87,1	12,9
Imperial Bank	1 623	703	920	920	836	84	56,7	43,3
Residential mortgages	70	46	24	24	12	12	34,3	65,7
Commercial mortgages	509	435	74	74	64	10	14,5	85,5
Lease and instalment debtors	1 016	205	811	811	749	62	79,8	20,2
Personal loans	28	17	11	11	11		39,3	60,7
Group	27 045	19 215	7 830	7 830	6 690	1 140	29,0	71,0
Residential mortgages	15 956	12 951	3 005	3 005	2 627	378	18,8	81,2
Commercial mortgages	3 513	2 964	549	549	334	215	15,6	84,4
Lease and instalment debtors	2 469	915	1 554	1 554	1 423	131	62,9	37,1
Credit card balances	504	1	503	503	499	4	99,8	0,2
Personal loans	1 222	543	679	679	383	296	55,6	44,4
Properties in possession	887	719	168	168	168		18,9	81,1
Other loans and advances	2 494	1 122	1 372	1 372	1 256	116	55,0	45,0

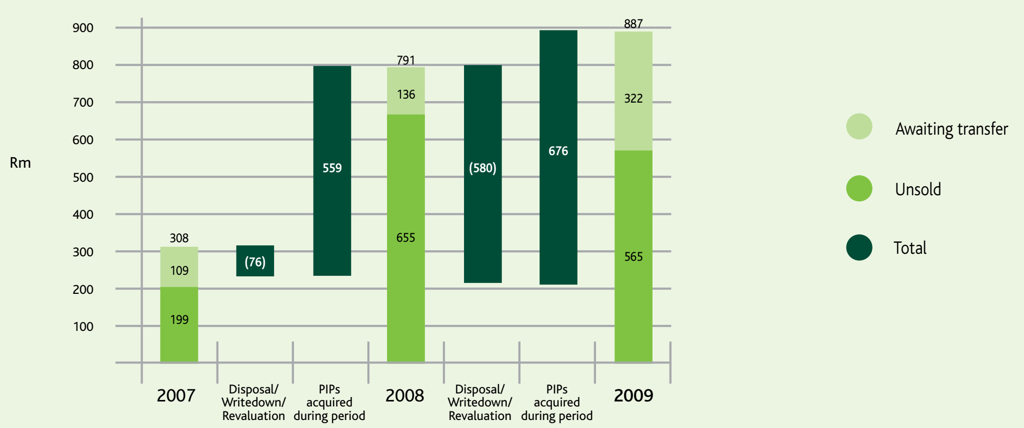
Summary of impairments and defaulted loans and advances continued

2008	Defaulted loans and advances Rm	Expected recoveries Rm	Net uncovered position after discounting Rm	Total specific impairments Rm	Specific impairments on defaulted loans and advances Rm	Specific impairments for discounted cashflow losses Rm	Coverage ratio %	Expected recovery ratio %
Group	17 301	11 759	5 542	5 542	4 566	976	32,0	68,0
Residential mortgages	9 969	8 220	1 749	1 749	1 300	449	17,5	82,5
Commercial mortgages	889	556	333	333	240	93	37,5	62,5
Lease and instalment debtors	1 839	770	1 069	1 069	924	145	58,1	41,9
Credit card balances	583	38	545	545	541	4	93,5	6,5
Personal loans	1 035	422	613	613	411	202	59,2	40,8
Properties in possession	791	664	127	127	127		16,1	83,9
Other loans and advances	2 195	1 089	1 106	1 106	1 023	83	50,4	49,6

Properties in possession

Rm	Nedbank Business Banking	Nedbank Corporate	Nedbank Capital	Nedbank Retail	Imperial Bank	Central Management	**2009**	2008
Balance at the beginning of the period	18	3		770			**791**	308
Disposal/Writedowns/Revaluations	(13)	(1)		(566)			**(580)**	(76)
Properties in possession acquired during the period	4			672			**676**	559
Balance at the end of the period	9	2	–	876	–	–	**887**	791
Unsold	3	2		560			**565**	655
Sold awaiting transfer	6			316			**322**	136

Properties in possession (PIPs) reconciliation



Credit concentration risk

Single-name credit concentration

Our top-20-exposure analysis, in particular the 'percentage of total group credit economic capital', confirms that Nedbank Group does not have undue single-name credit concentration risk. Nedbank Group's credit concentration risk measurement incorporates the asset size of obligors/borrowers into its calculation of credit economic capital. Single-name concentration is monitored at all credit committees, which includes the applicable regulatory and economic capital per exposure.

Nedbank Group also conducts stress testing of single-name large exposures, and their potential impact on capital ratios, in our stress and scenario testing in assessing the capital adequacy buffers.

Top 20 Nedbank Group exposures (excluding banks and government exposure)

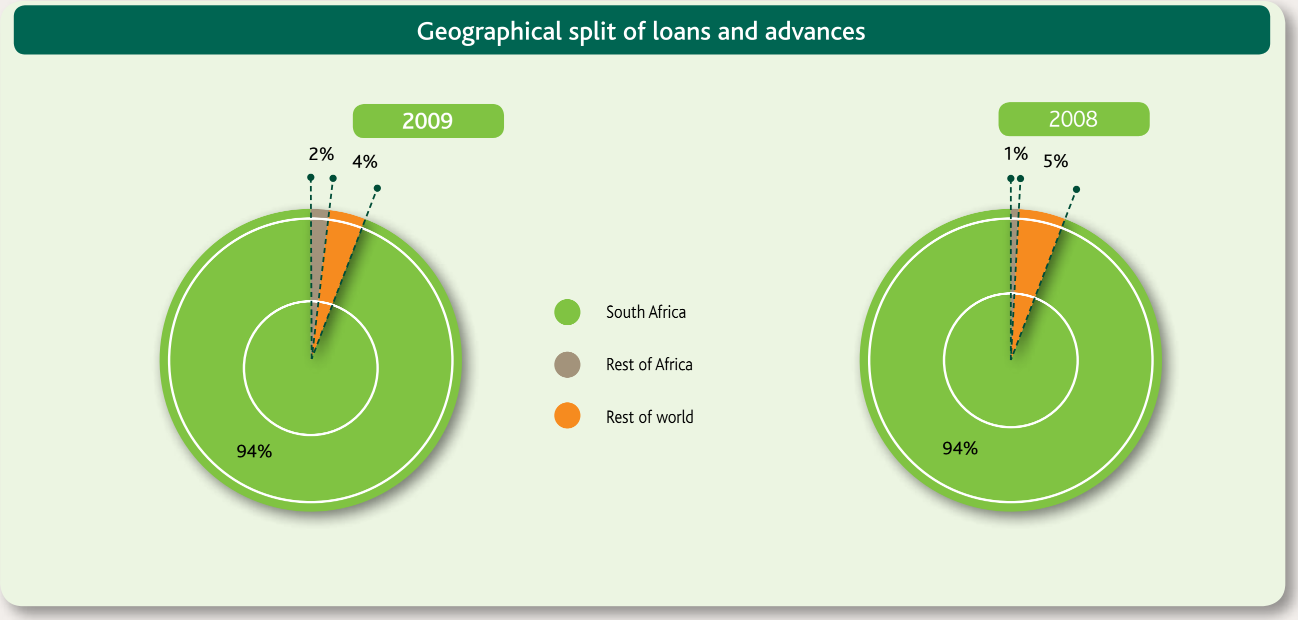
2009 No	**Internal Nedbank Group Rating (NGR) (probability of default) rating**	**Exposure at default Rm**	**% of total group credit economic capital**
1	NGR04	4 871	0,02
2	NGR04	4 396	0,17
3	NGR03	3 896	0,02
4	NGR08	3 383	0,23
5	NGR04	3 148	0,10
6	NGR09	3 245	0,24
7	NGR03	3 125	0,02
8	NGR04	2 701	0,01
9	NGR16	2 646	0,35
10	NGR03	2 628	0,00
11	NGR04	2 389	0,02
12	NGR07	2 368	0,08
13	NGR03	2 293	0,01
14	NGR08	2 280	0,14
15	NGR15	2 258	0,64
16	NGR06	2 239	0,10
17	NGR10	2 119	0,05
18	NGR12	2 058	0,28
19	NGR14	2 042	0,59
20	NGR08	1 797	0,12
Total of top 20 exposures		55 882	3,19
Total group		597 411	

Top 20 Nedbank Group exposures (banks)

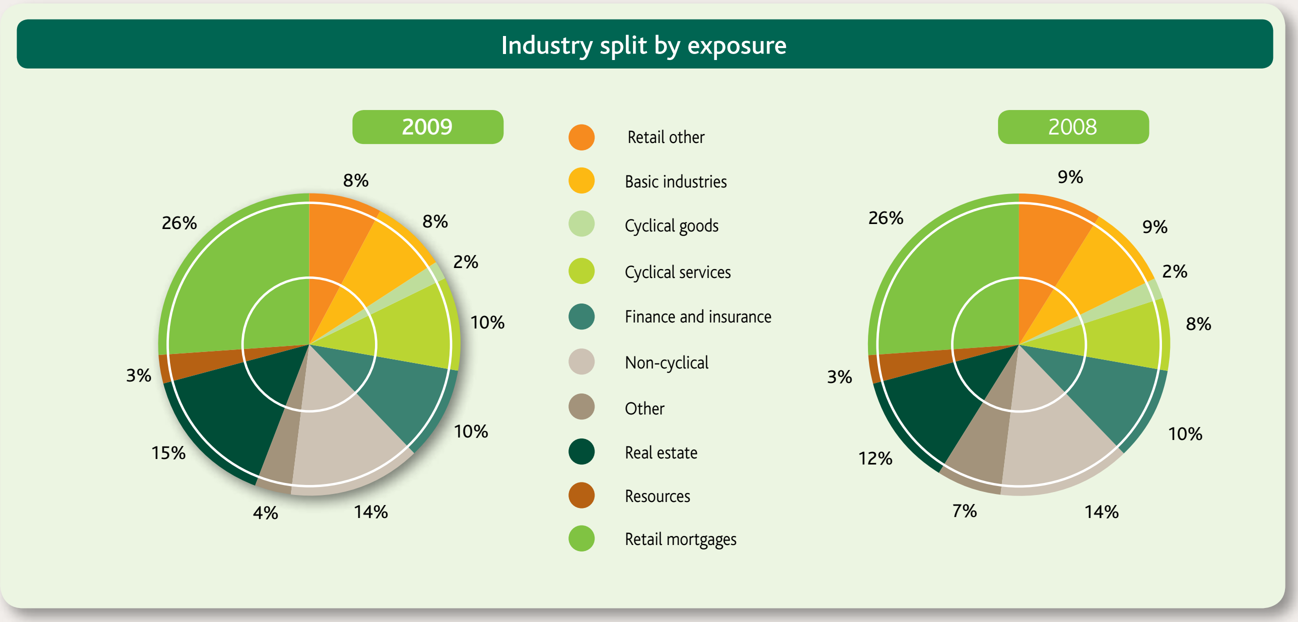
2009 No	**Internal NGR (probability of default) rating**	**Exposure at default** **Rm**	**% of total group credit economic capital**
1	NGR05	5 606	0,10
2	NGR05	3 868	0,07
3	NGR05	3 777	0,07
4	NGR05	1 872	0,07
5	NGR04	1 185	0,04
6	NGR05	1 005	0,04
7	NGR06	975	0,05
8	NGR05	917	0,04
9	NGR05	709	0,03
10	NGR05	629	0,02
11	NGR04	627	0,02
12	NGR06	607	0,03
13	NGR06	565	0,03
14	NGR06	556	0,03
15	NGR07	512	0,04
16	NGR07	512	0,04
17	NGR04	512	0,02
18	NGR08	506	0,05
19	NGR04	398	0,02
20	NGR04	392	0,02
Total of top 20 exposures		25 730	0,83
Total group		597 411	

Geographic concentration risk

Geographically, almost all of Nedbank Group's credit exposure originates in South Africa (non-SA exposure is approximately 6%).



Industry concentration risk



Our credit portfolio modelling combines the industry segmentation of the portfolio and, as part of its calculation of the credit economic capital, accounts for any sectoral concentration inherent in the portfolio.

We conclude that credit concentration risk is adequately measured, managed, controlled and ultimately capitalised. There is no undue single-name concentration. Nedbank Group is also a well-diversified banking group in the SA context, split across its five major business clusters.

Counterparty credit risk

Counterparty credit limits are set at an individual counterparty level and approved within the Group Credit Risk Management Framework. Counterparty credit exposures are reported and monitored at both a business unit and group level. To ensure that appropriate limits are allocated to large transactions, scenario analysis is performed within a specialised counterparty risk unit. Based on the outcome of such analysis, proposals regarding potential risk-mitigating structures are made prior to final limit approval. Limits for our Corporate and Business Banking businesses favour a nominal limit to facilitate monitoring.

There is continued emphasis on the use of credit risk mitigation strategies, such as netting and collateralisation of exposures. Nedbank Group and its large bank counterparties have International Swaps and Derivatives Association (ISDA) and International Securities Market Association (ISMA) master agreements as well as credit support (collateral) agreements in place to support bilateral margining of exposures. Limits and appropriate collateral are determined on a risk-centred basis.

Netting is applied only to underlying exposures where supportive legal opinion is obtained as to the enforceability of the relevant netting agreement in the particular jurisdiction. Margining and collateral arrangements are entered into in order to mitigate counterparty credit risk. Haircuts, appropriate for the specific collateral type, are applied to determine collateral value. Margining agreements are pursued with interbank trading counterparties on a proactive basis. Margining thresholds constitute unsecured exposure to the counterparty and are assessed as such. To deal with a potential deterioration of counterparty credit risk over the life of transactions thresholds are typically linked to the counterparty external credit rating.

Nedbank Group applies the Basel II Current Exposure Method (CEM) for counterparty credit risk. Economic capital calculations also currently utilise the Basel II CEM results as input in the determination of credit economic capital.

Over-the-counter (OTC) derivatives for Nedbank Limited and London branch

OTC derivative products

	2009		2008	
Rm	Notional value	Gross positive fair value	Notional value	Gross positive fair value
Credit default swaps	**2 272**	**8**	2 104	2
Equities		**1 155**	4 497	778
Forex and gold	**189 601**	**6 437**	215 724	14 807
Interest rates	**358 738**	**5 470**	324 480	8 598
Other commodities	**45**	**302**	13	599
Precious metals except gold	**2**	**56**	4	36
Total	**550 658**	**13 428**	546 822	24 820

OTC derivative products

Rm	Gross positive fair value	Current netting benefits	Netted current credit exposure (pre-mitigation)	Collateral amount	Netted current credit exposure (post-mitigation)	Exposure-at-default value	Risk-weighted exposure
2009	**13 428**	**7 028**	**6 963**	**779**	**6 443**	**9 566**	**3 018**
2008	24 820	13 272	10 581	1 796	8 996	12 861	3 138

OTC derivatives per NGR (probability of default) band

Rm	2009 Notional value	2009 Gross positive fair value	2009 Exposure-at-default value	2008 Notional value	2008 Gross positive fair value	2008 Exposure-at-default value
NGR 03*	16 774	718	922	12 741	241	236
NGR 04	76 202	1 377	1 735	187 234	8 198	2 187
NGR 05	217 937	4 792	2 261	239 191	10 601	5 114
NGR 06	106 964	2 011	585	33 544	1 885	990
NGR 07	51 229	1 406	611	23 213	896	968
NGR 08	19 377	297	316	2 846	123	142
NGR 09	8 464	610	645	4 216	163	181
NGR 10	3 859	100	158	10 093	909	994
NGR 11	5 953	137	162	4 154	162	178
NGR 12	8 141	152	201	1 878	108	121
NGR 13	3 003	94	127	2 561	145	116
NGR 14	2 283	100	117	2 955	142	168
NGR 15	10 320	296	372	3 566	123	143
NGR 16	1 087	195	124	5 861	109	201
NGR 17	930	31	38	1 546	58	74
NGR 18	875	67	35	797	15	19
NGR 19	192	8	10	135	6	7
NGR 20	16 460	306	434	9 506	367	444
NGR 21	264	596	599	144	3	5
NGR 22	29	1	1	72	539	539
NGR 23	148	6	7	190	15	17
NGR 24	1			319	2	6
NGR 25		123	99	2		
NP	166	5	7	58	10	11
Total	550 658	13 428	9 566	546 822	24 820	12 861

** Nedbank rating scale is from NGR01 to NGR25. Currently there are no NGR01 and NGR02 exposures.*

Securities financing transactions (SFTs) for Nedbank Limited and London branch

SFTs

Rm	Gross positive fair value	Collateral value after haircut	Netted current credit exposure (post-mitigation)	Exposure-at-default value	Risk-weighted exposure
2009					
Repurchase agreements	**8 026**	**7 557**	**469**	**469**	**40**
Securities lending	**8 567**	**9 208**	**415**	**415**	**27**
Total	**16 593**	**16 765**	**884**	**884**	**67**
2008					
Repurchase agreements	2 630	2 529	101	101	8
Securities lending	4 686	4 672	14	14	1
Total	7 316	7 201	115	115	9

SFTs per NGR (probability of default) band

	2009		2008	
Rm	Gross exposure	Exposure-at-default value	Gross exposure	Exposure-at-default value
NGR03	**467**	**36**	725	27
NGR04	**1 831**	**213**	185	6
NGR05	**9 182**	**293**	5 155	41
NGR06	**2 261**	**145**	729	21
NGR07	**1 157**	**96**	430	13
NGR08	**1 656**	**98**	10	
NGR11	**35**	**2**	82	7
NGR20	**4**	**1**		
Total	16 593	884	7 316	115

Securitisation risk

Nedbank Group entered the securitisation market during 2004 and currently has three securitisation transactions, Synthesis Funding Limited (Synthesis), an asset-backed commercial paper programme (ABCP) launched during 2004, Octane ABS 1 (Pty) Limited (Octane), a securitisation of motor vehicle loans advanced by Imperial Bank Limited through its subsidiary MFC that was launched in July 2007, and GreenHouse Funding (Pty) Limited ('GreenHouse'), a residential mortgage-backed securitisation programme ('RMBS Programme') launched in December 2007.

Nedbank Group has used securitisation primarily as a funding diversification tool and has an established inhouse securitisation team within Nedbank Capital.

The contraction in the local and international securitisation markets experienced in 2008 continued in 2009. As a result the group did not implement new securitisations as an alternative source of funding over this period. Amidst the difficult external environment, although credit quality deteriorated, all securitisation vehicles continued to perform well and the ratings of the various transactions have been affirmed by the rating agencies and remain stable.

During the last quarter of 2009 arrears levels in GreenHouse exceeded the arrears trigger as a result of the deterioration in underlying asset performance. In the event that the arrears levels continue to exceed the arrears trigger at the first determination date in 2010, no further home loans (other than servicing redraws – ie access facilities on existing GreenHouse loans) can be acquired for as long as the arrears level remains above the arrears trigger level, and all capital repayments will be directed to the noteholders. However, Nedbank Group decided, in the interest of the noteholders, to exercise its discretion and not make further loans available for purchase by GreenHouse from December 2009, rather than waiting until the first determining date in 2010.

With regard to Octane, the transaction has started to repay investors in the normal course, as envisaged in the transaction documents.

The group's securitisation initiatives are overseen by the Group Asset and Liability Committee (ALCO) and Executive Risk Committee. All securitisation transactions are also subject to the stringent SA Regulatory Securitisation Framework.

From an IFRS accounting perspective the assets transferred to GreenHouse and Octane vehicles continue to be recognised and consolidated in the balance sheet of the group. Synthesis is also consolidated into Nedbank Group.

