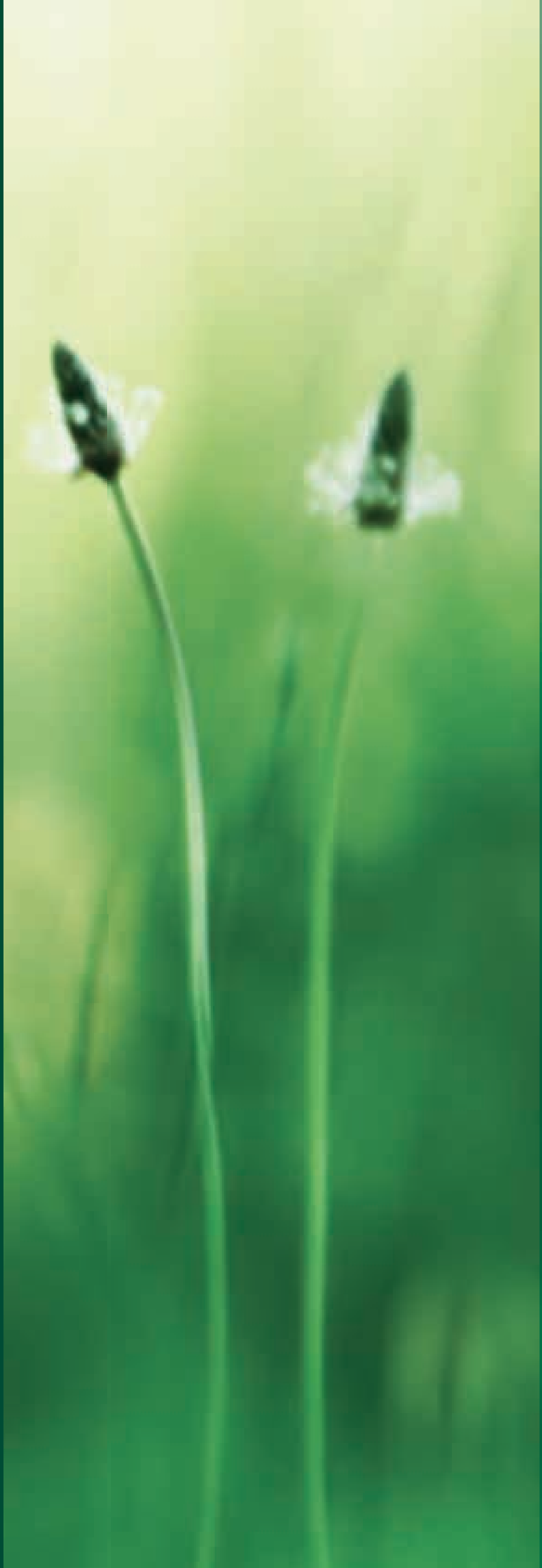
NEDBANK LIMITED
ANNUAL REPORT 2010

MAKE THINGS HAPPEN

NEDBANK

A Member of the OLD MUTUAL Group

CONTENTS

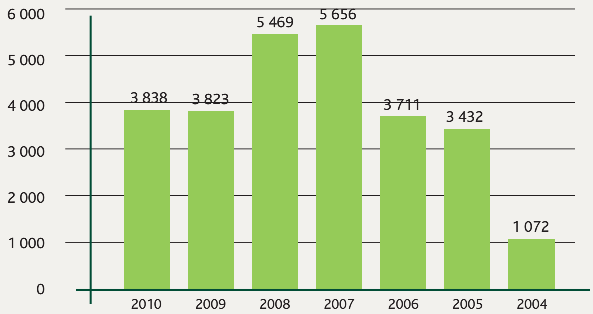


FINANCIAL HIGHLIGHTS

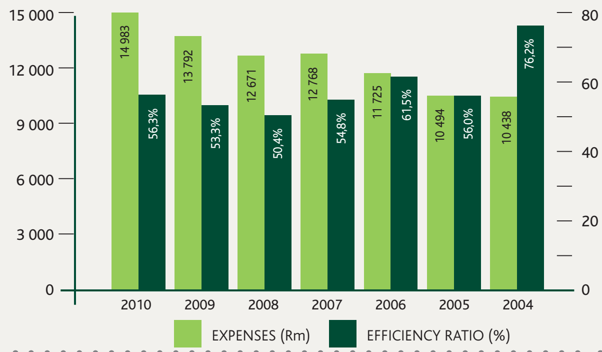
FOR THE YEAR ENDED 31 DECEMBER

		2010	2009
Headline earnings reconciliation			
Profit attributable to equity holders of the parent	Rm	**3 737**	3 790
Non-headline earnings items	Rm	**(101)**	(33)
Non-trading and capital items	Rm	**(103)**	(32)
Taxation on non-trading and capital items	Rm	**2**	(1)
Headline earnings	Rm	**3 838**	3 823
Key ratios			
Net interest income to average interest-earning banking assets	%	**3,15**	3,47
Credit loss ratio	%	**1,38**	1,53
Non-interest revenue to total income	%	**40,4**	40,0
Efficiency ratio	%	**56,3**	53,3
Total equity attributable to equity holders of the parent	Rm	**34 730**	32 623
Return on ordinary shareholders' equity	%	**8,3**	8,5
Average interest-earning banking assets	Rm	**503 231**	478 448
Total assets	Rm	**576 490**	544 990
Return on total assets	%	**0,65**	0,64
Total risk-weighted assets	Rm	**288 336**	249 162