On-balance-sheet securitisation exposure

					2009			2008		
Transaction Rm	Year initiated	Rating agency	Transaction type	Asset type	Assets securitised	Assets out-standing	Amount retained/ purchased	Assets securitised	Assets out-standing	Amount retained/ purchased
GreenHouse	2007	Moody's and Fitch	Traditional securitisation	Retail mortgages	**2 000**	**1 973**	**226**	2 000	1 972	226
Octane	2007	Fitch	Traditional securitisation	Auto loans	**1 852**	**1 672**	**312**	2 000	1 781	312
Total					**3 852**	**3 645**	**538**	4 000	3 753	538

Off-balance-sheet securitisation exposure

Transaction Rm	Transaction type	Exposure type	Exposure 2009	Exposure 2008
Own transactions				
Synthesis	ABCP conduit	Liquidity facility	**5 824**	7 806
Third parties				
Private Residential Mortgages (Pty) Limited	Securitisation	Liquidity facility	**100**	100
Private Mortgages 2 (Pty) Limited	Securitisation	Liquidity facility	**40**	40
Private Mortgages 2 (Pty) Limited	Securitisation	Redraw facility	**428**	436
Total			**6 392**	8 382

The table below contains a summary of Synthesis.

Transaction Rm	Year initiated	Rating agency	Transaction type	Asset type	Programme size	Conduit size 2009	Conduit size 2008
Synthesis	2004	Moody's and Fitch	ABCP conduit	Asset-backed securities, corporate term loans and bonds	15 000	**5 820**	7 801
Total					15 000	**5 820**	7 801

The various roles fulfilled by Nedbank Group in the securitisation transactions mentioned above are indicated in the table below.

Transaction	Originator	Investor	Servicer	Liquidity provider	Credit enhancement provider	Swap counterparty
GreenHouse	✓	✓	✓		✓	✓
Octane	✓	✓	✓		✓	✓
Synthesis		✓	✓	✓		✓
Private Residential Mortgages (Pty) Limited				✓		
Private Mortgages 2 (Pty) Limited				✓		

The table below shows the Basel II internal ratings-based consolidated group capital charges per risk band for securitised exposures retained or purchased by Nedbank Group.

Capital charge

Rm	2009	2008
AAA or A1/P1	**3,9**	3,9
AA+ to AA-	**1,1**	1,1
A+	**2,9**	1,0
A or A2/P2		
A-	**5,8**	5,7
BBB+		
BBB or A3/P3	**7,2**	7,2
BBB-	**9,4**	9,4
BB+	**15,7**	15,9
BB		
BB-		
Unrated		
Unrated liquidity facilities to ABCP	**39,8**	44,4
Total	**85,8**	88,6

Trading market risk

Trading market risk is the potential for changes in the market value of the trading book resulting from changes in the market risk factors over a defined period. The trading book is defined as positions in financial instruments and commodities, including derivative products and other off-balance-sheet instruments that are held with trading intent or used to hedge other elements of the trading book.

Categories of trading market risk include exposure to interest rates, equity prices, currency rates and credit spreads. A description of each market risk factor category is set out below:

- Interest rate risk primarily results from exposure to changes in the level, slope and curvature of the yield curve and the volatility of interest rates.
- Equity price risk results from exposure to changes in prices and volatilities of individual equities and equity indices.
- Currency rate risk results from exposure to changes in spot prices, forward prices and volatilities of currency rates.
- Credit spread risk results from exposure to changes in the rate that reflects the spread investors receive for bearing credit risk.
- Commodity price risk results from exposures to changes in spot prices, forward prices and volatilities of commodity products such as energy, agricultural products and precious and base metals.

Most of Nedbank Group's trading activity is executed from Nedbank Capital. During 2009 it included market-making and facilitation of client business and proprietary trading in the commodity, equity, credit, interest rate and currency markets. Nedbank Capital primarily focuses on client activities in these markets.

In addition to applying business judgement, senior management uses a number of quantitative measures to manage the exposure to market risk. These measures include:

- risk limits based on a portfolio measure of market risk exposure referred to as value at risk (VaR), including expected tail loss; and
- scenario analyses, stress tests and other analytical tools that measure the potential effects on the trading revenue of various market events.

The material risks identified by these processes are summarised in reports produced by the Market Risk Department and which are circulated to, and discussed with, senior management.

VaR is the potential loss in pretax profit due to adverse market movements over a defined holding period with a specified confidence level. The one-day 99% VaR number used by Nedbank Group reflects at a 99% confidence level that the daily loss will not exceed the reported VaR and therefore that the daily losses exceeding the VaR figure are likely to occur, on average, once in every 100 business days. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. VaR facilitates the consistent measurement of risk across all markets and products, and risk measures can be aggregated to arrive at a single risk number.

Nedbank Group uses historical data to estimate VaR. One year of historical data is used in the calculation. Some of the considerations that should be taken into account when reviewing the VaR numbers are the following:

- The assumed one-day holding period will not fully capture the market risk of positions that cannot be liquidated or offset with hedges within one day.
- The historical VaR assumes that the past is a good representation of the future, which may not always be the case.
- The 99% confidence level does not indicate the potential loss beyond this interval.

While VaR captures Nedbank Group's exposure under normal market conditions, sensitivity and stress-and-scenario analyses (and in particular stress testing) are used to add insight into the possible outcomes under abnormal market conditions.

Trading market risk profile

The tables below reflect the VaR statistics for the Nedbank Group trading book activities for 2008 and 2009.

Group trading book VaR for 2009(i)

Risk categories Rm	Historical VaR (99%, one-day) by risk type Average	Minimum(ii)	Maximum(ii)	Year-end
Foreign exchange	4,1	1,0	10,3	3,7
Interest rate	16,9	7,2	28,7	7,4
Equity	6,3	2,5	13,3	3,8
Credit	6,0	2,5	10,9	3,2
Commodity	0,5		2,4	1,2
Diversification(iii)	(12,5)			(6,0)
Total VaR exposure	21,3	9,9	33,1	13,3

Group trading book VaR for 2008(i)

Risk categories Rm	Historical VaR (99%, one-day) by risk type Average	Minimum(ii)	Maximum(ii)	Year-end
Foreign exchange	6,1	2,3	20,1	3,4
Interest rate	13,8	7,4	25,0	19,3
Equity	7,8	3,3	21,2	6,5
Credit	6,2	3,4	8,7	6,6
Diversification(iii)	(14,2)			(11,8)
Total VaR exposure	19,7	10,3	36,5	24,0

(i) Certain positions are illiquid and VaR may not always be the most appropriate measure of risk (a summary of the 'other market risk measures' applied to mitigate this will follow).

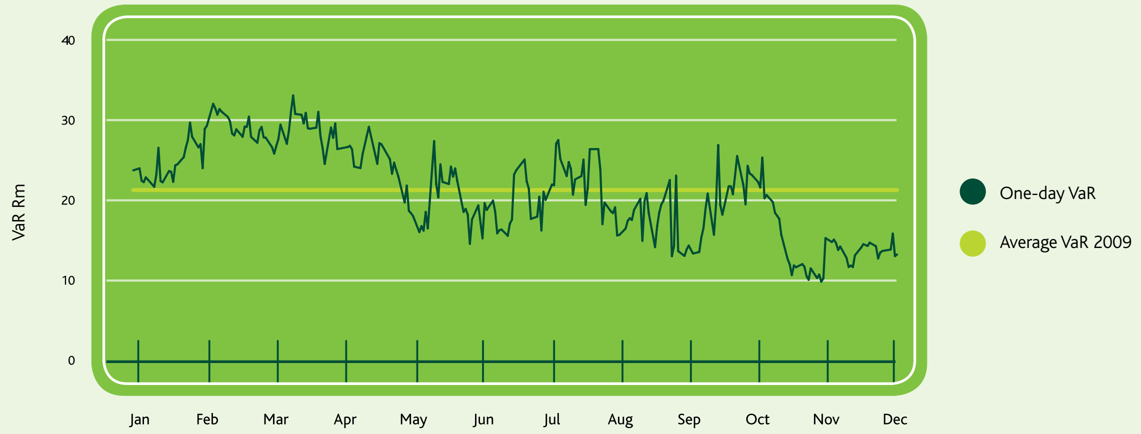
(ii) The maximum and minimum VaR values reported for each of the different risk factors did not necessarily occur on the same day. As a result a diversification number for the maximum and minimum values have been omitted from the table.

(iii) Diversification benefit is the difference between the aggregate VaR and the sum of VaRs for the four risk categories. This benefit arises because the simulated 99%/one-day loss for each of the four primary market risk categories occurs on different days.

Nedbank Group's trading market risk exposure expressed as average daily VaR increased by 8,1% from R19,7 million to R21,3 million. The increase was mainly due to an increase in exposure to the interest rate markets in 2009.

The graph overleaf illustrates the daily VaR for the period 1 January 2009 to 31 December 2009. Nedbank Group remained within the approved risk appetite and the VaR limits allocated by the board. The daily VaR for the second half of 2009 decreased as the financial markets stabilised.

VaR utilisation for 2009 (99%, one-day VaR)

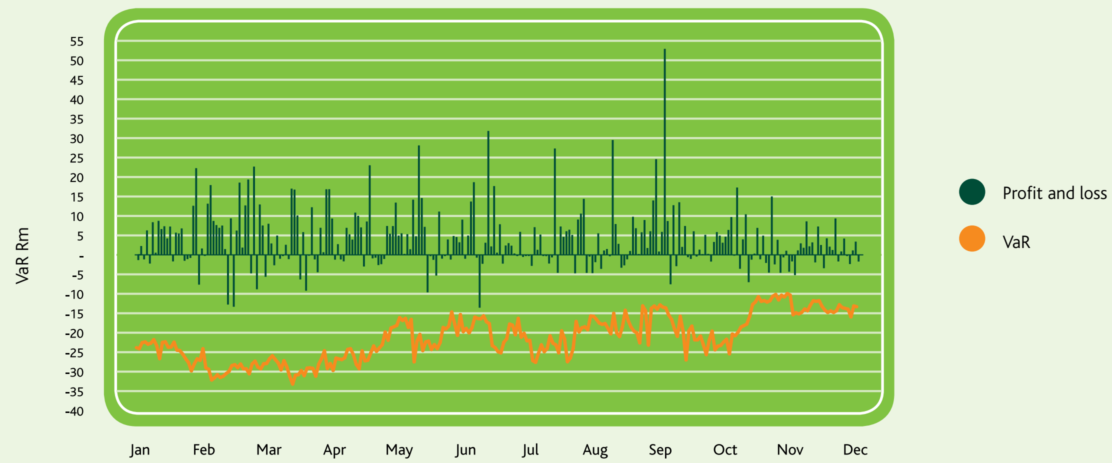


The risk appetite within all the risk factors remained largely unchanged, with foreign exchange and interest rate activities again producing consistent revenue.

VaR is an important measurement tool and the performance of the model is regularly assessed. The approach to assessing whether the model is performing adequately is known as backtesting. Backtesting is simply a historical test of the accuracy of the VaR model. To conduct a backtest the bank reviews its actual daily VaR over one year (about 250 trading days) and compares the actual daily trading revenue (including net interest but excluding commissions and primary revenue) outcomes with its VaR estimate and counts the number of times the trading loss exceeds the VaR estimate.

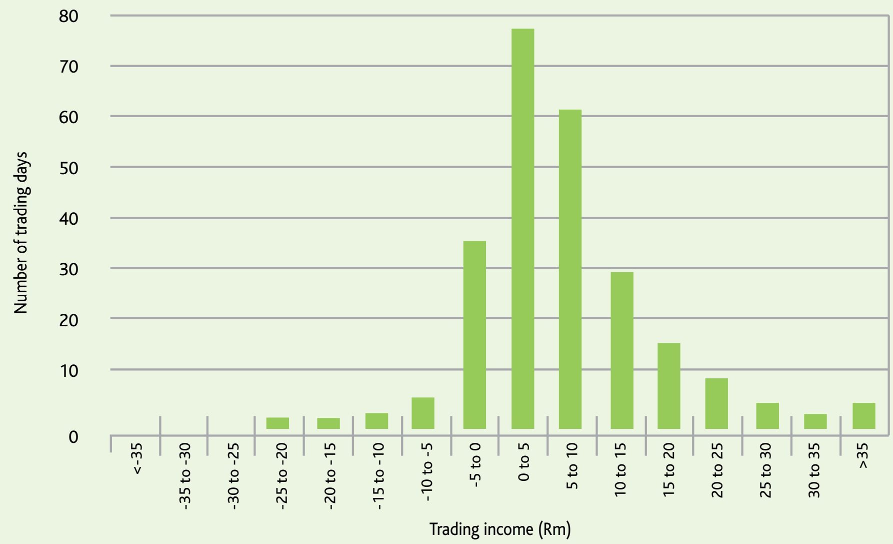
Nedbank Group used a holding period of one day with a confidence level of 99%, and had no backtesting exceptions for 2009. This suggests that VaR, as currently implemented, has been a conservative measure of the potential net revenue variability on the daily trading activities.

VaR profit and loss for 2009



The following histogram illustrates the distribution of daily revenue during 2009 for Nedbank Group's trading businesses (including net interest, commissions and primary revenue credited to Nedbank Group's trading businesses). The distribution is skewed to the profit side and the graph shows that trading revenue was realised on 205 days out of a total of 250 days in the trading businesses. The average daily trading revenue generated for 2009 was R6,7 million.

Analysis of trading revenue for 2009



Trading market risk stress testing

Nedbank Capital uses a number of stress scenarios to measure the impact on portfolio values of extreme moves in markets, based on historical experience as well as hypothetical scenarios. The stress-testing methodology assumes that all market factors move adversely at the same time and that no actions are taken during the stress events to mitigate risk, reflecting the decreased liquidity that frequently accompanies market shocks. In the case where certain positions are illiquid and VaR may not be the most appropriate measure of risk, stress tests are used to supplement VaR and more rigorous stress tests are used to calculate the potential exposure. Stress test results are reported daily to senior management and monthly to the Trading Risk Committee and Group ALCO.

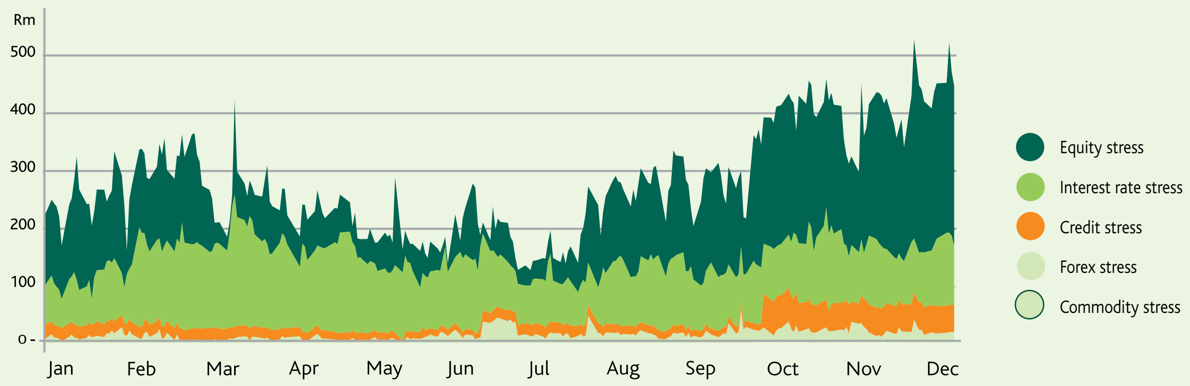
Risk factors

Rm	Average	High	Low	Year-end
Foreign exchange stress	15	60	2	19
Interest rate stress	113	233	46	104
Equity position stress	129	351	15	281
Credit spread stress	24	59	2	48
Commodity stress	1	2		1
Overall	282	535	128	453

The high and low stress values reported for each of the different risk factors did not necessarily occur on the same day. As a result the high and low risk factor stress exposures are not additive.

In addition, other risk measures are used to monitor the individual trading desks and these include performance triggers, approved trading products, concentration of exposures, maximum tenor limits and market liquidity constraints. Market risk is governed by a number of policies that cover management, identification, measurement and monitoring. In addition, all market risk models are subject to periodic independent validation in terms of the Group Market Risk Management Framework. Market risk reports are available at a variety of levels and detail, ranging from individual trader level right through to a group level view.

Risk factors for 2009



Revisions to the Basel II framework

In the Revisions to the Basel II Framework published by the Basel Committee in July 2009, a guideline for calculating stressed VaR was provided. Stressed VaR is calculated using market data taken over a 'period through which the relevant market factors were experiencing stress'. Nedbank Group used historical data from the period 26 March 2008 to 12 March 2009. This period captures significant volatility in the SA market.

The information in the table below is the comparison of VaR, using three different calculations at 31 December 2009. The three different calculations are historical VaR, extreme tail loss (measures the expected losses in the tail of the distribution) and stressed VaR, using a volatile historical data period. A 99% confidence level and one-day holding period was used for all the calculations.

Comparison of trading VaR

2009	Historical VaR 99% (one-day) Rm	Extreme tail loss 99% (one-day) Rm	Stress VaR 99% (one-day) Rm
Foreign exchange	3,7	4,2	4,5
Interest rates	7,4	12,1	12,5
Equities	3,8	5,7	6,5
Credit	3,2	3,7	3,8
Commodities	1,2	1,3	1,6
Diversification	(6,0)	(10,8)	(9,5)
Total VaR exposure	13,3	16,2	19,4

Equity risk (investment risk) in the banking book

The total equity portfolio for investment risk is R3 901 million (2008: R3 779 million). R2 947 million (2008: R2 716 million) is held for capital gain, while the rest is mainly strategic investments.

Equity investments held for capital gain are generally classified as fair value through profit and loss, with fair-value gains and losses reported in non-interest revenue. Strategic investments are generally classified as available for sale, with fair-value gains and losses recognised directly in equity.

Investments Rm	Publicly listed 2009	 2008	Privately held 2009	 2008	Total 2009	 2008
Fair value disclosed in balance sheet (excluding associates and joint ventures)	**485**	525	**2 491**	2 087	**2 976**	2 612
Fair value disclosed in balance sheet (including associates and joint ventures)	**485**	525	**3 416**	3 254	**3 901**	3 779

Operational risk

Nedbank Group has approval from SARB to use the Standardised Approach for operational risk for Basel II regulatory capital. Nedbank Group has applied to SARB in January 2010 for the use of AMA. The AMA Operational Risk Management Framework was approved by the board's Group Risk and Capital Management Committee in April 2009. The AMA methodologies are already rolled out and running in parallel in the businesses, and Nedbank Group will change to using AMA for economic capital purposes for 2010.

Major concentration risks and off-balance-sheet risks

Credit concentration risk is addressed on page 186. Property concentration risk was discussed on page 167, in particular the 'deep dive' into the Property Finance Division in 2008, and is incorporated in the quantification of credit economic capital.

The one other potential major concentration risk in Nedbank Group is liquidity risk. The management of this, including diversification of the funding base, contingency planning of sources of funding, related governance, etc is covered on page 203.

Concentration risk is also a key feature of Nedbank Group's Group Market Risk Framework. However, undue concentration risk is not considered to prevail in the group's trading, interest rate risk in the banking book, forex and equity risk portfolios (evident in the low percentage contributions to group economic capital, see page 217), nor in assets and liabilities, subject to mark-to-market fair-value accounting.

As regard off-balance-sheet risks, there are only three 'plain vanilla' securitisation transactions, which have funding diversification rather than risk transfer objectives, as well as no 'exotic' credit derivative instruments or any risky off-balance-sheet special-purpose vehicles.

Economic capital

Economic capital is a sophisticated, consistent measurement and comparison of risk across business units, risk types and individual products or transactions. This enables a focus on both downside risk (risk protection) and upside potential (earnings growth).

Nedbank Group assesses the internal requirements for capital using its proprietary economic capital methodology, which models and assigns economic capital within nine quantifiable risk categories.

The total average economic capital required by the group, as determined by the quantitative risk models and after incorporating the group's estimated portfolio effects, is supplemented by a capital buffer of 10% to cater for any residual cyclicality and stressed scenarios. The total requirement is then compared with available financial resources.

Nedbank Group's economic capital model and target capital adequacy (used for ICAAP)

Credit risks

Basel II AIRB credit methodology integrated with sophisticated credit portfolio modelling
(incorporating credit concentration risk and intra-risk diversification, counterparty credit risk and securitisation risk)

+

Transfer risk
(closely related to credit risk but arises due to sovereign default and so separately modelled and quantified)

Similar to AIRB credit methodology but dependent on probability and the extent of a transfer event (ie sovereign default)

+

Market risks

Trading (position) risk	IRRBB risk	Equity (investment) and property risks	Forex translation risks
VaR scaled to one year using VaR limits (board-approved).	Simulated modelling of NII; economic value of equity (EVE) also done.	300% and 400% risk weightings in line with Basel II equity risk; PD/LGD Approach for Property Finance.	Multiple of exposure, based on rand volatility measures.

+

Operational risk

Basel II Standardised Approach used

+

Business risk

EaR methodology used

+

Other assets
(100% risk-weighted)

=

Minimum economic capital requirement
(after inter-risk diversification benefits)

+

Capital buffer
(10% buffer for procyclicality, stressed scenarios, etc)

=

Total economic capital requirement

Measurement period/time horizon: one year (same as Basel II)
Confidence interval (solvency standard): 99,93% (A) (ie more conservative than Basel II)

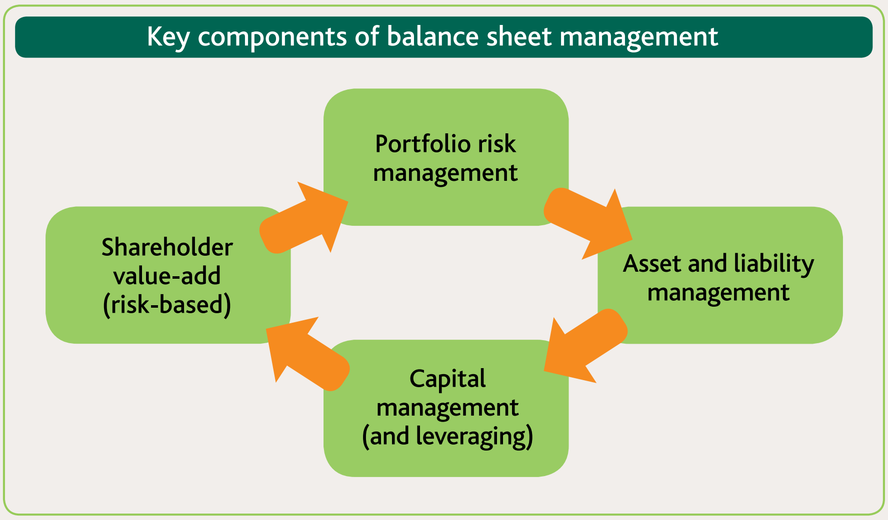
vs

Available financial resources

Comprises
Tier A = core Tier 1 regulatory capital and qualifying reserves
Tier B = perpetual preference shares and hybrid debt capital

Balance sheet management

Established as a separate cluster in 2009, the Balance Sheet Management (BSM) cluster helps to optimise the financial performance, strategy and sustainability of Nedbank Group through proactive management of all material components of the balance sheet.



Summary of perspectives on Nedbank Group's balance sheet profile

The key highlights are as follows:

Capital adequacy overall

- Best-practice Internal Capital Adequacy Assessment Process (ICAAP) in place since 2008.
- Major focus over past 24 months, resulting in significantly strengthened capital levels, well above top end of the target ranges (in view of current external environment).
  - Successful execution of Risk-weighted Asset (RWA) Capital Optimisation Programme.

Regulatory capital adequacy (including unappropriated profits)

	Target (revised January 2009)	Nedbank Group	Nedbank Limited
Core Tier 1	7,5% to 9,0%	7,2% (Dec 2007) to 8,2% (Dec 2008) to 9,9% (Dec 2009)	6,8% (Dec 2007) to 8,0% (Dec 2008) to 9,6% (Dec 2009)
Tier 1	8,5% to 10,0%	8,2% (Dec 2007) to 9,6% (Dec 2008) to 11,5% (Dec 2009)	7,9% (Dec 2007) to 9,8% (Dec 2008) to 11,7% (Dec 2009)
Total	11,5% to 13,0%	11,4% (Dec 2007) to 12,4% (Dec 2008) to 14,9% (Dec 2009)	11,4% (Dec 2007) to 13,1% (Dec 2008) to 15,6% (Dec 2009)

Economic capital adequacy (used for ICAAP)

- In 2009 Nedbank Group increased (ie made more conservative) the group's target solvency standard from A- (99,9%) to A (99,93%), while also introducing a more conservative definition of available financial resources (AFR), which covers the economic capital requirement.
- AFR surplus (after 10% capital buffer):
  - R16,1 billion for group; R13,5 billion for bank (based on old, less conservative basis).
  - R11,8 billion for group; R8,3 billion for bank (based on new, more conservative basis).

Stress and scenario testing

- Best-practice framework and process followed to stress test and confirm the robustness of the group's capital adequacy, including the capital buffers. Recent international developments incorporated.

Leverage ratio is low at 14,4 times, compared with international levels

Concentration risk is well-contained

- Large individual (single-name) credit exposure risk is low.
  - The credit economic capital of the top 20 exposures (excluding banks and SA government exposure) makes up only 3,19% of total group economic capital.
- Concerning geographic exposure, the significant focus on South Africa has been positive for Nedbank Group through the global financial crisis.
- Industry/Sector exposure is appropriately well-diversified.
- Property exposure is high but in line with our peer group and most large banks internationally.
  - 'Deep dive' done of commercial property exposure and home loans.
- Counterparty credit risk is almost exclusively restricted to non-complex, low-risk banking transactions.
- Strong and well-diversified funding deposit base exists and low reliance is placed on offshore funding.
- Low level of securitisation exposure and off-balance-sheet activities.
- Low risk of assets and liabilities exposed to the volatility of International Financial Reporting Standards (IFRS) fair-value mark-to-market accounting.
- Low equity (investment) risk exposure (0,7% of total assets), including private equity.
- Non-core asset disposal strategy successfully executed by 2007.
- Low foreign currency translation risk to the rand's volatility.
- Well-diversified earnings streams across five major business clusters.
- Well-diversified subordinated-debt profile.

Liquidity risk

- Overall remains sound and has been a major focus over past two years through the global financial crisis.
  - Successfully lengthened the funding profile during 2009, including the successful (largest ever in South Africa) R5,4 billion issue of senior unsecured debt in September 2009.
- The R5,6 billion debt issue also positively contributed to diversify the funding base further.
- Nedbank Group's funding mix remains sound (ie retail vs wholesale deposits reliance).
- Nedbank Group continues to maintain a dominant market share in household deposits.
- All liquidity risk measurement and management assumptions, principles and methodologies have been independently reviewed and align with best practice.
- Key areas of focus for 2010 – 2012:
  - Continue to lengthen the funding profile.
  - Continue to diversify Nedbank Group's funding base in order to reduce reliance on wholesale funding.
    - o Expanding domestic and international capital market issuance programmes, subject to price and appetite.
    - o Continuing aggressively to pursue strong growth in retail and commercial deposits.
  - Work with government, the SA Reserve Bank and the banking industry to address the financial services structural issues around funding and liquidity to facilitate positively positioning South Africa around the new Basel III liquidity proposals.

Interest rate risk in the banking book (IRRBB)

- Main components of IRRBB include endowment on equity and non-repricing transactional deposits, offset by the fixed-rate liquid asset hedge and working capital plus reset (basis) risk.

  Reset risk is caused by advances pricing immediately for rate changes, due to being prime-rate-linked, versus term deposits repricing to three-month Johannesburg Interbank Agreed Rate (JIBAR), following hedging of IRRBB.
- Banking book interest rate sensitivity is currently 1,30% of total equity or R584 million (for a 1% move in rates).
- This is within the board-approved IRRBB limit of 2,5% of capital, with no limit breaches having been experienced in 2009.
- The strategic attention of the Group Asset and Liability Committee has shifted to positioning the balance sheet for the anticipated bottoming of the current interest rate cycle.

Asset and liability management

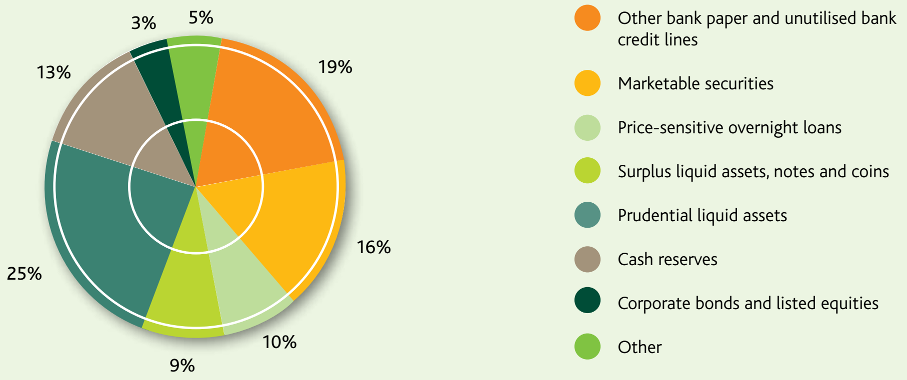
Asset and liability management addresses two of the 17 key risk types in the group's Enterprisewide Risk Management Framework, namely liquidity risk and market risk in the banking book, which in turn includes interest rate risk in the banking book and foreign currency translation risk on foreign-based capital, investments, loans and/or borrowings.

Liquidity risk

There are two types of liquidity risk, namely funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that Nedbank Group is unable to meet its payment obligations as they fall due. These payment obligations could emanate from depositor withdrawals, the inability to roll over maturing debt or contractual commitments to lend. Market liquidity risk is the risk that the group will be unable to sell assets, without incurring an unacceptable loss, in order to generate cash required to meet payment obligations under a stress liquidity event.

Liquidity risk management is a vital risk management function in all entities across all jurisdictions and currencies, and is a key focus of the Nedbank Group.

Sources of quick liquidity



The tables below show the expected profile of cashflows under a contractual and business-as-usual (BaU) scenario.

Nedbank Group contractual liquidity gap at year-end

Rm	<3 months	>3 months <6 months	>6 months <1 year	>1 year <5 months	>5 years	Non-determined	Total
Cash and cash equivalents (including mandatory reserve deposits with central bank)	16 382			65		1 928	18 375
Other short-term securities	13 715	1 261	1 501	2 073			18 550
Derivative financial instruments	3 569	834	2 070	3 792	2 445		12 710
Government and other securities	537	2 020	7 607	18 660	7 159		35 983
Loans and advances	83 758	16 463	31 070	153 354	165 656		450 301
Other assets	2 261					32 523	34 784
Assets	**120 222**	**20 578**	**42 248**	**177 944**	**175 260**	**34 451**	**570 703**
Total equity						44 984	44 984
Derivative financial instruments	2 917	898	1 103	3 037	3 596		11 551
Amounts owed to depositors	338 632	50 084	57 810	19 888	2 941		469 355
Other liabilities	8 780					15 949	24 729
Long-term debt instruments			500	9 184	10 400		20 084
Liabilities and equity	**350 329**	**50 982**	**59 413**	**32 109**	**16 937**	**60 933**	**570 703**
Net liquidity gap	**(230 107)**	**(30 404)**	**(17 165)**	**145 835**	**158 323**	**(26 482)**	

The contractual liquidity gap is adjusted with behavioural assumptions in order to determine the group's BaU or anticipated liquidity risk profile. These adjustments result largely in a lengthening of deposit cashflows due to behavioural assumptions through which contractually maturing short-term deposits have longer profiles under normal market conditions.

Nedbank Group BaU liquidity gap at year-end

Rm	<3 months	>3 months <6 months	>6 months <1 year	>1 year <5 months	>5 years	Non-determined	Total
Cash and cash equivalents (including mandatory reserve deposits with central bank)					18 375		18 375
Other short-term securities	13 715	1 261	1 501	2 073			18 550
Derivative financial instruments	3 569	834	2 070	3 792	2 445		12 710
Government and other securities					35 983		35 983
Loans and advances	35 575	23 867	45 677	296 872	48 310		450 301
Other assets						34 784	34 784
Assets	**52 859**	**25 962**	**49 248**	**302 737**	**105 113**	**34 784**	**570 703**
Total equity						44 984	44 984
Derivative financial instruments	2 917	898	1 103	3 037	3 596		11 551
Amounts owed to depositors	87 915	64 499	79 712	235 676	1 553		469 355
Other liabilities						24 729	24 729
Long-term debt instruments			500	9 401	10 183		20 084
Liabilities and equity	**90 832**	**65 397**	**81 315**	**248 114**	**15 332**	**69 713**	**570 703**
Net liquidity gap	**(37 973)**	**(39 435)**	**(32 067)**	**54 623**	**89 781**	**(34 929)**	

Note: BaU assumptions include rollover assumptions on term maturities. No management actions are assumed in terms of realising cash through the sale of liquid assets or other marketable securities.

The additional disclosure below depicts the contractual and BaU liquidity mismatches in respect of Nedbank Limited, and highlights the split of total deposits into stable and more volatile. Based on the behaviour of the bank's clients, it is estimated that in excess of 83% of the total deposit base is stable in nature.

Nedbank Limited* contractual balance sheet mismatch at year-end

Rm	Total	Next day	2 to 7 days	8 days to 1 month	More than 1 month to 2 months
Contractual maturity of assets	**509 150**	**47 759**	**5 921**	**31 156**	**11 496**
Loans and advances	398 899	29 810	2 445	18 590	6 682
Trading, hedging and other investment instruments	71 295	4 930	3 243	11 011	4 542
Other assets	38 956	13 019	233	1 555	272
Contractual maturity of liabilities	**509 150**	**161 943**	**19 629**	**74 292**	**29 018**
Stable deposits	348 378	139 898	10 470	55 617	22 474
Volatile deposits	72 197	14 982	1 537	9 236	5 575
Trading and hedging instruments	50 240	7 063	7 622	9 439	969
Other liabilities	38 335				
On-balance-sheet contractual mismatch		**(114 184)**	**(13 708)**	**(43 136)**	**(17 522)**
Cumulative on-balance-sheet contractual mismatch		**(114 184)**	**(127 892)**	**(171 028)**	**(188 550)**

The BaU table below shows the expected liquidity mismatch under normal market conditions after taking into account the behavioural attributes of Nedbank Limited's stable deposits, savings and investment products.

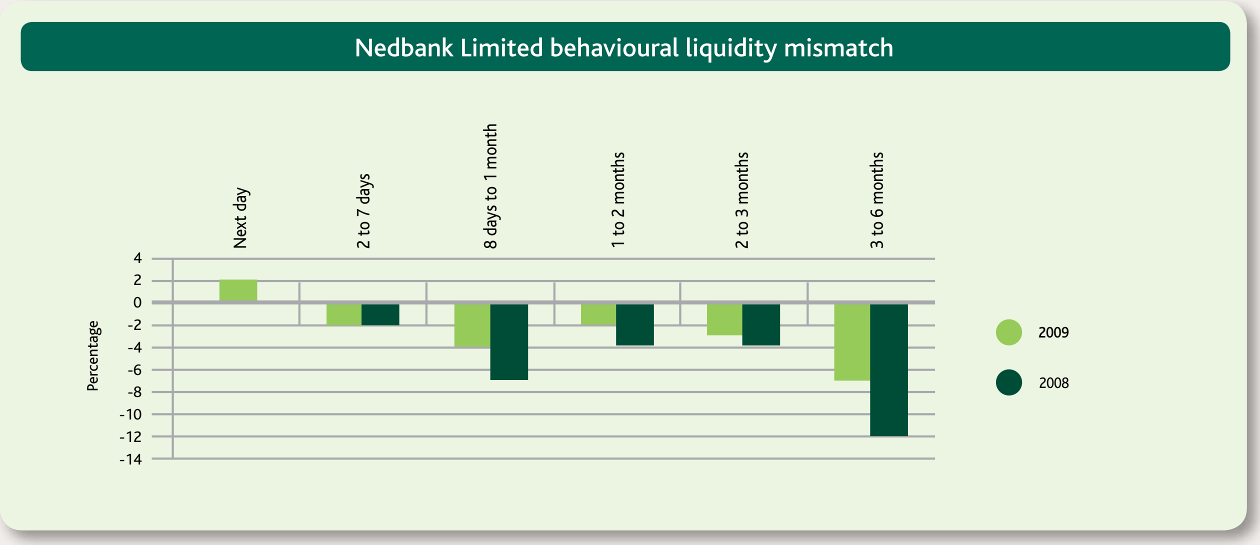
Nedbank Limited* BaU balance sheet mismatch at year-end

Rm	Total	Next day	2 to 7 days	8 days to 1 month	More than 1 month to 2 months
BaU maturity of assets	**509 150**	**27 358**	**2 667**	**14 263**	**10 031**
Loans and advances	398 899	6 861	2 327	9 299	8 365
Trading, hedging and other investment instruments	71 295	20 497	340	3 410	1 394
Other assets	38 956			1 554	272
BaU maturity of liabilities	**509 150**	**17 788**	**10 813**	**31 567**	**20 900**
Stable deposits	348 378	444	1 158	7 989	14 356
Volatile deposits	72 197	1 705	5 030	19 083	5 575
Trading and hedging instruments	50 240	15 639	4 625	4 495	969
Other liabilities	38 335				
On-balance-sheet BaU mismatch		**9 570**	**(8 146)**	**(17 304)**	**(10 869)**
Cumulative on-balance-sheet BaU mismatch		**9 570**	**1 424**	**(15 880)**	**(26 749)**

** Nedbank Limited refers to the SA reporting entity in terms of Regulation 38 (BA700) of the SA banking regulations.*

As per the table above Nedbank Limited's BaU inflows exceed outflows overnight to one week, taking into account behavioural assumptions, including rollover assumptions associated with term deals and excluding BaU management actions.

As per the graph below the improved BaU maturity mismatch in 2009, when compared with 2008, can be attributed to the following: Previously Nedbank Limited adopted a very conservative approach when estimating the BaU mismatch, which means that Nedbank Limited previously assumed that no term deposits were refinanced and that they resulted in a cash outflow on maturity of the deposit. As this does not reflect reality under normal market conditions, refinancing assumptions (having been statistically derived) have now been applied to term funding, thus yielding a more realistic BaU mismatch.



(Expressed on total assets and based on maturity assumptions before rollovers and risk management)

Note: The improvement in the 2009 profile is mainly due to refinements to the refinancing assumptions as detailed above.

Interest rate risk in the banking book

Nedbank Group is exposed to IRRBB primarily because:

- the bank writes a quantum of prime-linked advances;
- funding is prudently raised across the curve at fixed-term deposit rates that reprice only on maturity;
- three-month JIBAR-linked swaps and forward rate agreements are typically used in the risk management of term deposits and fixed-rate advances;
- short-term demand funding products reprice to different short-end base rates;
- certain non-repricing transactional deposit accounts are non-rate-sensitive; and
- the bank has a mismatch in net non-rate-sensitive balances, including shareholders' funds that do not reprice for interest rate changes.