Bank capital adequacy ratios: Basel II (including unappropriated profits):			
– Core Tier 1	%	**9,2**	9,6
– Tier 1	%	**11,1**	11,7
– Total	%	**14,9**	15,6
Share statistics			
Number of shares in issue			
Ordinary shares	m	**27,2**	27,2
Preference shares	m	**358,4**	349,1
Weighted average number of ordinary shares	m	**27,2**	27,2
Headline earnings per ordinary share	cents	**14 090**	14 034
Nedbank – dividends per preference share			
Declared per share	cents	**74,26027**	89,13698
Interim		**38,05479**	48,98630
Final		**36,20548**	40,15068
Paid per share	cents	**78,20547**	107,25474
Preference share traded price:			
– Closing	cents	**1 070**	1 005
– High	cents	**1 120**	1 068
– Low	cents	**1 000**	940
Number of preference shares traded	m	**43,9**	74,1
Imperial – dividends per preference share			
Declared per share	cents	**–**	831,94521
Interim			457,20548
Final			374,73973
Paid per share	cents	**374,73973**	1 002,53425
Preference share traded price:			
– Closing	cents		9 900
– High	cents	**9 900**	10 000
– Low	cents	**9 900**	6 000
Number of preference shares traded		**17 867**	1 184 896

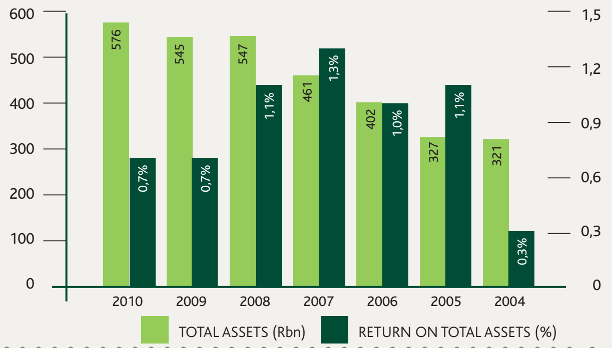
HEADLINE EARNINGS (Rm)