IRRBB comprises:

- Repricing risk (mismatch risk) – timing difference in the maturity (for fixed rate) and repricing (for floating rate) of bank assets, liabilities and off-balance-sheet positions.
- Reset or basis risk – imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics.
- Yield curve risk – changes in the shape and slope of the yield curve.
- Embedded optionality – the risk pertaining to interest-related options embedded in bank products.

Nedbank Group interest rate repricing profile at year-end

Rm	Within 3 months	Between 3 and 6 months	Between 6 and 12 months	> 1 year	Non-rate-sensitive
Net repricing profile before hedging	65 358	(27 622)	(32 210)	31 335	(36 861)
Net repricing profile after hedging	33 999	(1 017)	(2 726)	6 605	(36 861)
Cumulative repricing gap after hedging	33 999	32 982	30 256	36 861	

Interest rate repricing profile

At 2009 the group's earnings-at-risk sensitivity of the banking book for a 1% parallel reduction in interest rates was 1,30% of total group equity (2008: 1,25%), well within the approved risk limit of 2,5%. This exposes the group to a decrease in net interest income (NII) of R584 million should interest rates fall by 1%, measured over a 12-month period, which translates into an approximate reduction in margin of 12 basis points or an absolute reduction of approximately 3,6% of this year's NII.

The group's level of interest rate sensitivity is managed in conjunction with credit impairment sensitivity and is benchmarked regularly against the peer group.

Nedbank Limited's economic value of equity, measured for a 1% parallel decrease in interest rates, is a loss of R225 million (2008: gain of R155 million).

The table below highlights the group's and bank's exposure to IRRBB measured for normal and stressed interest rate changes:

2009 Rm	Note	Nedbank Limited	Other group companies	Nedbank Group
Net interest income sensitivity	1			
1% instantaneous decline in interest rates		(444)	(140)	(584)
2% instantaneous decline in interest rates		(887)	(281)	(1 168)
Linear path space	2			
Lognormal interest rate sensitivity		(273)		
Basis interest rate risk sensitivity	3			
0,25% narrowing of prime/call differential		(168)	(51)	(219)
Economic value of equity sensitivity	4			
1% instantaneous decline in interest rates		(225)		
2% instantaneous decline in interest rates		(461)		
Stress testing				
Net interest income sensitivity				
Instantaneous stress shock	5	(1 996)		
Linear path space	2			
Absolute-return interest rate sensitivity		(1 386)		

Notes

1 *Net interest income sensitivity, as currently modelled, exhibits very little convexity. In certain cases the comparative figures have been estimated assuming a linear risk relationship to the interest rate moves.*

2 *Linear path space is a stochastic method used to generate random interest rate paths. These paths are then modelled and a probabilistic impact of interest rate changes on NII is derived. The 'Lognormal interest rate sensitivity' uses two years of interest rate movements to derive interest rate volatility. The stress scenario 'Absolute-return interest rate sensitivity' is based on the volatility of interest rates over nine years.*

3 *Basis interest rate risk sensitivity is quantified using a narrowing in the prime/call interest rate differential of 0,25% and is an indication of the sensitivity of the margin to a squeeze in short-term interest rates.*

4 *Economic value of equity sensitivity is calculated as the net present value of asset cashflows less the net present value of liability cashflows.*

5 *The instantaneous stress shock is derived from the principles espoused in the Basel Committee paper Principles for the Management and Supervision of Interest Rate Risk.*

Foreign currency translation risk in the banking book

Foreign currency translation risk arises as a result of Nedbank Group's investments in foreign companies that have issued foreign equity. This foreign equity is translated into rand for domestic reporting purposes, recording a profit where the rand exchange rate has deteriorated between periods and a loss where the rand exchange rate has strengthened between periods.

Foreign currency translation risk remains relatively low and currently aligns with an appropriate offshore capital structure. Risk limits are based on the expected level of currency-sensitive foreign capital and the exposure was approximately US$241 million at year-end.

Offshore capital split by functional currency

	US dollar equivalent ($ millions)			Total	
$m	Equity	Forex-sensitive	Non-forex-sensitive	2009	2008
US dollar	108	108		108	88
Pound sterling	113	113		113	94
Swiss franc	13	13		13	6
Malawi kwatcha	7	7		7	5
Other			436	436	391
Total	241	241	436	677	584

Forex-sensitive portion of offshore capital

$m	2009
Forex-sensitive portion of offshore capital	241
Limit	250

The effective average capitalisation rate of the foreign-denominated business is 26% (2008: 25%). The total foreign RWA as a percentage of the Nedbank Group total is low at 2% (R5,7 billion out of the total group RWA of R326 billion). Therefore, any foreign exchange rate movement will have a minimal effect on Nedbank Group's capital adequacy ratio.

High rand volatility has a minimal effect on capital adequacy as a 10% depreciation in the rand, for example, will only decrease capital adequacy by 0,02%.

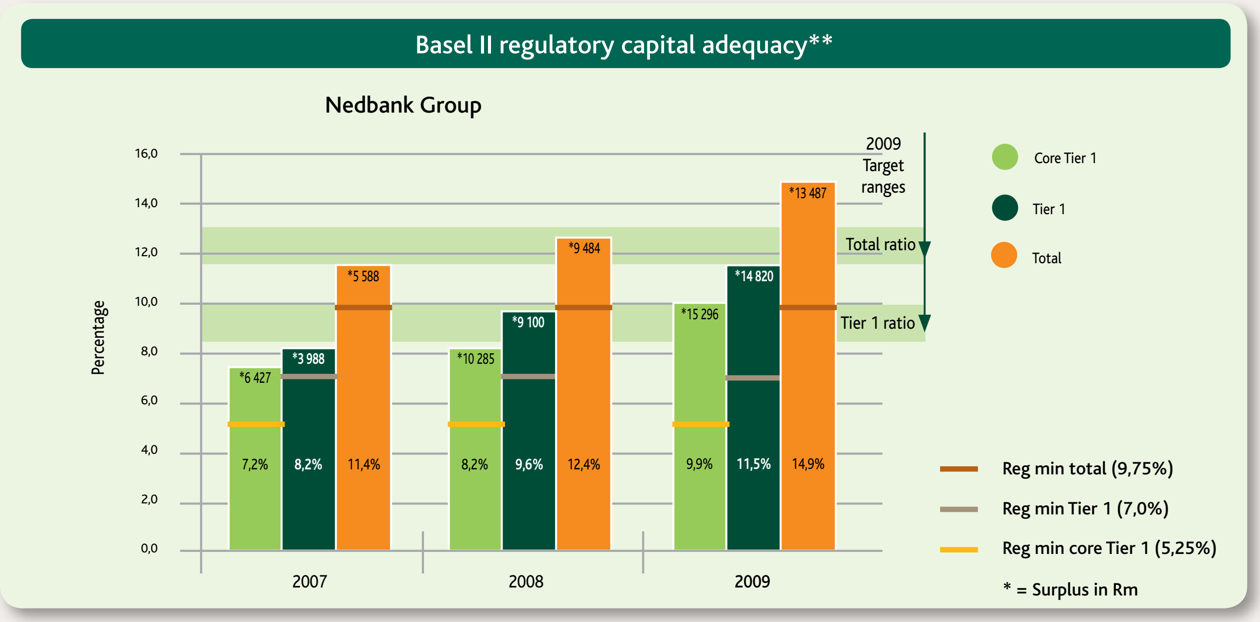
Capital management

Nedbank Group's Capital Management Framework reflects the integration of risk, capital, strategy and performance measurement (and incentives) across the group. This contributes significantly to successful enterprisewide risk management.

The board-approved Solvency and Capital Management policy document requires Nedbank Group to be capitalised at the greater of Basel II regulatory capital and economic capital.

Importantly though, one should not see Nedbank Group's economic capital as divorced from Basel II regulatory capital – quite the contrary, since our economic capital is an extension of the Basel II Pillar 1 requirements to incorporate Pillar 2, together with a few other key refinements tailored to Nedbank Group and South Africa, and to incorporate the Rating Agency perspective (eg Tier 2 regulatory capital does not qualify for our economic capital definition of AFR).

Regulatory capital adequacy



Nedbank Group Limited has again strengthened its regulatory capital ratios in 2009, with a Tier 1 capital adequacy ratio of 11,5% (2008: 9,6%) and a total capital adequacy ratio of 14,9% (2008: 12,4%). The core Tier 1 capital adequacy ratio was 9,9% (2008: 8,2%).

Nedbank Limited has also strengthened regulatory capital ratios, with a Tier 1 capital adequacy ratio of 11,7% (2008: 9,8%) and a total capital adequacy ratio of 15,6% (2008: 13,1%). The core Tier 1 capital adequacy ratio was 9,6% (2008: 8,0%).

All capital adequacy ratios are now well above the group's target ranges, including core Tier 1. They include unappropriated profits at the year-end to the extent that these are not expected to reverse and are expected to be appropriated subsequent to the year-end.

Nedbank Group's capital adequacy ratios increased significantly over the past two years due to a strong focus on the optimisation of risk-weighted assets (capital), enabled by enhancing data quality and more selective asset growth using our economic-profit-based philosophy of managing for value, the retention of earnings, the profits made on the disposal of Visa shares in 2008 and the issuing of some non-core Tier 1 capital instruments.

The group's leverage ratio (total assets to ordinary shareholders' equity, excluding off-balance-sheet items) at 14,4 times is also conservative by international standards and in line with the local peer group.

Consolidation of entities for regulatory purposes is performed in accordance with the requirements of Basel II, the Banks Act and accompanying regulations. Some differences exist in the basis of consolidation for accounting and regulatory purposes. These include the exclusion of certain accounting reserves [eg the foreign currency translation (FCT) reserve, share-based payments (SBP) reserve and available-for-sale (AFS) reserve], the deduction of insurance entities and the exclusion of trusts that are consolidated in terms of IFRS but are not subject to regulatory consolidation.

The FCT, SBP and AFS reserves that arise in the consolidation of entities in terms of IFRS amounted to R1,2 billion at year-end and are excluded from qualifying regulatory capital. Restrictions on the transfer of funds and regulatory capital within the group are not a material factor. These restrictions mainly relate to those entities that operate in countries other than South Africa where there are exchange control restrictions in place.

Against the background of the group's conservative risk appetite and sound risk management discussed earlier, the group believes that its capital levels (both regulatory capital and its internal capital assessment, economic capital) and provisioning for credit impairments are appropriate and conservative, and that the group and its subsidiaries are strongly capitalised relative to our business activities, strategy, risk appetite, risk profile and the external environment in which we operate. Additionally, the group is currently not holding excess capital for major acquisitions.

Summary of risk-weighted assets (by risk type and business cluster)

	2009 Rm	Mix %	2008 Rm	Mix %
Credit risk	**246 099**	**75,4**	285 457	80,4
Nedbank Corporate	**67 427**	**20,7**	75 887*	21,4
Nedbank Business Banking	**33 616**	**10,3**	44 467	12,4
Nedbank Capital	**25 389**	**7,8**	34 672*	9,8
Nedbank Retail (including Bancassurance and Wealth)	**78 958**	**24,2**	94 138*	26,5
Imperial Bank	**39 914**	**12,2**	35 377	10,0
Central Management and Shared Services	**795**	**0,2**	916*	0,3
Equity risk	**13 396**	**4,1**	13 035	3,7
Market risk	**5 718**	**1,8**	7 049	2,0
Operational risk	**47 222**	**14,4**	36 497	10,2
Other assets	**14 031**	**4,3**	13 197	3,7
Total risk-weighted assets	**326 466**	**100**	355 235	100

** 2008 restated to include Africa and the United Kingdom in appropriate business clusters and to separate Nedbank Business Banking from the Nedbank Corporate cluster.*

Total risk-weighted assets decreased by R28,8 billion during 2009. The decrease was largely due to credit risk, which decreased by R39,4 billion as a result of the optimisation of risk-weighted assets, enabled by data quality enhancements and the reduction of excess conservatism, and selective asset growth under the group's managing for value strategic theme.

These decreases were offset by an increase in operational-risk-weighted assets of R8 billion due to the inclusion of the 'most recent year of gross income' data in the calculation under the Standardised Approach (TSA).

Summary of risk-weighted assets (by risk type) and capital adequacy position

Risk type	Nedbank Group 2009 Rm	Nedbank Group 2008 Rm	Nedbank Limited*** 2009 Rm	Nedbank Limited*** 2008 Rm
Credit risk	**246 099**	285 457	**184 472**	221 969
Credit portfolios subject to Advanced Internal Ratings-based Approach (ie Nedbank Limited)	**192 842**	238 480	**180 968**	218 142
Corporate, sovereign, bank (including small and medium enterprises)	**105 669**	131 955	**95 274**	114 050
Residential mortgage	**51 023**	70 401	**49 543**	67 968
Qualifying revolving retail	**7 385**	6 554	**7 386**	6 554
Other retail	**28 765**	29 570	**28 765**	29 570
Credit portfolios subject to Standardised Approach	**49 344**	42 829		
Corporate, sovereign, bank	**19 534**	16 849		
Retail exposures	**29 810**	25 980		
Counterparty credit risk	**3 057**	3 169	**2 908**	3 109
Securitisation exposures (Internal Ratings-based Approach)	**856**	979	**596**	718
Equity risk (market-based Simple Risk Weight Approach)	**13 396**	13 035	**10 781**	10 190
– Listed (300% risk weighting)	**1 447**	1 574	**1 447**	1 471
– Unlisted (400% risk weighting)	**11 949**	11 461	**9 334**	8 719
Market risk (Standardised Approach)	**5 718**	7 049	**4 455**	5 445
Operational risk (Standardised Approach)	**47 222**	36 497	**39 025**	30 559
Other assets (100% risk weighting)	**14 031**	13 197	**10 429**	10 170
Total risk-weighted assets	**326 466**	355 235	**249 162**	278 333
Total minimum regulatory capital requirements*	**35 097**	34 635	**27 560**	27 137
Qualifying capital and reserves**	**48 584**	44 119	**38 939**	36 577
Total surplus capital over minimum requirements	**13 487**	9 484	**11 379**	9 440
Analysis of total surplus capital**				
Core Tier 1 capital	**15 296**	10 285	**10 816**	7 695
Tier 1 capital	**14 820**	9 100	**11 691**	7 699
Total capital	**13 487**	9 484	**11 379**	9 440

* *Includes Basel II capital floor since February 2009.*

** *Includes unappropriated profits.*

*** *Nedbank Limited refers to the SA reporting entity in terms of Regulation 38 (BA700) of the SA banking regulations.*

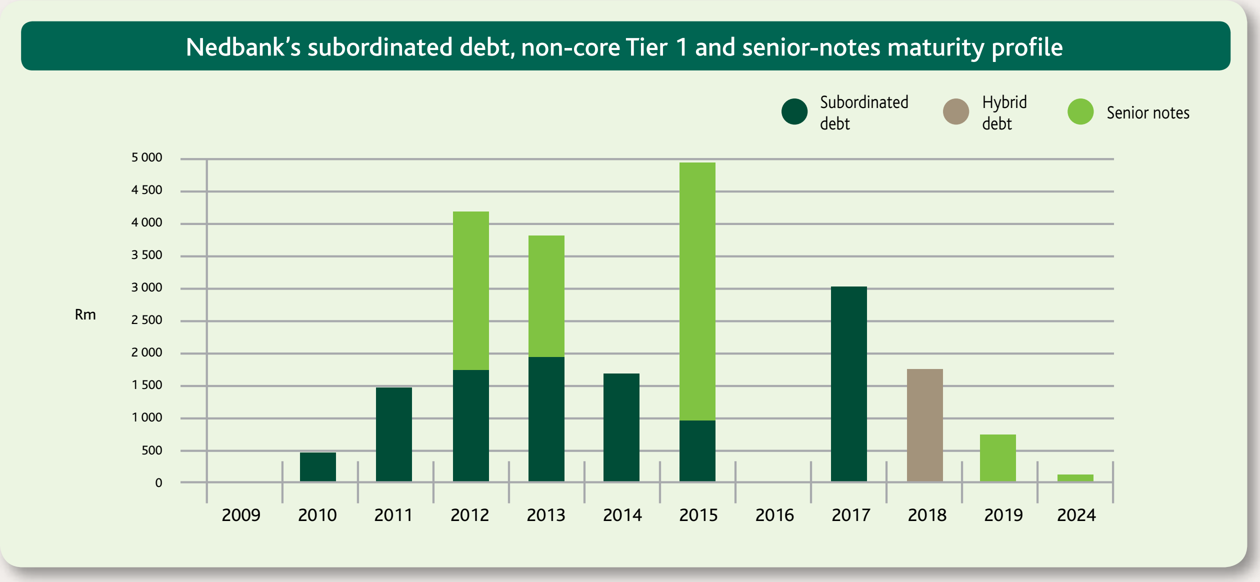
Summary of qualifying capital and reserves

Excluding unappropriated profits

Rm	Nedbank Group 2009	Nedbank Group 2008	Nedbank Limited 2009	Nedbank Limited 2008
Tier 1 capital (primary)	**36 627**	33 458	**28 600**	27 031
Core Tier 1 capital	**31 389**	28 427	**23 365**	22 156
Ordinary share capital	**436**	410	**27**	27
Ordinary share premium	**13 728**	11 370	**14 434**	14 434
Reserves	**25 485**	23 133	**15 610**	14 298
Minority interest: ordinary shareholders	**1 849**	1 881		
Deductions	**(10 109)**	(8 367)	**(6 706)**	(6 602)
Impairments	**(8)**	(6)	**(3 430)**	(3 608)
Goodwill	**(4 981)**	(3 894)	**(1 126)**	(1 126)
Excess of expected loss over eligible provisions (50%)	**(780)**	(588)	**(861)**	(588)
Unappropriated profits	**(1 312)**	(658)	**(798)**	(300)
Foreign currency translation reserves	**(223)**	(545)	**(9)**	(9)
Share-based payment reserves	**(875)**	(949)	**206**	(281)
Property revaluation reserves	**(1002)**	(951)	**(666)**	(668)
Surplus capital held in insurance entities (50%)	**(489)**	(387)		
Other regulatory differences	**(439)**	(389)	**(22)**	(22)
Non-core Tier 1 capital	**5 238**	5 031	**5 235**	4 874
Preference share capital and premium	**3 486**	3 279	**3 483**	3 122
Hybrid debt capital instruments	**1 752**	1 752	**1 752**	1 752
Tier 2 capital (secondary)	**10 911**	10 153	**9 807**	9 395
Long-term debt instruments	**11 500**	10 464	**10 848**	9 812
Revaluation reserves (50%)	**501**	476	**333**	334
Deductions	**(1 090)**	(787)	**(1 374)**	(751)
Surplus capital held in insurance and financial entities (50%)	**(489)**	(387)		
Excess of expected loss over eligible provisions (50%)	**(780)**	(588)	**(861)**	(588)
General allowance for credit impairment	**212**	212		
Other regulatory differences	**(33)**	(24)	**(513)**	(163)
Tier 3 capital (tertiary)	**–**	–	**–**	–
Total	**47 538**	43 611	**38 407**	36 426

Including unappropriated profits

Rm	Nedbank Group 2009	Nedbank Group 2008	Nedbank Limited 2009	Nedbank Limited 2008
Core Tier 1 capital	**32 435**	28 935	**23 897**	22 307
Tier 1 capital	**37 673**	33 966	**29 132**	27 182
Total capital	**48 584**	44 119	**38 939**	36 577



Dividend cover

The group has a dividend cover policy range of 2,25 to 2,75, covered by headline earnings per share. Historically the effective cover has been higher as a result of takeup under a scrip dividend alternative and also the reinvestment of dividend proceeds by black economic empowerment (BEE) shareholder trusts.

Summary of regulatory capital adequacy of all banking subsidiaries of Nedbank Group

A summary of all the group's banking subsidiaries' Basel II regulatory capital positions is provided below:

	2009		2008	
Bank	Risk-weighted assets Rm	Basel II capital ratio %	Risk-weighted assets Rm	Basel II capital ratio %
Nedbank Limited	**249 162**	**15,6***	278 333	13,1*
Imperial Bank Limited	**43 887**	**11,2**	38 074	11,1
Nedbank (Namibia) Limited	**3 864**	**14,6**	3 264	13,9
Fairbairn Private Bank (IOM) Limited	**2 327**	**15,9**	2 526	16,1
Fairbairn Private Bank Limited	**1 697**	**14,2**	1 722	14,5
Nedbank (Swaziland) Limited	**1 374**	**15,7**	619	17,4
Nedbank (Lesotho) Limited	**905**	**18,8**	320	23,3
Nedbank (Malawi) Limited	**98**	**50,1**	80	23,0

Note: The capital ratios for the African subsidiaries shown above are on a pro forma basis and contribute to Nedbank Group ratios, as Basel II is still to be implemented in these jurisdictions.

** Includes unappropriated profit.*

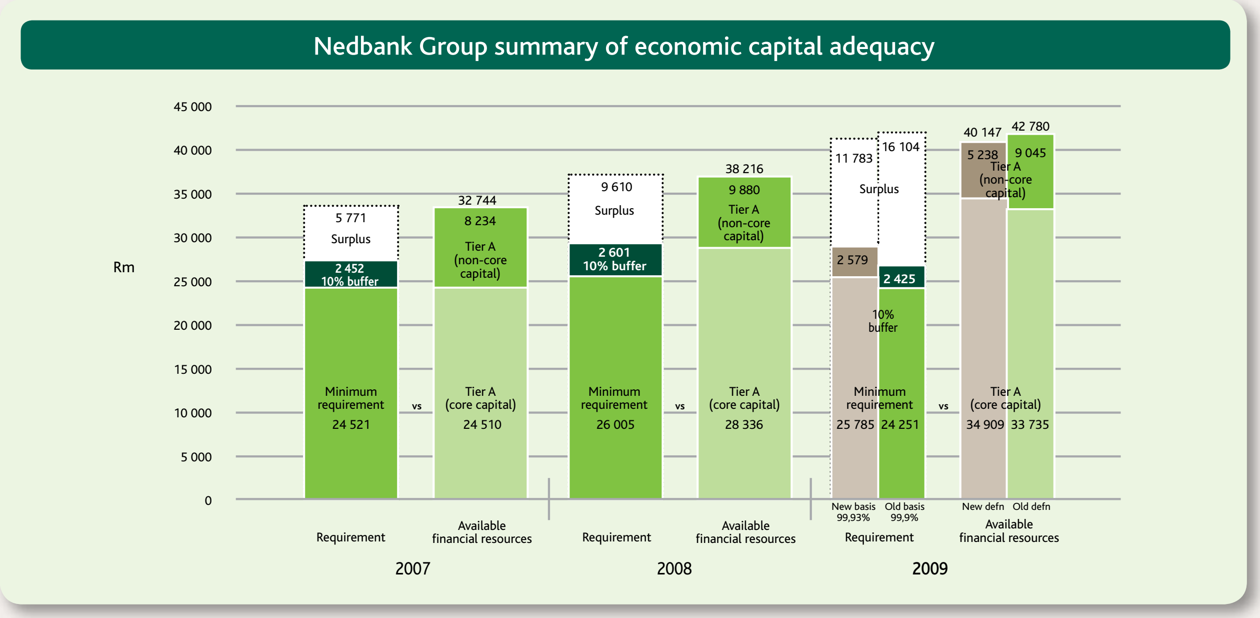
We conclude that the capitalisation of all these banking entities is adequate, all with conservative risk profiles and being well-managed and monitored within the group's enterprisewide risk management and the ICAAP. Nedbank Group has approval to acquire 100% of Imperial Bank's shares and plans to integrate it fully into Nedbank Group in 2010, subject only to regulatory approval in terms of section 54.

Capital impact of Nedbank Group's outright purchase of joint ventures with Old Mutual and 100% Imperial Bank Limited buyout

The capital impact on Nedbank Group of these transactions is not material. The transaction with Old Mutual was effective 1 June 2009 and is included in these results. The transaction with Imperial Holdings was still pending at 31 December 2009. During February 2010 final regulatory approvals were received and Nedbank Limited acquired 100% of the ordinary and preference shares in Imperial Bank.

Economic capital adequacy

Nedbank Group's economic capital methodology has been summarised on page 200. Set out below is a summary of the group's economic capital adequacy and capital allocation to the business clusters:



The following changes were made to the group's 2008 economic capital model (used for ICAAP), which introduce even more conservatism around the group's target solvency standard:

- Increased the target debt solvency standard from A- (99,9%) (same as Basel II) to A (99,93%).
- Excluded '50% of next year's earnings' from the definition of AFR (even though business risk economic capital is still included).
- Created a Tier A and Tier B category for AFR, with Tier A having to cover at least the minimum economic capital requirement at an A rating.

Definitions:

Tier A = core Tier 1 regulatory capital and qualifying reserves*

Tier B = perpetual preference shares and hybrid debt capital

(In Tier A we include SBP, FCT and AFS reserves, as we deem this as correct and appropriate.)*

The effect of the changes on required economic capital and AFR for 2009 is shown by comparing it with the required and available capital prior to and after these changes.

The impact of these changes at 2009 (with pro forma data) is highlighted in the tables below:

Available surplus at year-end

Rm	New basis (99,93%)	Old basis (99,90%)
Economic capital requirement	**25 785**	24 251
10% capital buffer	**2 579**	2 425
Economic capital requirement including capital buffer	**28 364**	26 676
AFR	**40 147**	42 780
Available surplus (after 10% capital buffer)	**11 783**	16 104

Economic capital by risk type at year-end

Rm	New basis (99,93%)	Old basis (99,90%)
Credit risk	**14 515**	13 541
Transfer risk	**142**	134
Trading risk	**442**	428
IRRBB risk	**39**	39
Business risk	**4 254**	4 133
Operational risk	**2 855**	2 548
Property risk	**1 158**	1 121
Investment risk	**1 734**	1 679
Forex translation risk	**33**	33
Other assets risk	**613**	595
Total economic capital requirement	**25 785**	24 251
10% capital buffer	**2 579**	2 425
Economic capital requirement including 10% capital buffer	**28 364**	26 676

Economic capital available financial resources at year-end

Rm	New definition	Old definition
Tier A capital	**34 909**	33 735
Ordinary share capital and premium	**14 164**	14 164
Minority interest: ordinary shareholders	**1 849**	1 849
Reserves	**25 485**	24 311
Retained income (excluding unappropriated profits)	**14 130**	14 130
Unappropriated profits	**1 309**	1 309
Distributable reserves	**7 697**	7 697
Non-distributable reserves	**173**	173
Foreign currency translation reserves	**224**	Not In
Share-based payment reserves	**875**	Not In
Available-for-sale reserves	**76**	Not In
Property revaluation reserves	**1 002**	1 002
Deductions	**(7 827)**	(7 827)
Impairments	**(8)**	(8)
Goodwill	**(4 981)**	(4 981)
Subordinated-debt portion of unappropriated profits	**(266)**	(266)
First loss credit enhancement iro securitisation scheme (50%)	**(33)**	(33)
Surplus capital held in insurance entities (50%)	**(489)**	(489)
Holsboer and Chairman's Fund	**(330)**	(330)
Minority interest in Imperial Bank	**(1 720)**	(1 720)
Excess of IFRS provisions over expected loss (100%)	**1 238**	1 238
Tier B capital*	**5 238**	9 045
Total AFR	**40 147**	42 780

** Includes preference shares, hybrid debt capital instruments and other.*

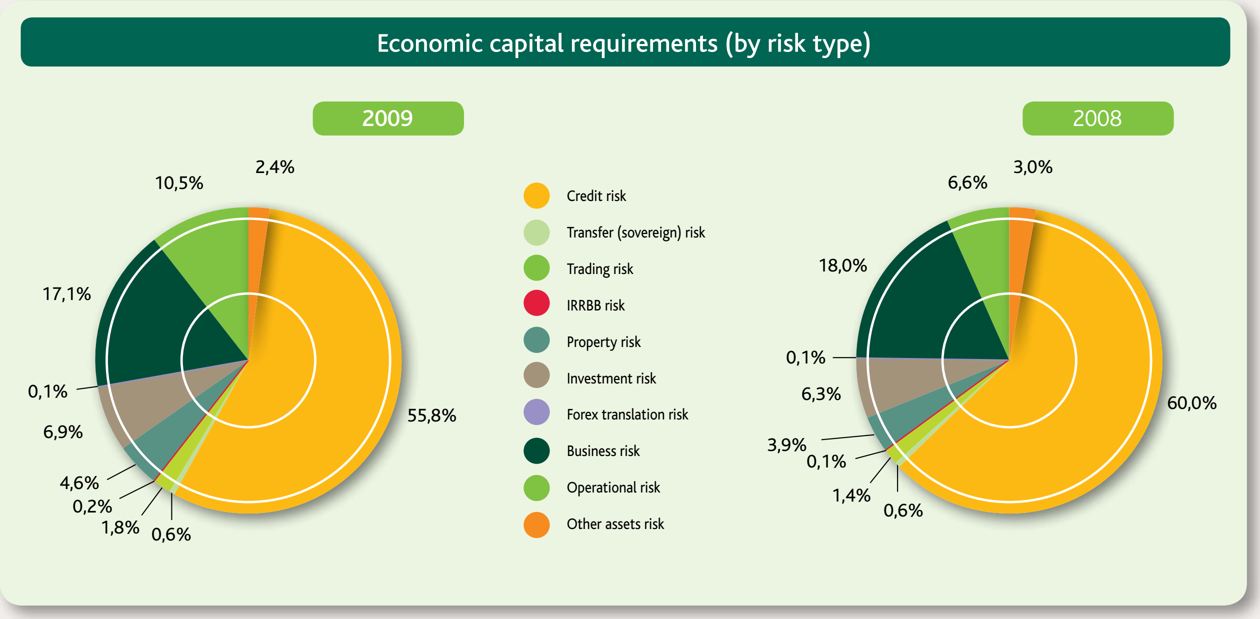
Nedbank Group's ICAAP confirms that the group is capitalised above its new, more conservative A or 99,93% target debt rating (solvency standard) in terms of its proprietary economic capital methodology set out on page 199. This includes a 10% capital buffer, the incorporation of the group's risk appetite approved by the board and the application of comprehensive stress and scenario testing.

Economic capital requirements and available financial resources (by risk type)

Rm	2009 New basis	2009 Old basis	2008 Old basis
Credit risk*	14 515	13 541	15 605
Transfer risk	142	134	166
Market risk	3 406	3 300	3 066
Trading risk	442	428	352
IRRBB risk	39	39	33
Property risk	1 158	1 121	1 019
Investment risk	1 734	1 679	1 635
Forex translation risk	33	33	27
Operational risk	2 855	2 548	1 682
Business risk	4 254	4 133	4 798
Other assets risk	613	595	689
Minimum economic capital requirement	25 785	24 251	26 005
+ Capital buffer (10%)	2 579	2 425	2 601
= Total economic capital requirement	28 364	26 676	28 606
vs AFR	40 147	42 780	38 216
Tier A capital (shareholders' equity)	34 909	33 735	28 336
Tier B capital (non-core Tier 1-type capital)	5 238	9 045	9 880
= Surplus available after capital buffer	11 783	16 104	9 610

* *Credit risk economic capital incorporates counterparty credit risk and securitisation risk.*

** *New basis includes the new solvency standard (99,93%) and the new definition of AFR.*



The total economic capital (including 10% buffer) decreased by R1,9 billion from R28,6 billion in 2008 to R26,7 billion in 2009 (old basis), owing mainly to a decrease in credit risk economic capital and business risk economic capital. The decrease in business risk is as a result of parameter updates as well as the lower projected growth, compared with the previous year.

Credit risk economic capital decreased from R15,6 billion to R13,5 billion (old basis) over the period. Both credit risk economic and regulatory capital decreased as a result of the optimisation of risk-weighted assets.

These decreases were offset by increases in property and operational risk. Property risk has increased as a result of the increase in properties in possession due to the worsening economic conditions. Operational risk increased due to the inclusion of the 'most recent year of gross income' data in the calculation under TSA.

In conclusion, Nedbank Group's economic capital adequacy is strong at its new A (99,93%) target debt rating (solvency standard), with surpluses at group level of R11,8 billion (R16,1 billion on the old basis at an A- target rating). This is after providing for a 10% economic capital buffer, which is subject to sophisticated stress testing.

- Capital allocation (risk-based) to business clusters

  A summary of economic capital requirement at year-end by business cluster (on the old basis)* is presented below:

Risk type	Nedbank Group		Nedbank Corporate		Nedbank Business Banking		Nedbank Capital		Nedbank Retail		Imperial Bank		BSM/Other	
Rm	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Credit risk	**13 541**	15 605	**3 472**	3 897	**1 780**	3 182	**816**	934	**5 925**	6 122	**1 536**	1 450	**12**	20
Transfer (sovereign) risk	**134**	166	**39**	64			**95**	102						
Market risk	**3 300**	3 066	**601**	520	**3**	6	**1 281**	1 216	**450**	399	**32**	13	**933**	912
Trading risk	**428**	352					**428**	352						
IRRBB risk	**39**	33											**39**	33
Property risk	**1 121**	1 019	**37**	34	**3**	5			**257**	212	**32**	13	**792**	755
Investment risk	**1 679**	1 635	**560**	484		1	**841**	853	**178**	174			**100**	123
Forex translation risk	**33**	27	**4**	2			**12**	11	**15**	13			**2**	1
Operational risk	**2 548**	1 682	**438**	284	**407**	275	**299**	251	**1 279**	803	**101**	51	**24**	18
Business risk	**4 133**	4 798	**702**	745	**616**	676	**627**	1 241	**2 031**	2 009	**157**	127		
Other assets risk	**595**	689	**44**	176		35	**19**	21	**177**	174	**25**	1	**330**	282
Total	**24 251**	26 005	**5 296**	5 686	**2 806**	4 174	**3 137**	3 765	**9 862**	9 507	**1 851**	1 642	**1 299**	1 232

** (On old economic capital basis, as the new basis is effective for capital allocation purposes only from 2010.)*

The target debt solvency change will be effective for risk-adjusted performance measurement from 2010 and, as a result, is not effective in the business cluster results above. In addition, there are a number of economic capital allocation methodology enhancements that will be implemented for 2010, which are expected to have a significant impact on the allocation of capital across the group's business clusters. The impact of the changes by business cluster will be disclosed with the 2010 interim results. The following is a summary of the key enhancements being implemented for 2010:

– Full alignment of the group's actual book capital, with the aggregate amount allocated to the various business clusters using bottomup economic capital.

– Updating of the credit portfolio modelling correlations and revising the credit economic capital allocation methodology taking into account recent global developments (including downturn years) and the new regulatory thinking in line with the new Basel III proposals discussed earlier.

– Measurement of operational risk for economic capital purposes using the Advanced Measurement Approach instead of TSA.

Cost of equity

Following a shift in the constituents of the cost of equity calculated using the Capital Asset Pricing Model, Nedbank Group revised its cost of equity up to 14,15% at the beginning of 2010. The main driver of the increase in the cost of equity was an increase in the 10-year risk-free rate, which resulted from a change in expectations for the 10-year RSA government yield on the back of global and local economic developments. The cost-of-equity figure of 14,15% is roughly in line with analyst expectations and peer group comparatives.

Capital Asset Pricing Model

	Risk-free rate (R157) %	Beta	Equity risk premium %	After-tax cost of ordinary shares %
2007	7,73	1,02	5,30	13,14
2008	8,43	1,00	5,44	13,87
2009	7,75	1,00	5,50	13,25
2010	9,17	0,90	5,50	14,15

External credit ratings

External credit ratings across the banking industry were moved downwards, reflecting the effect of the global financial crisis on the banking sector. Notwithstanding strengthened capital and liquidity positions, and the much less significant impact of the global financial crisis on South Africa, local banks were all generally downgraded by the rating agencies.

- Moody's Investors Service

  In November 2009 Moody's Investors Service (Moody's) took a number of rating actions on the major SA banks, including the ratings of Nedbank Limited, the 100%-owned subsidiary of Nedbank Group Limited (Nedbank Group).

  According to Moody's these rating actions were triggered by the following factors:

  – The deteriorating operating and macroeconomic conditions and the resultant challenges for the SA banking sector that has led to Moody's downgrading the bank financial strength ratings (BFSR) by one notch to C-, while changing the outlook on the BFSR from negative to stable.

  – At the same time the Global Local Currency (GLC) deposit rating was also downgraded one notch to A2, with an associated change in outlook from negative to stable.

  The specific impact on Nedbank Group's ratings is as follows:

  Nedbank Limited
  The foreign currency deposit ratings: remain unchanged at A3/P-2.

  Nedbank Limited's euro medium-term note programme: rating for senior unsecured debt downgraded to A2 (stable outlook) from A1 (negative outlook) and rating for subordinated notes downgraded to A3 (stable outlook) from A2 (negative outlook).

  Nedbank Limited's BFSR rating: downgraded to C-; outlook revised from negative to stable.

  Nedbank Limited's GLC deposit rating: downgraded 1 notch to A2; outlook changed from negative to stable.

  Nedbank Limited's national scale debt ratings (relating to the domestic medium-term note programme): downgraded to Aa2.za (stable outlook) from Aa1.za for senior unsecured debt and to Aa3.za (stable outlook) from Aa2.za for subordinated notes.

  Nedbank Limited's national scale rating: downgraded to Aa2.za; outlook revised from negative to stable.

Moody's current ratings for Nedbank Limited after the ratings actions:

	NEDBANK LIMITED 2009
BFSR	C-
Outlook – financial-strength rating	Stable
Global local currency – long-term deposits	A2
Global local currency – short-term deposits	Prime-1
Foreign currency – long-term bank deposits	A3
Foreign currency – short-term bank deposits	Prime-2
Outlook – foreign current deposit rating	Stable
National scale rating – long-term deposits	Aa2.za
National scale rating – short-term deposits	Prime-1.za
Outlook – national scale rating	Stable

Definitions:

BFSR

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

Where appropriate, a '+' modifier is appended to ratings below the 'A' category and a '-' modifier will be appended to ratings above the 'E' category to distinguish those banks that fall in intermediate categories.

Long-term (capped by sovereign rating)

A = Obligations rated A are subject to low credit risk and considered upper-medium grade.

Aa = Obligations rated Aa are subject to very low credit risk and considered high-quality grade.

Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category.

Short-term

P-1 = Issuers rated Prime-1 have a superior ability to repay short-term debt obligations.

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

- Fitch Ratings

  Fitch Ratings (Fitch) also revised its ratings for Nedbank Group in July 2009.

  Fitch affirmed Nedbank Group's long-term foreign and local currency Issuer Default Rating (IDR) at BBB and national long-term rating at AA-(zaf) respectively. The short-term foreign currency IDR was upgraded to F2 from F3. The outlook for all three ratings was revised to stable from negative.