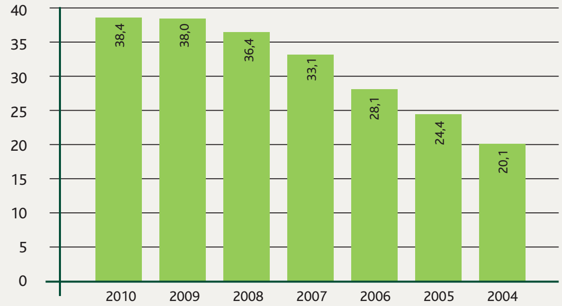
EXPENSES AND EFFICIENCY RATIO



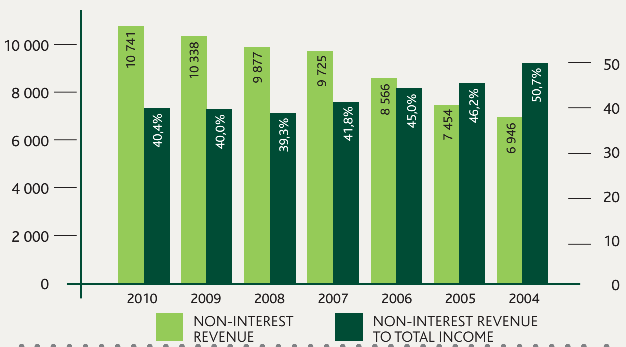
TOTAL ASSETS AND RETURN ON TOTAL ASSETS



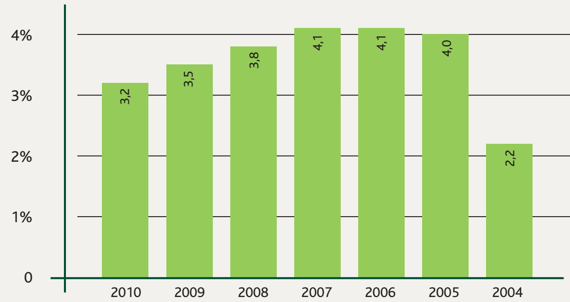
TOTAL EQUITY (Rbn)



NON-INTEREST REVENUE TO TOTAL INCOME



NET INTEREST INCOME TO AVERAGE INTEREST-EARNING BANKING ASSETS



SEVEN-YEAR REVIEW: STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

Rm	2010	2009	2008	2007	2006	2005	2004
Interest and similar income	43 421	49 332	55 154	40 185	27 089	22 574	22 252
Interest expense and similar charges	27 556	33 795	39 874	26 631	16 600	13 878	15 498
Net interest income	15 865	15 537	15 280	13 554	10 489	8 696	6 754
Impairments charge on loans and advances	6 360	6 659	4 755	2 115	1 465	987	1 358
Income from lending activities	9 505	8 878	10 525	11 439	9 024	7 709	5 396
Non-interest revenue	10 741	10 338	9 877	9 725	8 566	7 454	6 946
Operating income	20 246	19 216	20 402	21 164	17 590	15 163	12 342
Total operating expenses	14 983	13 792	12 671	12 768	11 725	10 494	10 438
Operating expenses	14 838	13 674	12 484	12 633	11 581	10 195	9 813
Merger and recovery programme expenses						121	625
Black economic empowerment transaction expenses	145	118	187	135	144	178	
Indirect taxation	387	402	356	298	334	213	459
Profit from operations before non-trading and capital items	4 876	5 022	7 375	8 098	5 531	4 456	1 445
Non-trading and capital items	(103)	(32)	745	25	183	833	(47)
Profit from operations	4 773	4 990	8 120	8 123	5 714	5 289	1 398
Share of profits of associates and joint ventures		(1)	9	54	68	67	121
Profit before direct taxation	4 773	4 989	8 129	8 177	5 782	5 356	1 519
Direct taxation	983	960	1 791	2 185	1 669	935	377
Profit for the year	3 790	4 029	6 338	5 992	4 113	4 421	1 142
Profit attributable to:							
Equity holders of the parent	3 737	3 790	6 106	5 681	3 870	4 228	1 025
Non-controlling interest – ordinary shareholders	53	224	217	298	243	193	117
– preference shareholders		15	15	13			
	3 790	4 029	6 338	5 992	4 113	4 421	1 142
Headline earnings	3 838	3 823	5 469	5 656	3 711	3 432	1 072