  Fitch downgraded Nedbank Limited's long-term foreign and local currency IDR to BBB from BBB+ and the national long-term rating to AA-(zaf) from AA(zaf) respectively. The outlook for the three ratings was revised upward to stable from negative.

  In aligning Nedbank Limited's ratings with those of Nedbank Group, Fitch also reviewed the level of integration between the holding company and its bank subsidiary, and believes there is very little difference between the credit quality of the two entities. The agency considers the overall levels of integration between the two entities to be high, with insignificant external obligations within the holding company and intergroup obligations interest-free and without repayment dates.

The rating actions are summarised as follows:

Nedbank Group
Long-term foreign currency IDR: affirmed at BBB; outlook revised to stable from negative.
Long-term local currency IDR: affirmed at BBB; outlook revised to stable from negative.
Short-term foreign currency IDR: upgraded to F2 from F3.
National long-term rating: affirmed at AA-(zaf); outlook revised to stable from negative.
National short-term rating: affirmed at F1+(zaf).
Individual rating: affirmed at C.
Support rating: affirmed at 2.

Nedbank Limited
Long-term foreign currency IDR: downgraded to BBB from BBB+; outlook revised to stable from negative.
Long-term local currency IDR: downgraded to BBB from BBB+; outlook revised to stable from negative.
Short-term foreign currency IDR: affirmed at F2.
National long-term rating: downgraded to AA-(zaf) from AA(zaf); outlook revised to stable from negative.
National short-term rating: affirmed at F1+(zaf).
Individual rating: affirmed at C.
Support rating: affirmed at 2.

Latest Fitch ratings for Nedbank Group companies:

Fitch ratings	Nedbank Group December 2009	Nedbank Limited December 2009	Imperial Bank Limited December 2009
Individual	C	C	
Support	2	2	2
Foreign currency			
Short-term	F2	F2	
Long-term	BBB	BBB	
Long-term rating outlook	Stable	Stable	
Local currency			
Long-term senior	BBB	BBB	
Long-term rating outlook	Stable	Stable	
National			
Short-term	F1+ (zaf)	F1+ (zaf)	F1 (zaf)
Long-term	AA- (zaf	AA- (zaf)	A+ (zaf)
Long-term rating outlook	Stable	Stable	Positive

Definitions:
Individual and support
C = An adequate bank that, however, possesses one or more troublesome aspects.
2 = A bank for which there is a high probability of external support and the potential provider of support is highly rated in its own right.

Foreign and local currency (capped by sovereign risk limits of BBB+ for foreign long-term, F2 for foreign short-term and A for local long-term)
F2 = Good credit quality. The capacity for timely payment of financial commitments is satisfactory.
BBB = Good credit quality. Indicates that there is currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate.
The modifiers '+' or '-' denote relative status within major categories.

National
F1 = Indicates the strongest capacity for timely payment of financial commitments relative to other issuers or issues in the same country.
A = Denotes a strong credit risk relative to other issuers or issues in the same country.
AA = Denotes a very strong credit risk relative to other issuers or issues in the same country.
The modifiers '+' or '-' denote relative status within major categories.

AT 1 JANUARY 2010

BOARD OF DIRECTORS

Dr Reuel Jethro Khoza (60)
Non-executive Chairman

(Appointed August 2005 as a director and May 2006 as non-executive Chairman.)

Qualifications:
BA(Hons) Psychology (UNIN), MA Marketing Management (Lancaster, UK), EngD (Warwick, UK), IPBM – IMD (Lausanne, Switzerland), PMD (Harvard Business School, USA), LLD (hc) Rhodes.

Nationality:
South African.

Reuel Khoza is Chairman of Aka Capital and Nepad Business Foundation. He is a non-executive director of Nampak Limited, Protea Group Limited and Old Mutual plc. He is President of the Institute of Directors and in this capacity served on the King II and King III Committees on corporate governance. He is a founding director of the Black Management Forum and the former Chairman of Eskom Holdings.

Nedbank Group Board committees:
Nedbank Group Directors' Affairs Committee (Chairman).

Nedbank Group ordinary shares:
1 374 beneficial indirect.

Nedbank Limited preference shares:
0.

Christopher John Watkins Ball (70)
Non-executive Director

(Appointed November 2002 as a director and February 2007 as senior independent director of Nedbank Group Limited.)

Qualifications:
Dip Iuris, MA.

Nationality:
South African.

Chris Ball was previously a non-executive director of BoE Limited and five of its subsidiary companies, including Century City Limited. He is currently a non-executive director of Imperial Bank Limited.

Nedbank Group Board committees:
Group Finance and Oversight Committee (Chairman), Group Audit Committee (Chairman), Group Remuneration Committee, Group Credit Committee, Group Directors' Affairs Committee, Group Risk and Capital Management Committee, Group Transformation and Sustainability Committee and Board Strategic and Innovation Management Committee.

Nedbank Group ordinary shares:
10 000 beneficial direct.

Nedbank Limited preference shares:
144 300 beneficial direct.

Thomas Andrew Boardman (60)
Chief Executive

(Appointed November 2002 as director and December 2003 as Chief Executive.)

Qualifications:
BCom, CA (SA).

Nationality:
South African.

Tom Boardman is Chief Executive of Nedbank Group and Nedbank Limited. He was formerly the Chief Executive and an executive director of BoE Limited. Past directorships include Boardmans and Sam Newman Limited as well as BoE International Holdings Limited and Northwind Investments (Pty) Limited. He is a non-executive director of Mutual & Federal Insurance Company Limited and The Banking Association South Africa, and a director of Vodacom Group (Pty) Limited and the World Wide Fund South Africa.

Nedbank Group Board committees:
Large-exposures Approval Committee until 1 March 2010. With effect from 1 March 2010 Board Strategic and Innovation Management Committee and the Group Credit Committee.

Nedbank Group ordinary shares:
81 100 beneficial direct and
251 715 beneficial indirect (time- and performance-vesting conditions).

Nedbank Limited preference shares:
85 000 beneficial indirect.

Michael William Thomas Brown (43)
Chief Executive Designate

(Appointed June 2004.)

Qualifications:
BCom, Dip Acc, CA (SA), AMP (Harvard Business School, USA).

Nationality:
South African.

Mike Brown is Chief Executive Designate. He was previously, since June 2004, the Chief Financial Officer of Nedbank Group and Nedbank Limited. Prior to that he headed Property Finance at Nedbank and before that he was an executive director of BoE Limited.

Nedbank Group Board committees:
Large-exposures Approval Committee.

Nedbank Group ordinary shares:
49 940 beneficial direct and
235 815 beneficial indirect.

Nedbank Limited preference shares:
0.

Thenjiwe Claudia Pamela Chikane (44)
Non-executive Director

(Appointed November 2006.)

Qualifications:
Chartered Accountant.

Nationality:
South African.

Thenjiwe Chikane was previously the Chief Executive Officer of MGO Consulting and the Head of the Gauteng Department of Finance and Economic Affairs. She is a board member of Datacentrix Limited, a listed company in information technology, and a member of the Rice Africa Board. She was previously a non-executive director of the Development Bank of Southern Africa, Telkom, PetroSA and Chairperson of the State Information Technology Agency.

Nedbank Group Board committees:
Group Audit Committee, Board Strategic Innovation Management Committee, Group Transformation and Sustainability Committee (Chairman) and Group Directors' Affairs Committee.

Nedbank Group ordinary shares:
92 213 beneficial indirect.

Nedbank Limited preference shares:
0.

Graham Wayne Dempster (54)
Chief Operating Officer

(Appointed August 2009.)

Qualifications:
BCom, CTA, CA (SA), AMP (Harvard Business School, USA).

Nationality:
South African.

Graham was appointed as the Chief Operating Officer of Nedbank Group in August 2009. He has been with the group since 1980 and most recently served as Managing Director of Nedbank Corporate from 2003.

Nedbank Group Board committees:
None.

Nedbank Group ordinary shares:
11 881 beneficial direct and
169 584 beneficial indirect.

Nedbank Limited preference shares:
0.

BOARD OF DIRECTORS

AT 1 JANUARY 2010 ... CONTINUED

Mustaq Ahmed Enus-Brey (55)
Non-executive Director

(Appointed August 2005.)

Qualifications:
BCompt(Hons), CA (SA).

Nationality:
South African.

Mustaq Enus-Brey is also a director of Brimstone Investment Corporation Limited and Oceana Group Limited.

Nedbank Group Board committees:
Group Risk and Capital Management Committee (Chairman), Group Directors' Affairs Committee, Group Credit Committee and Group Finance and Oversight Committee.

Nedbank Group ordinary shares:
2 076 beneficial indirect.

Nedbank Limited preference shares:
0.

Prof Brian De Lacy Figaji (65)
Non-executive Director

(Appointed November 2002.)

Qualifications:
BSc(Eng), Dip Tertiary Edu Med, DEd (Coventry, UK), DLitt(hc) (California State, USA).

Nationality:
South African.

Brian Figaji is Chairman of I&J Limited and MARIB Holdings. He is the former Principal and Vice-chancellor of the Peninsula Technikon. He is also a director of PetroSA, Cape Lime (Pty) Limited and the Development Bank of Southern Africa.

Nedbank Group Board committees:
Group Credit Committee, Group Directors' Affairs Committee, Group Remuneration Committee (Chairman) and Group Transformation and Sustainability Committee.

Nedbank Group ordinary shares:
121 879 beneficial indirect and
1 530 non-beneficial indirect.

Nedbank Limited preference shares:
0.

Robert Michael Head (51)
Non-executive Director

(Appointed January 2005.)

Qualifications:
MA (Oxon), ACA, ACII, FCIB.

Nationality:
British.

Bob Head is a former non-executive director of Mutual & Federal Insurance Company Limited and Old Mutual Life Assurance Company (SA) Limited. He is now in charge of the Skandia wealth management businesses in the UK, France, Spain, Italy and the offshore business based on the Isle of Man. He joined Old Mutual plc in February 2003. Prior to that he was Chief Executive of smile.co.uk, Finance Director of egg.com (both UK internet banks) and held various directorships. He was appointed as director of the bank and group in January 2005.

Nedbank Group Board committees:
Group Remuneration Committee, Group Risk and Capital Management Committee and Group Finance and Oversight Committee, all until 19 February 2010.

Nedbank Group ordinary shares:
0.

Nedbank Limited preference shares:
0.

Donald Ian Hope (53)
Non-executive Director

(Appointed December 2009.)

Qualifications:
Member of the Association of Corporate Treasurers, 1989.

Nationality:
New Zealand.

Don Hope was appointed Head of Strategy Development at Old Mutual plc in March 2009. He joined the Old Mutual Group as Group Treasurer in May 1999, with responsibility for developing the group's international treasury function. He was appointed to the role of Chief Executive Officer of Old Mutual (Bermuda) Limited in August 2008, and was Chairman of the Intech Fiduciaries Ltd and the Old Mutual Australia Ltd Boards until their sale from the Old Mutual Group. Before joining the Old Mutual Group Don was Treasurer of Eagle Star Holdings plc, a subsidiary of BAT Industries plc.

Nedbank Group Board committees:
Group Risk and Capital Management Committee and with effect from 19 February 2010 the Group Remuneration Committee and the Group Finance and Oversight Committee.

Nedbank Group ordinary shares:
0.

Nedbank Limited preference shares:
0.

Alan de Villiers Charles Knott-Craig (57)
Non-executive Director

(Appointed January 2009.)

Qualifications:
BSC(Eng) (Elec), MBL, DBL(hc), DBA(hc).

Nationality:
South African.

Alan Knott-Craig served as Managing Director of cellphone network operator Vodacom Limited from 1993 and was Chief Executive of Vodacom Group from 1996 until his retirement at the end of September 2008. He is currently an independent non-executive director of Murray & Roberts Holdings Limited, a member of the Board of the Council for Scientific and Industrial Research, an independent non-executive director of Right to Care and a Governor of the Lebone II School.

Nedbank Group Board committees:
Board Strategic Innovation Management Committee (Chairman), Group Finance and Oversight Committee, Group Risk and Capital Management Committee and Group Directors' Affairs Committee.

Nedbank Group ordinary shares:
0.

Nedbank Limited preference shares:
0.

Wendy Elizabeth Lucas-Bull (53)
Non-executive Director

(Appointed August 2009.)

Qualifications:
BSc.

Nationality:
South African.

Wendy Lucas-Bull is a founder of empowerment investment company, Peotona Group Holdings. She was previously Chief Executive of FirstRand's retail business and prior to that an executive director of Rand Merchant Bank. She is currently an independent non-executive director of Eskom, DBSA, Anglo Platinum and Dimension Data plc.

Nedbank Group Board committees:
Group Finance and Oversight Committee, Group Credit Committee (Chairman), Group Risk and Capital Management Committee and Group Directors' Affairs Committee.

Nedbank Group ordinary shares:
0.

Nedbank Limited preference shares:
0.

Nomavuso Patience Mnxasana (53)
Non-executive Director

(Appointed October 2008.)

Qualifications:
BCompt(Hons), CA (SA).

Nationality:
South African.

Nomavuso Mnxasana is a director at Imperial Bank Limited and Land Bank Limited. A chartered accountant by profession, she was a senior partner and member of the executive committee of SizweNtsaluba. She then served as group audit and risk executive at Imperial Holdings Limited.

Nedbank Group Board committees:
Group Audit Committee, Group Remuneration Committee and Group Risk and Capital Management Committee.

Nedbank Group ordinary shares:
49 572 beneficial indirect.

Nedbank Limited preference shares:
0.

Philip Jabu Moleketi (53)
Non-executive Director

(Appointed August 2009.)

Qualifications:
Postgraduate Diploma in Economic Principles (University of London, UK), MSc (Financial Economics) (University of London, UK), AMP (Harvard Business School, USA).

Nationality:
South African.

Jabu Moleketi was South Africa's Deputy Minister of Finance from 2004 to 2008, and prior to this served as Gauteng MEC of Finance and Economic Affairs for 10 years. He has also served as chairperson of the Public Investment Corporation (PIC). He is non-executive Chairman of Brait South Africa and non-executive director of Harith Fund Managers, Vodacom, Remgro and the Development Bank of Southern Africa.

Nedbank Group Board committees:
Group Strategic Innovation Management Committee, Group Transformation and Sustainability Committee and Group Audit Committee.

Nedbank Group ordinary shares:
1 422 beneficial indirect.

Nedbank Limited preference shares:
0.

Raisibe Kgomraga Morathi (40)
Chief Financial Officer

(Appointed September 2009.)

Qualifications:
BCompt(Hons), CA (SA), H Dip Tax, AMP (Insead Business School).

Nationality:
South African.

Raisibe Morathi has 16 years' experience in the financial services sector and has held senior positions in banking and insurance. Prior to joining Nedbank, she was an executive director of Sanlam Limited, and non-executive director of Santam Limited. She previously held several executive roles at the Industrial Development Corporation of South Africa Limited, the last position having been Chief Operating Officer.

Nedbank Group Board committees:
Large-exposures Approval Committee.

Nedbank Group ordinary shares:
0.

Nedbank Limited preference shares:
0.

Julian Victor Frow Roberts (52)
Non-executive Director

(Appointed December 2009.)

Qualifications:
Fellow of Institute of Chartered Accountants, member of Association of Corporate Treasurers, Accountancy and Business Law (University of Stirling, Scotland).

Nationality:
British.

Julian Roberts was appointed Group Chief Executive of Old Mutual plc in September 2008. Prior to his appointment he was Chief Executive of the Group's Skandia businesses. He originally joined Old Mutual plc as Group Finance Director in August 2000. Before joining Old Mutual Julian was Group Finance Director of Sun Life & Provincial Holdings plc (now part of AXA) and previously Chief Financial Officer of Aon UK Holdings Limited.

Nedbank Group Board committees:
Group Directors' Affairs Committee.

Nedbank Group ordinary shares:
0.

Nedbank Limited preference shares:
0.

Gloria Tomatoe Serobe (50)
Non-executive Director

(Appointed August 2005.)

Qualifications:
BCom (Unitra), MBA (Rutgers, USA).

Nationality:
South African.

Gloria Serobe is the Chief Executive of Wipcapital Limited and also founder and executive director of Wiphold Limited. She was previously the Executive Director: Finance at Transnet. Gloria serves on several boards, including that of JSE Limited, and sits on the Financial Sector Charter Council. She is also a non-executive director of Old Mutual Life Assurance Company (SA) Limited.

Nedbank Group Board committees:
Group Transformation and Sustainability Committee and Group Credit Committee.

Nedbank Group ordinary shares:
1 296 beneficial indirect.

Nedbank Limited preference shares:
0.

Malcolm Ian Wyman (63)
Non-executive Director

(Appointed August 2009.)

Qualifications:
CA (SA), AMP (Harvard Business School, USA).

Nationality:
British.

Malcolm Wyman is an executive director and the Chief Financial Officer of SABMiller plc, a position he has held since 2001. He was previously executive director responsible for corporate finance and acquisitions.

Nedbank Group Board committees:
Group Audit Committee and with effect from 1 March 2010 Group Remuneration Committee.

Nedbank Group ordinary shares:
350 non-beneficial indirect.

Nedbank Limited preference shares:
0

NOTICE OF ANNUAL GENERAL MEETING

Nedbank Limited
(Incorporated in the Republic of South Africa)
Reg No 1951/000009/06
JSE share code: NBKP ISIN: ZAE000043667
(Nedbank or the company)

This notice is being sent to holders of Nedbank Limited non-redeemable non-cumulative preference shares for information only.

In terms of article 44.8 of the articles of association of Nedbank Limited (the company), the holders of the aforementioned 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:

- **the preference dividend or any part thereof remains in arrears and unpaid after 6 (six) months from the due date thereof;**
- **a resolution of the company is proposed (in which event the preference shareholders shall be entitled to vote only on such resolution) that 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.**

Notice is hereby given that the annual general meeting of the members of Nedbank will be held in the West Boardroom, Ground Floor, A Block, Nedbank Sandton, 135 Rivonia Road, Sandown, Sandton, on Monday, 3 May 2010, at 15:00.

Agenda

1 To receive and adopt the annual financial statements of the company for the financial year ended 31 December 2009.

2 To note and confirm the dividends of R2 070 000 000 declared and paid to the members holding ordinary shares for the financial year 1 January to 31 December 2009.

3. To note and confirm preference dividend number 13 of 48,98630 cents per preference share for the half-year ended 30 June 2009 and paid on 31 August 2009, and preference dividend 14 of 40,15068 cents per preference share declared for the period 1 July 2009 to 31 December 2009 and paid on 29 March 2010.

4 To reelect as directors of the company:

4.1 Mr CJW Ball,
4.2 Ms TCP Chikane

who retire by rotation in terms of the company's articles of association and, being eligible, make themselves available for reelection.

Biographical details of the directors to be reelected are set out on pages 222 to 227 of the annual report. Each reelection will be put to shareholders in a separate resolution.

5 To elect:

5.1 Mr GW Dempster,
5.2 Mr DI Hope,
5.3 Ms WE Lucas-Bull,
5.4 Mr PJ Moleketi,
5.5 Ms RK Morathi,
5.6 Mr JVF Roberts,
5.7 Mr MI Wyman

as directors of the company. Each election will be put to shareholders in a separate resolution.

During the year the board of directors appointed Messrs GW Dempster, DI Hope, PJ Moleketi, JVF Roberts and MI Wyman and Mesdames WE Lucas-Bull and RK Morathi as directors of the company. They retire in terms of the company's articles of association and, being eligible, make themselves available for election.