SEVEN-YEAR REVIEW: **STATEMENT OF FINANCIAL POSITION**

FOR THE YEAR ENDED 31 DECEMBER

Rm	**2010**	2009	2008	2007	2006	2005	2004
ASSETS							
Cash and cash equivalents	**7 469**	6 823	7 638	9 545	11 165	10 586	4 163
Other short-term securities	**21 955**	14 408	10 411	11 775	13 855	9 496	13 426
Derivative financial instruments	**14 077**	12 871	23 114	9 924	10 314	12 534	23 886
Government and other securities	**31 667**	35 754	41 834	29 271	22 031	22 505	26 035
Loans and advances	**469 527**	444 403	433 422	373 185	319 180	249 162	230 609
Other assets	**3 613**	3 917	4 731	4 920	5 120	5 088	5 512
Clients' indebtedness for acceptances	**1 920**	2 025	2 998	2 236	2 544	1 248	1 509
Current taxation receivable	**440**	580	314	29	138	119	182
Investment securities	**2 999**	3 012	2 743	2 739	2 385	2 419	2 614
Non-current assets held for sale	**5**	12	10		41	66	48
Investments in associate companies and joint ventures	**933**	922	913	735	690	397	437
Deferred taxation asset	**48**	36	71	65	48	626	1 220
Investment property	**82**	102	104	75	66	87	119
Property and equipment	**5 394**	4 754	4 124	3 757	3 323	3 039	2 767
Long-term employee benefit assets	**1 965**	1 783	1 667	1 305	1 357	1 225	1 184
Mandatory reserve deposits with central banks	**11 068**	10 437	10 061	8 351	7 026	5 732	5 419
Intangible assets	**3 328**	3 151	2 977	2 715	2 605	2 651	1 924
Total assets	**576 490**	544 990	547 132	460 627	401 888	326 980	321 054
EQUITY AND LIABILITIES							
Ordinary share capital	**27**	27	27	27	27	27	27
Ordinary share premium	**14 422**	14 422	14 422	14 422	14 422	14 422	13 945
Reserves	**20 281**	18 174	16 927	13 954	9 583	6 263	2 578
Total equity attributable to equity holders of the parent	**34 730**	32 623	31 376	28 403	24 032	20 712	16 550
Preference share capital and premium	**3 560**	3 483	3 122	3 122	2 770	2 770	2 770
Non-controlling interest attributable to:							
– ordinary shareholders	**110**	1 796	1 644	1 307	955	872	558
– preference shareholders		91	300	300	300		245
Total equity	**38 400**	37 993	36 442	33 132	28 057	24 354	20 123
Derivative financial instruments	**11 930**	10 799	23 077	10 336	11 549	15 463	25 979
Amounts owed to depositors	**489 118**	465 899	461 084	389 290	339 164	271 244	258 801
Provisions and other liabilities	**6 179**	5 218	6 145	10 419	9 098	5 224	5 158
Liabilities under acceptances	**1 920**	2 025	2 998	2 236	2 544	1 248	1 509
Current taxation liabilities	**76**	162	117	275	338	333	119
Deferred taxation liabilities	**1 358**	1 514	1 982	1 470	1 410	774	954
Long-term employee benefit liabilities	**1 408**	1 298	1 227	1 145	1 210	1 067	1 103
Long-term debt instruments	**26 101**	20 082	14 060	12 324	8 518	7 273	7 308
Total liabilities	**538 090**	506 997	510 690	427 495	373 831	302 626	300 931
Total equity and liabilities	**576 490**	544 990	547 132	460 627	401 888	326 980	321 054
Guarantees on behalf of clients	**29 185**	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 2010
Authorised share capital: 1 000 000 000 shares
Issued share capital: 358 277 491 shares

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 – 1 000 shares	173	2,31	113 950	0,03
1 001 – 10 000 shares	3 135	41,86	19 939 294	5,56
10 001 – 100 000 shares	3 668	48,98	123 018 025	34,34
100 001 – 1 000 000 shares	474	6,33	110 883 417	30,95
1 000 001 shares and over	39	0,52	104 322 805	29,12
Total	7 489	100,00	358 277 491	100,00
Distribution of shareholders				
Banks	4	0,05	110 189	0,03
Close corporations	74	0,99	5 512 523	1,54
Endowment funds	47	0,63	5 846 606	1,63
Individuals	4 976	66,44	131 537 411	36,71
Insurance companies	28	0,37	35 043 358	9,78
Investment companies	6	0,08	21 931 037	6,12
Medical aid schemes	11	0,15	1 151 663	0,32
Mutual funds	49	0,65	31 694 691	8,85
Nominees and trusts	2 019	26,96	85 395 218	23,84
Other corporations	44	0,59	1 212 238	0,34
Private companies	205	2,74	28 175 875	7,87
Public companies	5	0,07	2 696 266	0,75
Retirement funds	21	0,28	7 970 416	2,22
Total	7 489	100,00	358 277 491	100,00
Non-public/Public shareholders				
Non-public shareholders	12	0,16	23 408 754	6,53
Directors and associates of the company	2	0,03	229 300	0,06
Old Mutual Life Assurance Company (South Africa) Limited and associates	6	0,08	5 684 074	1,59
Nedbank Group Limited and associates	4	0,05	17 495 380	4,88
Public shareholders	7 477	99,84	334 868 737	93,47
Total	7 489	100,00	358 277 491	100,00

There are no beneficial shareholders holding 5% or more.