Biographical details of these directors are set out on pages 222 to 227 of the annual report.

6 To reappoint Deloitte & Touche (with the designated auditor currently being Mr D Shipp) and KPMG Inc (with the designated auditor currently being Ms TA Middlemiss), as joint auditors, to hold office from the conclusion of the annual general meeting until the conclusion of the next annual general meeting of Nedbank.

7 To authorise the Nedbank Group Audit Committee to determine the remuneration of the company's auditors and the auditors' terms of engagement.

8 To consider and, if deemed fit, pass with or without modification the following ordinary resolutions:

8.1 Ordinary resolution 1

Control of authorised, but unissued, shares

'Resolved that authority be and it is hereby granted by the members to the company to place the authorised, but unissued, shares in the share capital of Nedbank under the control of the directors to allot and issue these shares on such terms and conditions and at such times as they deem fit, subject to the provisions of the Companies Act, 61 of 1973, as amended, the Banks Act, 94 of 1990, as amended, and the JSE Limited Listings Requirements.'

8.2 Ordinary resolution 2

Approval of remuneration policy

'To approve, through a non-binding advisory vote, the company's remuneration policy and its implementation, as adopted by the Nedbank Group's Remuneration Report.'

8.3 Ordinary resolution 3

Remuneration to executive directors

'To approve the remuneration paid to executive directors in accordance with the company's remuneration policy, as set out in the Remuneration Report contained in the annual financial statements.

8.4 Ordinary resolution 4

Remuneration to non-executive directors

'To approve the remuneration paid to non-executive directors in accordance with the company's remuneration policy, as set out in the Remuneration Report contained in the annual financial statements.'

Voting by proxy

A member entitled to attend, speak and vote at the annual general meeting may appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company. Completed proxy forms should be received at the office of the company secretary no later than 24 hours before the time appointed for the holding of the annual general meeting.

By order of the board

GS Nienaber
Company Secretary

Sandown
24 February 2010

Registered office

Nedbank Limited
Reg No 1951/000009/06
Nedbank Sandton
135 Rivonia Road
Sandown, Sandton, 2196

PO Box 1144
Johannesburg, 2000
Tel: +27 (0)11 294 4444
Fax: +27 (0)11 295 1111

Transfer secretaries in South Africa
(Listed Preference shares only)
Computershare Investor Services (Proprietary) Limited
70 Marshall Street
Johannesburg, 2001

PO Box 61051
Marshalltown, 2107
Tel: +27 (0)11 370 5000
Fax: +27 (0)11 688 5238

NOTES

FORM OF PROXY

Nedbank Limited
(Incorporated in the Republic of South Africa)
Reg No 1951/000009/06
JSE share code: NBKP ISIN: ZAE000043667
(Nedbank or the company)

For use by members and registered holders of Nedbank ordinary shares registered in their name at the annual general meeting to be held in the West Boardroom, A Block, Ground Floor, Nedbank Sandton, 135 Rivonia Road, Sandown, on Monday, 3 May 2010, at 15:00 and at any adjournment thereof.

I/We ____

of (address) ____

being the holder(s) of [ ] ordinary shares in the company, appoint (see note 1):

1 ____ or failing him/her

2 ____ or failing him/her

3 ____ the chairman of the annual general meeting

as my/our proxy to act for me/us and on my/our behalf at the annual general meeting that will be held for the purpose of considering and, if deemed fit, passing with or without modification ordinary resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against such resolutions and/or to abstain from voting in respect of the ordinary shares registered in my/our name(s), in accordance with the following instructions:

	Number of votes (one vote per ordinary share)		
Resolutions	For	Against	Abstain
1 Receipt and adoption of annual financial statements			
2 Noting payment of dividends of R2 070 000 000			
3 Noting and confirming preference dividends No 13 and 14 of respectively 48,98630 cents per preference share on 30 June 2009 and 40,15068 cents per preference share on 29 March 2010			
4.1 Reelection as a director of Mr CJW Ball, who is retiring by rotation			
4.2 Reelection as a director of Ms TCP Chikane, who is retiring by rotation			
5.1 Election of Mr GW Dempster, who was appointed as a director during the year			
5.2 Election of Mr DI Hope, who was appointed as a director during the year			
5.3 Election of Ms WE Lucas-Bull, who was appointed as a director during the year			
5.4 Election of Mr PJ Moleketi, who was appointed as a director during the year			
5.5 Election of Ms RK Morathi, who was appointed as a director during the year			
5.6 Election of Mr JVF Roberts, who was appointed as a director during the year			
5.7 Election of Mr MI Wyman, who was appointed as a director during the year			
6 Reappointment of the joint auditors			
7 Determination of the remuneration of the joint auditors			
8.1 Ordinary resolution 1 – Placing of unissued ordinary shares under the control of the directors			
8.2 Ordinary resolution 2 – Authorisation to determine approval of the remuneration policy			
8.3 Ordinary resolution 3 – Approval of the remuneration paid to executive directors			
8.4 Ordinary resolution 4 – Approval of the non-executive directors' fees			

Signed at (place) ______________________ on (date) ______________________ 2010

Signature ____

Assisted by me

(where applicable)

Please read the notes on the reverse side hereof.

Contact details
Tel:
Fax:
Email:

NOTES TO FORM OF PROXY

1 Each member is entitled to appoint one or more proxies (who need not be a member of the company) to attend, speak and vote in place of that member at the annual general meeting.

2 A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space provided, with or without deleting 'the chairman of the annual general meeting'. The person whose name stands first on this form of proxy and who is present at the annual general meeting shall be entitled to act as proxy to the exclusion of the persons whose names follow.

3 A member's instructions to the proxy have to be indicated by the insertion of a cross in the appropriate box provided. Failure to comply with this shall be deemed to authorise the chairman of the annual general meeting, if the chairman is the authorised proxy, to vote in favour of the ordinary resolutions at the annual general meeting or the appointed proxy to vote or to abstain from voting at the annual general meeting, as he/she deems fit, in respect of all the member's votes exercisable thereat.

4 A member or his/her proxy is not obliged to vote in respect of all the ordinary shares held by such member or represented by such proxy, in respect of which any abstention is recorded may not exceed the total number of votes to which the member or his/her proxy is entitled.

5 Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity has to be attached to this form of proxy, unless previously recorded by the company's transfer secretaries or waived by the chairman of the annual general meeting.

6 The chairman of the annual general meeting may reject or accept any form of proxy that is completed and/or received in any manner other than in accordance with these instructions and notes.

7 Any alterations or corrections to this form of proxy shall be initialled by the signatory/signatories.

8 The completion and lodging of this form of proxy shall not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.

9 Forms of proxy have to be lodged with or posted to the company secretary, Mr GS Nienaber at the address hereunder. The forms of proxy must be received no later than 15:00 on Friday, 30 April 2010.

10 Members attending the annual general meeting will be afforded the opportunity of putting questions to the directors and management.

The members holding non-redeemable non-cumulative non-participating preference shares will not be entitled to vote at the annual general meeting. They may nominate and appoint authorised agents and representatives to attend on their behalf but such attendees shall have neither the right to speak nor vote at the meeting.

Nedbank Limited
GS Nienaber
Company Secretary

Business address
Nedbank Sandton
135 Rivonia Road
Sandown, 2196

Postal address
PO Box 1144
Johannesburg, 2000
Tel: +27 (0)11 294 4444
Fax: +27 (0)11 295 1111

DEFINITIONS

Accounting and taxation risk

The risk that the integrity of the financial statements and related information cannot be upheld.

Accounting risk

- The risk that inappropriate accounting information causes suboptimal decisions to be made, due to inappropriate policy, faulty interpretation of policy, or plain error.
- The extent to which the financial statements can be affected by exchange rate fluctuations. Also called accounting exposure or translation risk.
- The risk that financial statements and other statutory and regulatory reporting do not accord with International Financial Reporting Standards (IFRS) and/or other relevant statutory requirements are not based on appropriate accounting policies and do not incorporate required disclosures.
- The risk that the internal financial and operational controls of accounting and administration do not provide reasonable assurance that transactions are executed and recorded in accordance with generally accepted business practice and the group's policies and procedures, and that assets are safeguarded.

Advanced Internal Ratings-based Approach (AIRB)

Subject to Supervisory approval, a bank may use its internally developed credit risk measurement systems to calculate the capital requirements for credit risk.

Assets under management

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

Assurance risk

The failure to reinsure with other acceptable quality insurers, beyond the level of risk appetite (excessive risk) mandated by the board of directors, risks underwritten by the short-term insurance and/or life assurance activities of the group, including catastrophe insurance (ie more than one insurance claim on the group arising from the same event), leading to disproportionate losses to the group.

Automated teller machine (ATM)

A cash machine or free-standing device dispensing cash, which may also provide other information or services to clients who have a card and a personal identification number, password or other personal identification.

Banks

This asset class covers all exposures to counterparties treated as banks.

Basel asset classes (as categorised in the BA 200 return)

Corporate exposures

Corporate

Corporate exposures are defined as debt obligations of a corporation, partnership or proprietorship. Banks are permitted to distinguish between exposures to small- and medium-sized entities.

Specialised lending – high-volatility commercial real estate (property development)

High-volatility commercial real estate (HVCRE) lending is the financing of commercial real estate that exhibits higher loss rate volatility compared with other types of specialised lending.

Specialised lending – income-producing real estate

Income-producing real estate (IPRE) refers to a method of providing funding to real estate (such as office buildings to let, retail space, multifamily residential buildings, industrial or warehouse space, and hotels) where the prospects for repayment and recovery on the exposure depend primarily on the cashflows generated by the asset. The primary source of these cashflows would generally be lease or rental payments or the sale of the asset.

Specialised lending – object finance

Object finance (OF) refers to a method of funding the acquisition of physical assets (eg ships, aircraft, satellites, railcars and fleets) where the repayment of the exposure is dependent on the cashflows generated by the specific assets that have been financed and pledged.

Specialised lending – commodities finance

Commodities finance (CF) refers to structured short-term lending to finance reserves, inventories or receivables of exchange-traded commodities (eg crude oil, metals or crops) where the exposure will be repaid from the proceeds of the sale of the commodity.

Specialised lending – project finance

Project finance (PF) is a method of funding in which the lender looks primarily to the revenues generated by a single project, both as the source of repayment and as security for the exposure. This type of financing is usually for large, complex and expensive installations (eg power plants, chemical processing plants and mines).

SME corporate

This asset class covers all exposures to small and medium enterprises that are classified as corporate, based on criteria prescribed by the Banking Regulator.

Purchased receivables – corporate

This asset class covers all receivables classified as corporate exposures, which are purchased for inclusion in asset-backed securitisation structures. However, banks may also use this approach, with the approval of national supervisors, for appropriate on-balance-sheet exposures that share the same features.

Basel Capital Accord (Basel II)

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

BEE transaction

Nedbank Group's BEE transaction, which focused primarily on the issuing of shares to BEE partners for the purposes of BEE, equating to approximately 9,3% (43 618 748 shares) of total share capital and equating to black ownership of 11,5% of the value of Nedbank Group's South African businesses in 2005. Nedbank Namibia's BEE transaction, which focused primarily on the issuing of shares to BEE partners and affinity groups for the purposes of BEE in Namibia, equating to approximately 0,14% (665 680 shares) of total share capital of Nedbank Group Limited and equating to black ownership of 11,13% of the value of NedNamibia Holdings Limited, Nedbank Group's Namibian business in 2006.

Black economic empowerment (BEE)

BEE is defined in the Financial Sector Charter and means the economic empowerment of all black people (Africans, coloureds and Indians who are SA citizens), including women, workers, youth, people with disabilities and people living in rural areas, through diverse but integrated socioeconomic strategies.

Borrowing group

A group of clients and their underlying loans and advances according to the 'per person' definition of the 'Regulations Related to Banks'.

Branch-in-a-box

This is a cost-effective, quick-deployment, relocatable, prefabricated bank branch. It uses modern, broadband satellite technology for communication, which makes it effective for speedy access and hence client convenience. It is also used to test new markets, especially in areas with limited infrastructure such as urban townships and deep rural areas where banking services are not readily available. A branch-in-a-box provides full transaction facilities to clients, including cash withdrawals and deposits, sales and service.

Capital adequacy ratio (CAR)

The capital adequacy of SA banks is measured in terms of the SA Banks Act requirements. The ratio is calculated by dividing the primary (Tier 1), secondary (Tier 2) and tertiary (Tier 3) capital by the risk-weighted assets.

Group capital adequacy ratio

Group capital adequacy is the ratio of group net qualifying capital and reserve funds to total group risk-weighted assets as calculated in accordance with the SA Banks Act requirements.

Primary (Tier 1) capital

Primary capital consists of issued ordinary share capital and perpetual preference share capital, qualifying perpetual callable hybrid capital, retained earnings and reserves, less regulatory deductions.

Core Tier 1 capital

Core Tier 1 capital is primary capital less any amount on non-core Tier 1 capital, being perpetual preference share capital and qualifying perpetual callable hybrid capital.

Secondary (Tier 2) capital

Secondary capital is made up of subordinated dated debt and certain types of perpetual callable debt, the excess amount in respect of eligible provisions and 50% of any revaluation surplus, less regulatory deductions.

Tertiary (Tier 3) capital

Tertiary capital consists of capital obtained by way of unsecured subordinated loans, subject to such conditions as may be prescribed.

Capital risk

The risk that the group will become unable to absorb losses, maintain public confidence and support the competitive growth of the business. This entails ensuring that opportunities can be acted on timeously, while solvency is never threatened.

Cashflow

Financing activities

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

Investment activities

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

Operating activities

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

Closing price/tangible net asset value per share

The closing share price on JSE Limited at year-end divided by the tangible net asset value per share.

Competition Commission Inquiry into Banking

A formal inquiry that was conducted by the Competition Commission of South Africa into competition in the banking sector. A detailed report outlining the recommendations of the banking inquiry panel to the Competition Commission was published in December 2008. The National Treasury with the Department of Trade and Industry has considered the recommendations made in the report and shared proposals with key stakeholders impacted by the recommendations, including the banking sector. The National Treasury has communicated an intent to finalise the next steps concerning recommendations during the second quarter of 2010.

Compliance risk

The risk to earnings and capital arising from violations of or non-compliance with laws, rules and regulations, as well as internal group policies and authority levels, prescribed practices and ethical standards.

Compound annual growth rate (CAGR)

The year-on-year growth rate of an amount over a specified period of time.

Credit loss ratio

Credit loss ratio is the impairments charge as a percentage of average advances.

Credit risk

The risk to earnings and capital arising from the probability of borrowers and counterparties failing to meet their repayment commitments (including accrued interest). Credit concentration risk arises on a portfolio basis where the bank has significant aggregated exposures to particular credit segments, sectors of industry or other portfolios.

Currency translation risk

The risk to earnings or capital arising from the conversion of the group's offshore banking book assets or liabilities or commitments or earnings from foreign currency to local or functional currency.

Default

At a minimum, a default is deemed to have occurred where a material obligation is overdue for more than 90 days or an obligor exceeds an advised limit for more than 90 days.

Defaulted advance

Any advance or group of advances that has triggered relevant 'definition of default' criteria for that portfolio, which is in line with the amended regulations relating to banks. For retail portfolios it is transaction-centric and therefore a default would be specific to an account (specific advance). For wholesale portfolios it is client- or borrower-centric, meaning that, should any transaction within a borrowing group default, then all transactions within the borrowing group would be defaulted.

Deferred taxation assets

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

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

Deferred taxation liabilities

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

Direct taxation

Direct taxation includes normal taxation on income, capital gains tax (CGT) and secondary tax on companies (STC).

Dividend/Distribution cover

Headline earnings per share divided by the dividend/distribution declared per share.

Dividend/Distribution declared per share

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

Dividend/Distribution paid/Capitalised per share

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

Dividend yield

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

Downturn expected loss

A stress-tested value for expected loss under downturn economic conditions that could have unfavourable effects on a bank's credit exposures.

Dti codes

The Codes of Good Practice, as promulgated on 9 February 2007 under section 9(1) of the Broad-based Black Economic Empowerment Act, 2003 (53 of 2003), establish the rules, targets and stipulations for the measurement of broad-based black economic empowerment within South Africa based on three scorecard classifications for organisations: emerging microenterprise (EME), qualifying small enterprise (QSE) and generic enterprise. Nedbank is scored as a generic enterprise.

Earnings per share (EPS)

Basic earnings basis

Income attributable to equity holders for the period divided by the weighted average number of ordinary shares in issue (net of shares held by group entities) during the period.

Headline earnings basis

Headline earnings divided by the weighted average number of shares in issue (net of shares held by group entities) during the period.

Fully diluted basis

The relevant earnings figure is adjusted for the assumed adjustments to income that would have been earned on the issue of shares issued from dilutive instruments. The resultant earnings are divided by the weighted average number of ordinary shares and other dilutive instruments (ie potential ordinary shares) outstanding at the period-end, assuming they had been in issue for the period.

Earnings yield

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

Economic capital (ECap)

Economic capital is the quantification of risk and an internal assessment of the amount of capital required to protect the group against economic losses with a desired level of confidence (solvency standard or default probability) over a one-year time horizon. In other words, it is the magnitude of economic losses the group could withstand while remaining solvent.

Effective taxation rate

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

Efficiency ratio (cost-to-income ratio)

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

Enterprisewide risk

All risk types and categories across all business lines, functions, geographical locations and legal entities of the group, collectively known as its 'risk universe'.

Enterprisewide Risk Management Framework (ERMF)

The risk framework developed by Nedbank Group and applied to all of its divisions to monitor and manage risk. Further details are included in the risk management section of this annual report.

Expected loss (EL)

EL is the expected value of portfolio losses due to default over a specified time horizon.

Expenses per employee

Operating expenses for the year divided by the number of employees at year-end.

Expenses to average assets

Operating expenses for the year divided by average total assets.

Exposure at default (EAD)

EAD is an estimation of the extent to which a bank may be exposed to a counterparty in the event and at the time of that counterparty's default.

Eyethu

Eyethu means 'ours' in the Nguni languages and epitomises the inclusive and uniquely SA identity of the black economic empowerment transaction.

The Financial Advisory and Intermediary Services Act, 37 of 2008 (FAIS)

FAIS aims to regulate a wide range of financial advisory and intermediary services to clients. All financial advisers who are authorised to operate under a FAIS licence have to adhere to certain standards and processes.

The Financial Intelligence Centre Act, 38 of 2001 (FICA)

FICA is aimed at combating money laundering in South Africa. The group's compliance function has developed processes and procedures across the business to ensure that clients are properly identified, suspicious transactions are reported, adequate records are maintained and employees are trained in respect of FICA.

Financial Sector Charter (FSC)

A transformation charter, as contemplated in the broad-based BEE legislation, that was voluntarily developed by the financial sector and constitutes a framework and establishes the principles on which BEE will be implemented in the financial sector.

Foreign exchange translation gains/losses

The results and assets/liabilities of all foreign entities controlled by the group that have a rand-functional currency are translated at the closing exchange rate and the differences arising are recognised in the income statement as foreign exchange translation gains/losses.

FTSE/JSE Africa All-share Index

This comprises the top 99% of eligible listed companies on JSE Limited ranked by full market capitalisation.

FTSE/JSE Africa banks index

This comprises all companies that are constituents of both the FTSE/JSE Africa All-share Index and the banking sector.

Gross domestic product (GDP)

The total market value of the goods and services produced by a country's economy during a specific period of time.

Headline earnings

Headline earnings is not a measure of maintainable earnings. For purposes of the definition and calculation the guidance given on headline earnings, as issued by the SA Institute of Chartered Accountants in circular 07/02 of December 2002, has been used. Headline earnings consist of the earnings attributable to ordinary shareholders, excluding non-trading and capital items.