Major managers	Number of shares	Dec 2010 % holding	Dec 2009 % holding
Investec Securities (Pty) Limited (SA)	25 592 635	7,14	7,41
Sanlam Investment Management (SA)	24 901 865	6,95	7,15
Coronation Fund Managers (SA)	15 877 755	4,43	6,03
BoE Private Clients Investment Management (SA)	18 502 144	5,16	4,78
Melville Douglas Investment Management (SA)	5 192 750	1,45	2,89
Prescient Investment Management (SA)	10 490 659	2,93	
RMB Private Bank (SA)	8 979 077	2,51	2,49
PSG Konsult (SA)	8 425 046	2,35	2,46
STANLIB Asset Management (SA)	8 486 644	2,37	2,30
Outsurance Insurance Company Limited (SA)	7 586 720	2,12	2,13
Sasfin Frankel Pollak Securities (SA)	7 159 868	2,00	2,05

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 2010; 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 (IFRS) as issued by the International Accounting Standards Board (IASB), the AC 500 standards as issued by the Accounting Practices Board, and the requirements of the South African Companies Act, 1973, as amended.

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 25 February 2011 and are signed on its behalf by:

Dr RJ Khoza
Chairman

MWT Brown
Chief Executive

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 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
25 February 2011

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NEDBANK LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying group annual financial statements of Nedbank Limited, which comprise the directors' report, the statement of financial position as at 31 December 2010, the statement of comprehensive income, the statement of changes in equity and statement of cashflows for the year then ended, a summary of significant accounting policies and other explanatory notes, and the Remuneration Report as set out on pages 12 to 165 and the sections indicated as audited in the Risk and Balance Sheet Management Review set out on pages 168 to 217.

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, AC 500 standards as issued by the Accounting Practices Board and in the manner required by the Companies Act of South Africa, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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 2010, 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
25 February 2011

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per D Shipp
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 (Risk Advisory), NB Kader (Tax and Legal Services), L Geeringh (Consulting), L Bam (Corporate Finance), JK Mazzocco (Human Resources), CR Beukman (Finance), TJ Brown (Clients), NT Mtoba (Chairman of the Board), MJ Comber (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, 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 Group 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
- MI Wyman
- PJ Moleketi (resigned 1 March 2010)
- Prof B de L Figaji (appointed 18 February 2011)

Biographical details of the current members of the committee are set out on pages 218 to 221. Members' fees are included in the table of directors' remuneration on pages 27 and 28.

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 Enterprisewide Risk Management Framework (ERMF) on page 168 of the annual report. The Chief Internal Auditor has a functional reporting line to the committee chairperson and an operational reporting line to the Chief Executive. Further details on the internal audit function are contained in the Enterprise Governance and Compliance Report on pages 196 to 201 of the Nedbank Group Limited Integrated 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 102. Further details are contained in the Enterprise Governance and Compliance Report on page 200 of the Nedbank Group Limited Integrated 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 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 Review on page 168.

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 Group Information Technology Committee the monitoring of the adequacy and efficiency of the group's information systems and receiving from them reports thereon.
- Satisfying 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.
- Reviewing and monitoring the effectiveness and efficiency and the management and reporting of tax-related matters of the tax function.
- 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 appropriate high-level decisionmaking capabilities are maintained at industry levels.
- Reviewing and reporting annually to the board on the effectiveness of the group's internal controls over financial reporting.

INTERNAL AUDIT

- Direct reporting by the Chief Internal Auditor to the Chairman of the committee.
- Approving the internal audit annual plan.
- Monitoring the effectiveness of the internal audit function in terms of its scope, execution of its plan, 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 bank's compliance with the Basel II Accord.

EXTERNAL AUDIT

- Recommending to the board the selection of the external auditors and approving their audit fees.
- Approving the external auditors' annual plan and related scope of work.
- Monitoring the effectiveness of external auditors in terms of their skills, independence, execution of the 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 it recommends their reappointment in 2011.

CORPORATE LAWS AMENDMENT ACT REQUIREMENTS

In terms of 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, which responsibilities include:

- reviewing the formalised process to perform functions on behalf of subsidiaries; and
- ratifying annually the list of subsidiaries for which responsibility is assumed.

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 20 January 2011, 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
Group Audit Committee Chairman

25 February 2011

DIRECTORS' REPORT

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 165 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 Integrated Report 2010, 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 38 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 218 to 221. Details of directors' remuneration and shareholdings appear on pages 25 to 35.

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

- RM Head resigned as a non-executive director (19 February 2010).
- PJ Moleketi resigned as a non-executive director (1 March 2010).
- JK Netshitenzhe was appointed as a non-executive director (5 August 2010).
- TA Boardman retired as Chief Executive, remaining on the board as a non-executive director (1 March 2010).
- MWT Brown was appointed as Chief Executive (1 March 2010).

The directors, who, in terms of the articles of association, are required to seek reelection at the annual general meeting are Messrs MWT Brown, MA Enus-Brey, Prof B de L Figaji and A de VC Knott-Craig. Being eligible, they make themselves available for reelection.

JK Netshitenzhe was appointed by the board of directors during 2010 and TA Boardman retired as Chief Executive but, as approved by the board of directors, remained as a non-executive director. 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 5 May 2011.

In terms of Nedbank Group policy, non-executive directors of Nedbank who have served on the board for a period longer than nine years are now required to retire from the board. At 31 December 2010 none of the 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	Non-executive director	1 November 2002	
MWT Brown	Chief Executive	17 June 2004	
TCP Chikane*	Non-executive director	1 November 2006	
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	
RM Head (British)	Non-executive director	1 January 2005	19 February 2010
DI Hope (New Zealand)	Non-executive director	1 December 2009	
RJ Khoza	Chairman and non-executive director	16 August 2005	
A de VC Knott-Craig*	Non-executive director	1 January 2009	
WE Lucas-Bull*	Non-executive director	1 August 2009	
NP Mnxasana*	Non-executive director	1 October 2008	
PJ Moleketi*	Non-executive director	1 August 2009	1 March 2010
RK Morathi	Chief Financial Officer and executive director	1 September 2009	
JK Netshitenzhe*	Non-executive director	5 August 2010	
JVF 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 address are as follows:

Business address	Registered address	Postal address
Nedbank Limited	135 Rivonia Road	PO Box 1144
Nedbank Sandton	Sandown, Sandton	Johannesburg, 2000
135 Rivonia Road	2196	South Africa
Sandown, Sandton, 2196		
South Africa		

PROPERTY AND EQUIPMENT

There was no material change in the nature of the fixed assets of Nedbank Group or its subsidiaries 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 comprises 43 258 m² of mainly office space and a portion of retail space. The contract was completed 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 Integrated Report 2010.

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 (Pty) Limited (Aka Capital) fulfils the role of business development partner. Consequently, performance agreements were entered into between Nedbank Group 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 of various Brimstone subsidiary companies.

The AKA-Nedbank Eyethu Trust matured on 1 January 2011.

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.

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. Selected insurance covers are placed with the Old Mutual Group.

SUBSIDIARY COMPANIES

Details of principal subsidiary companies are reflected on page 163 of the annual financial statements.

SPECIAL RESOLUTIONS BY SUBSIDIARIES

On 16 April 2010 special resolutions were registered for IBL Asset Finance and Services Limited (previously Imperial Bank Limited) for the creation of two classes of redeemable cumulative preference shares.

On 10 May 2010 a special resolution was registered for Magaliesig Extension 33 (Pty) Limited ratifying the sale of properties constituting a disposal of substantially all the assets of the company.

On 8 June 2010 special resolutions were registered for Sunderland Ridge Uitbreiding Een (Eiendoms) Beperk to change its name to Sunderland Ridge Extension One (Pty) Limited.

On 14 June 2010 a special resolution was registered for IBL Asset Finance and Services Limited for the disposal of its business as a going concern in terms of section 228 of the Companies Act to Nedbank Limited.

On 2 July 2010 a special resolution was registered for Northants Property Enterprises (Pty) Limited to dispose of properties constituting the greater assets of the company.

On 2 August 2010 a special resolution was registered for BoE Developments (Pty) Limited to sell properties and buildings constituting the greater assets of the company.

On 13 December 2010 special resolutions were registered for Finansfin (Pty) Limited to record the authorised and issued redeemable preference shares and the special rights and privileges attached to the redeemable preference shares and to provide for the redemption of redeemable shares and the distribution and payment to members.