Headline earnings per employee

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

Hedge

A risk management technique used to insulate financial results from market, interest rate or foreign currency exchange risk (exposure) arising from normal banking operations. The elimination or reduction of such exposure is accomplished by establishing offsetting positions. For example, assets denominated in foreign currencies can be offset against liabilities in the same currencies or through the use of foreign exchange hedging instruments such as futures, options or foreign exchange contracts.

Impairment of loans and advances

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

Impairments charge to average advances

Impairments charge on loans and advances for the year divided by average advances. Also known as the credit loss ratio or impairment ratio.

Indirect taxation

Value-added tax (VAT) and other taxes, levies and duties paid to government, excluding direct taxation.

Information technology risk

The risk resulting from system malfunction and unavailability, security breaches and inadequate systems investment, development, implementation, support and capacity (refer to the definition of 'Operational risk').

Insurance risk

The risk of no insurance cover or inadequate/failed insurance cover for insurable business risks.

Interest rate risk

Interest rate risk in the banking book is the risk that a bank's earnings or economic value will decline as a result of changes in interest rates. The sources of interest rate risk in the banking book are:

- repricing risk (mismatch risk) – timing differences in the maturity (for fixed rate) and repricing (for floating rate) of bank assets, liabilities and off-balance-sheet positions;
- basis risk – imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics;
- yield curve risk – changes in the shape and slope of the yield curve; and
- embedded-options risk – the risk pertaining to interest-related options embedded in bank products.

International Financial Reporting Standards (IFRS)

The standards, as adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB. Nedbank Group's consolidated financial results are prepared in accordance with IFRS.

Investment risk

The risk of a decline in the net realisable value of investment assets arising from adverse movements in market prices or factors specific to an investment itself (eg reputation and quality of management). Market prices are independent variables, which include interest rates, property values, exchange rates, equity and commodity prices.

'Jaws' ratio

The difference between the rate of growth in total income from normal operations and the rate of total expense growth.

Johannesburg Interbank Agreement Rate (JIBAR)

The rate that SA banks charge each other for wholesale money.

JSE Limited (JSE)

Previously JSE Securities Exchange South Africa.

King II (the Code)

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

Liquidity risk

There are two types of liquidity risk: market liquidity risk and funding liquidity risk. Market liquidity risk is the risk that the bank cannot easily offset or eliminate a position without significantly affecting the market price because of inadequate market depth or market disruption. It differs from funding liquidity risk, which is the risk that the bank will not be able efficiently to meet both expected and unexpected current and future cashflow and collateral needs without affecting either daily operations or the financial condition of the bank. However, in many cases, the same factors may trigger both types of liquidity risk.

Local governments and municipalities

This asset class covers all exposures to enterprises that are wholly or majority-owned by the central government (eg Eskom and Transnet).

London Interbank Offered Rate (LIBOR)

The rate that banks participating in the London money market offer each other for short-term deposits.

Loss given default (LGD)

Estimate of the amount of the exposure at default that will be lost (ie not recovered). Also includes other economic costs, eg legal costs.

Market capitalisation

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

Market risk

Market risk is the potential impact on earnings of unfavourable changes in foreign exchange rates, interest rates, prices, market volatilities and liquidity. Market risk includes trading risk and, in terms of the banking book, derivative instruments used for hedging risk in non-trading portfolios, investment risk, translation risk and interest rate risk. Investment risk arises from changes in the fair value of investments and includes private equity and property as well as strategic investments.

Mark-to-market

Valuation of financial instruments using prevailing market prices or fair value as of the balance sheet date.

Mobile bootkits

These are mobile sales and service kits that are easily transportable and can be quickly deployed in areas without traditional branch infrastructure.

Mzansi Accounts

The Mzansi Account is a card-based, entry-level savings/ transmission product with a basic set of features and simplified pricing structure. The major banks worked collectively to provide a standard for new bank accounts that offer affordable and accessible products to previously unbanked individuals. Each bank sets its own pricing, but collaboration between the banks allows holders of Mzansi Accounts to make use of any of the participating banks' ATMs at no additional cost.

National Credit Act (NCA)

The National Credit Act, 34 of 2005, that became effective in stages commencing on 1 June 2006, 1 September 2006 and 1 June 2007. The NCA sets a framework for every type of credit transaction and replaces the Usury Act of 1968 (governing moneylending transactions) and the Credit Agreements Act of 1980 (governing instalment sale or hire purchase agreements).

Net asset value per share

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

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

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

New-business risk

Development of new products and business that reach the client distribution channel without the appropriate signoff for compliance with the requirements for managing regulatory, legal, tax, accounting, pricing, strategic and any other relevant risks. Also the risk that new products and business do not generate anticipated revenue or cost savings to the group.

Non-interest revenue to total income

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

Non-trading and capital items

These comprise:

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

Number of shares traded

Total number of ordinary shares traded on JSE Limited during the year.

Number of shares traded to weighted average number of shares

Number of shares traded for the year as a percentage of the weighted average number of shares in issue during the year.

Off-balance-sheet assets

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

On-balance-sheet exposure

Advances that have either been fully or partially utilised by a borrower.

Operational risk

The risk of loss resulting from inadequate or failed internal processes and systems, incompetent people or external events. This definition includes legal risk.

Ordinary shareholders' funds

Total equity attributable to equity holders of the parent.

People risk

People risk is defined as possible inadequacies in human capital and inadequate management of human resource practices, policies and processes resulting in the inability to attract, manage, develop and retain competent resources. This may stem from inadequate skills or knowledge, no clear consequences of not meeting performance standards, lack of alignment with strategy or a reward system that fails to motivate properly.

Price/earnings ratio

The closing price of ordinary shares divided by headline earnings (for the previous 12 months) per share.

Price to book

The group's closing share price relative to the net asset value.

Primary client

In the case of an individual, a client is classified as a primary client where a form of salary, wage, annuity or pension is paid into either a current account or a savings account.

Probability of default (PD)

Quantification of the likelihood of a borrower being unable to repay.

Properties in possession (PIPs)

Properties acquired through payment defaults on loans secured by properties.

Public sector entities

This asset class covers all exposures to enterprises that are wholly or majority-owned by the central government (eg Eskom and Transnet).

Reputational risk

The risk of impairment of the group's image in the community or the long-term trust placed in the group by its stakeholders as a result of a variety of factors, such as the group's performance, strategy execution, ability to create shareholder value, or an activity, action or stance taken by the group. This may result in loss of business and/or legal action.

Retail exposures

Retail mortgages (including home equity line of credit)

This asset class covers all mortgage advances or credit lines to individuals that are fully secured by a mortgage over residential property.

Retail revolving credit

Exposures to individuals that are revolving, unsecured, and uncommitted (both contractually and in practice). In this context revolving exposures are defined as those where clients' outstanding balances are permitted to fluctuate based on their decisions to borrow and repay, up to a limit established by the bank.

Retail – other

This asset class covers all non-revolving exposures (excluding mortgage advances) to individuals.

SME retail

This asset class covers all exposures to small and medium enterprises that are classified as corporate, based on criteria prescribed by the Banking Regulator.

Purchased receivables – retail

This asset class covers all receivables classified as retail exposures, which are purchased for inclusion in asset-backed securitisation structures. However, banks may also use this approach, with the approval of national supervisors, for appropriate on-balance-sheet exposures that share the same features.

Return on assets (ROA)

Headline earnings expressed as a percentage of average total assets.

Return on ordinary shareholders' equity (ROE)

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

Return on ordinary shareholders' equity (ROE) excluding goodwill

Headline earnings expressed as a percentage of average equity attributable to equity holders of the parent less goodwill.

Return on risk-adjusted capital (RORAC)

Headline earnings expressed as a percentage of economic capital.

Return on risk-weighted assets

Headline earnings for the year divided by the average risk-weighted assets.

Risk appetite

Risk appetite is a tool to express the group's risk tolerance quantitatively and an articulation of the level of risk Nedbank Group is willing to take in pursuit of its strategic goals.

Risk-weighted assets

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

SA Reserve Bank (SARB) regulations related to banks and the BA returns

The regulations relating to banks were amended with effect from 1 January 2008, based on the revised Basel Capital Accord (Basel II). The new Basel Capital Accord of the Bank of International Settlements is an improved capital adequacy framework accomplished by closely aligning banks' capital requirements with improved modern risk management practices and sophisticated risk assessment capabilities. It further ensures the risk sensitivity of the minimum capital requirements by including supervisory reviews and market discipline through enhanced disclosure.

Secondary tax on companies (STC)

STC is a tax paid at company level on the net difference between dividends paid and dividends received. The current rate of STC is 10%. The government has announced that STC will be replaced by a withholding tax on shareholders, which is expected to take place towards the end of 2010.

Securities firms

This asset class covers all exposures to enterprises regulated by a recognised authority and trading in securities.

Securitisation exposures

This asset class covers all exposures to tradeable, interest-bearing commercial paper, which is secured by an underlying asset, eg mortgage loans.

Segmental reporting

Geographical segment

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

Operational segment

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

Self-service terminal (SST)

Similar to an ATM, but designed for non-cash transactions.

Share-based payments

Transfers of a company's equity instruments by its shareholders to parties that have supplied goods or services to the company (including employees).

Shares held by group entities (treasury shares)

Ordinary shares in Nedbank Group Limited acquired/held by group companies, including ordinary shares held in share trusts as part of the BEE transaction.

Social and environmental risks

The risks related to non-achievement of a balanced and integrated financial, social and environmental performance (referred to as the 'triple bottomline'), resulting in reputational impairment to the group and ultimately loss of business and profitability.

Sovereign (including central government and central bank)

This asset class covers all exposures to counterparties treated as central government.

Standard(ised) approach

A standard approach (foundation approach) to calculate capital requirements for banks, prescribed by the supervisor, used in lieu of the AIRB Approach.

Strategic risk

Strategic risk relates to the consequences that arise when the environment in which decisions that are hard to implement quickly and to reverse has an unattractive or adverse impact. Strategic risk ultimately has two elements: doing the right thing at the right time; and doing it well.

Tangible net asset value per share

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

Taxation risk

Taxation risk is the risk of loss (financial or otherwise) as a result of:

- inappropriate tax planning and strategy;
- non-compliance with or incorrect interpretation and application of taxation legislation; or
- the effect of new tax legislation on existing financial structures or products.

Total collateral

Total monetary value of all collateral held by a bank as security for an advance(s), limited to exposure.

Total credit extended

Total of all advances extended by a bank, including unutilised facilities.

Total equity attributable to equity holders of the parent

Ordinary share capital, share premium and reserves.

Total income from normal operations

Net interest income plus non-interest revenue plus foreign currency translation gains/losses.

Traded price

The last traded price on JSE Limited on the last business day of the year, also referred to as 'closing price'.

Trading market risk

Trading market risk exists within the group's proprietary trading activities (trading on the group's own account). It is defined as the risk of loss occurring as a result of unfavourable changes in market prices such as foreign exchange rates, interest rates, equity prices and commodity prices.

Value at risk (VaR)

A generally accepted risk measurement concept that uses statistical models to estimate the distribution of possible returns on a portfolio at a given level of confidence.

Value of shares traded

Total value of ordinary shares traded on JSE Limited during the year.

Value traded to market capitalisation

Value of shares traded as a percentage of market capitalisation at year-end.

Weighted average number of shares

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

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

Disclaimer

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

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

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

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

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

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

ABBREVIATIONS, ACRONYMS AND INITIALISMS

ABCP	asset-backed commercial paper
AEFD	African Employers' Forum on Disability
AFR	available financial resources
AFS	available for sale
AGM	annual general meeting
AIRB	Advanced Internal Ratings-based
AJTP	activity-justified transfer pricing
ALCO	Asset and Liability Committee
ALM	asset and liability management
ALSI	all-share index
AMA	Advanced Measurement Approach
AML	anti-money-laundering
APE	annualised premium equivalent
ARFG	adjusted recognition for gender
ATF	African Task Force
ATM	automated teller machine
BaU	business as usual
BBBEE	broad-based black economic empowerment
BEE	black economic empowerment
BESA	Bond Exchange of South Africa
BFSR	bank financial strength rating
BMF	Black Management Forum
BPS	basis points
BRMF	Business Risk Management Forum
BSM	balance sheet management
CAGR	compound annual growth rate
CCR	counterparty credit risk
CE	chief executive
CEM	Current Exposure Method
CEO	chief executive officer
CFO	chief financial officer
CF	commodities finance
CFT	combating the financing of terrorists
CGT	capital gains taxation
CGU	cash-generating unit
CIS	client information system
CLAA	Corporate Laws Amendment Act
CLR	credit loss ratio
CMAT™	Customer Management Assessment Tool™
CPI	consumer price index
CSI	corporate social investment
CVP	client value proposition
DSTI	deferred short-term incentive
dti	Department of Trade and Industry
EAD	exposure at default
EaR	earnings at risk
Ecap	economic capital
ED	exposure draft
EDP	Executive Development Programme
EDW	electronic data warehousing
EE	employment equity
EGC	enterprise governance and compliance
EME	emerging macroenterprise
EMTN	Euro medium-term note
EP	economic profit
EPS	earnings per share
ERCO	Enterprisewide Risk Committee
ERM	enterprisewide risk management
ERMF	Enterprisewide Risk Management Framework
ETL	expected tail loss
EVE	economic value of equity
EVP	employee value proposition
Exco	executive committee
FAIS	Financial Advisory and Intermediary Services Act
FCI	Financial Control Initiative
FCT	foreign currency translation
FIC	Financial Intelligence Centre
FICA	Financial Intelligence Centre Act
FICC	fixed income, currency and commodities
forex	foreign exchange
FSC	Financial Sector Charter
FSEP	financial services economic profit
FTE	fulltime equivalent
FV	fair value
FWP	flexible work practices
FX	foreign exchange
GAC	Group Audit Committee
GDP	gross domestic product
GFD	Group Finance Division
GIA	Group Internal Audit
GIBS	Gordon Institute of Business
GLC	global local currency
GMCCA	Group Marketing, Communications and Corporate Affairs
GRCMC	Group Risk and Capital Management Committee
GSCA	Group Strategy and Corporate Affairs
HCD	human capital development
HR	human resources

ABBREVIATIONS, ACRONYMS AND INITIALISMS ... CONTINUED

HVCRE	high-volatility commercial real estate
IAS	International Accounting Standards
IAS	Investment Analyst Society
IASB	International Accounting Standards Board
IBC	inside back cover
ICAAP	internal capital adequacy assessment process
IDR	Issuer Default Rating
IFRS	International Financial Reporting Standards
IPRE	income-producing real estate
IR	Implementation Report
IR	industrial relations
IRB	internal ratings-based
IRMSA	Institute of Risk Management South Africa
IRRBB	interest rate risk in the banking book
ISDA	International Swaps and Derivatives Association
ISMA	International Security Management Association
IT	information technology
JIBAR	Johannesburg Interbank Agreed Rate
JV	joint venture
LGD	loss given default
LIBOR	London Interbank Offered Rate
LTI	long-term incentive
LTIP	long-term incentive plan
LTV	loan to value
M&A	mergers and acquisitions
MDP	Management Development Plan
MFC	Motor Finance Corporation
MIP	Matched Investment Plan
MLCP	Money-laundering Control Programme
NAV	net asset value
NBCV	Nederlandsche Bank en Credietvereeniging voor Zuid-Afrika
NBSA	Netherlands Bank of South Africa
NCA	National Credit Act
NEEF	Nedbank Employment Equity Forum
NEPAD	New Partnership for Africa's Development
NGDP	Nedbank Graduate Development Programme
NGR	Nedbank Group Rating
NIB	Nedcor Investment Bank
NII	net interest income
NIR	non-interest revenue
NP	non-performing
NPO	non-profit organisation
NPAT	net profit after tax
OF	object finance
OTC	over the counter
PD	probability of default
PEP	politically exposed person
PF	project finance
PIP	property in possession
PWD	People With Disabilities
QSE	qualifying small enterprise
RACI	Responsible/Accountable/Consulted/Informed
RAPM	risk-adjusted performance measurement
REPO	repurchase agreement
RMBS	residential-mortgage-backed securitisation programme
ROA	return on total assets
ROE	return on ordinary shareholders' equity
RORAC	return on risk-adjusted capital
RWA	risk-weighted asset
SA	Standardised Approach
SADC	Southern African Development Community
SAR	share appreciation rights
SARB	South African Reserve Bank
SARS	South African Revenue Service
SBP	share-based payments
SENS	Securities Exchange News Service
SFT	securities financing transaction
SIMCO	Strategic Innovation Management Committee
SIP	Strategic Improvement Programme
SME	small and medium enterprise
SOA	service-oriented architecture
SPE	special-purpose entity
SPV	special-purpose vehicle
SREP	supervisory review and evaluation process
SRI	Socially Responsible Investment
SRTO	Strategic Recovery and Turnaround Office
STC	secondary tax on companies
STI	short-term incentive
STP	straight-through processing
TOPP	Training Outside Public Practice
TRAHRCO	Transformation and Human Resources Committee
TTC	through the cycle
UNEP FI	United Nations Environment Programme Finance Initiative
VAF	vehicle and asset finance
VaR	value at risk

CONTACT DETAILS

Nedbank Limited

Incorporated in the Republic of South Africa
Reg No 1951/000009/06

Business address

Nedbank Sandton
135 Rivonia Road, Sandown, 2196
South Africa

Postal address

PO Box 1144, Johannesburg, 2000
South Africa
Tel: +27 (0)11 294 4444
Fax: +27 (0)11 294 6540
Website: www.nedbank.co.za

Nedbank 2009 annual report

Should you require a copy of the Nedbank 2009 Annual Report, please email your address details to Nedbank Investor Relations at nedbankgroupir@nedbank.co.za or send a fax to +27 (0)11 294 6549. It is also available online at www.nedbankgroup.co.za.

Investor relations

The investor relations and financial media functions at Nedbank are outsourced. For investor-related information please contact:

Tier 1 Investor Relations

Grapevine House
Silverwood Close
Steenberg Office Park, Tokai
Cape Town, 7945
South Africa
Tel: +27 (0)21 702 3102
Fax: +27 (0)21 702 3107
Email: nedbankgroupir@nedbank.co.za

Company secretary

GS Nienaber: Group Company Secretary
Tel: +27 (0)11 294 9106
Fax: +27 (0)11 295 9106
Email: Gawien@nedbank.co.za

Nedbank Contact Centre

The Nedbank Contact Centre provides a comprehensive range of problem resolution services to all external Nedbank clients, across all brands, products and client groupings, as well as to all Nedbank employees.

Telephone (all 0860 numbers are tollfree within South Africa only)	0860 555 111
Go Banking	0860 654 222
Card Lost and Stolen	0800 110 929
Nedbank Corporate	0860 111 055
Nedbank Retail	0860 115 060 (06:00 – 22:00)

Transfer secretaries

South Africa:
Computershare Investor Services (Pty) Limited

Business address

70 Marshall Street, Johannesburg, 2001
South Africa

Postal address

PO Box 61051, Marshalltown, 2107
South Africa
Tel: +27 (0)11 370 5000
Fax: +27 (0)11 688 5228

Auditors

Deloitte & Touche

Private Bag X6, Gallo Manor, 2052
South Africa
Tel: +27 (0)11 806 5000
Fax: +27 (0)11 806 5003

KPMG Inc

Private Bag X9, Parkview, 2122
South Africa
Tel: +27 (0)11 647 7111
Fax: +27 (0)11 647 8000

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