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

There are no material events after the reporting period to report on.

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.

REMUNERATION REPORT

STATEMENT FROM THE CHAIRMAN OF THE GROUP REMUNERATION COMMITTEE

The year 2010 has been challenging and productive for the Group Remuneration Committee (the 'committee'). Remuneration in the financial services industry remains in the public spotlight with ongoing input from shareholders, regulators, government, organised labour, staff and the industry.

The committee believes that total remuneration at Nedbank is appropriately conservative and structured to attract and retain staff and is aligned with the interests of all stakeholders in a manner that does not encourage excessive risk-taking.

Early implementation of corporate performance targets in the long-term incentive schemes for all staff (from 2007), together with compulsory deferral and clawback arrangements for short-term incentives above a certain threshold (from 2009), positions the group well in relation to emerging best practice in financial services remuneration.

The committee's active involvement was required to ensure that Nedbank Group was able to recruit key staffmembers in a competitive labour market. The current low levels of lock-in of staffmembers as a result of the operation of the corporate performance targets during the period 2008 to 2010, together with the fight for talent and intent to drive organisational transformation, have led to tough and challenging discussions at committee meetings.

The committee fully supports the principle that organisational culture and remuneration governance are essential to the mitigation of undue risk-taking within the group. The committee has ensured that the remuneration practices are aligned with the performance of the group within its approved risk appetite and contribute to the achievement of its overall business objectives.

To this end the committee fully subscribes to the value and benefits derived from defining appropriately weighted quantitative and qualitative performance targets linked to variable remuneration. These targets need to be continuously assessed by the board to ensure that they remain relevant, appropriate and drive the correct behaviour. The committee believes that both quantitative and qualitative performance targets are required to mitigate all types of risks.

The committee further believes that a hybrid approach is required for the variable remuneration award processes where both topdown (group, performance) and bottomup (cluster/individual performance) measurement approaches are considered. Discretion is applied to individual allocations in an open and transparent process involving the appropriate governance structures.

As required in the King III Code, the committee has also ensured that there is sufficient independence in the evaluation of managers working in various financial control and risk environments and that their remuneration is independently determined.

The committee, in collaboration with the Nedbank Group Risk and Capital Management Committee, developed a risk assessment framework through which specific risk-related decisions of the committee are independently viewed to ensure proper remuneration compliance, governance and alignment within the business.

This Remuneration Report describes the Nedbank Group remuneration philosophy, salient features of the remuneration policy and the key components of remuneration for staffmembers and executive and non-executive directors. This report focuses on the practical application of the Nedbank remuneration policy within the business.

During 2010, other than the normal course of business, the committee attended to the following matters:

- Compliance and impact assessment of a number of new remuneration regulations, governance frameworks and regulatory requirements.
- Implementation of the compulsory deferral of a portion of the short-term incentives above a threshold in respect of the financial year 2009 as well as approving the compulsory deferral rules for financial years 2010 and 2011.
- In line with the spirit of the King III Code, the introduction of a split allocation in long-term incentives where a portion of all allocations is now in the form of performance shares issued with corporate performance targets and a portion is in the form of retention shares issued without corporate performance targets.
- The redesign of corporate performance targets for long-term incentive issuances during 2010 to incorporate both a relative external performance target, as well as an absolute internal performance target and the introduction of graduated vesting.
- The vesting of the Eyethu Broad-based Share Incentive Scheme.
- The vesting of the first and second tranche of allocations done in 2005 and 2006 under the Nedbank Eyethu Black Executive and Black Management Schemes.
- The successful integration of Imperial Bank staff into Nedbank Group without any job losses.
- Alignment of the committee charter with regulatory frameworks and the continual upholding of the principles of the charter while taking cognisance of the group's remuneration challenges.

The committee will continue to ensure that remuneration in Nedbank Group 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 within the approved risk appetite.

The committee is extremely proud that, during harsh economic times, only one staffmember has been retrenched within the bargaining unit. The group has also managed to accommodate approximately 1 000 staffmembers from Imperial Bank. However, in trying to ensure job security, the general market remuneration settlements in excess of the consumer price index (CPI), have been challenging and are not sustainable.

Some key matters for consideration in 2011 are:

- In the context of evolving best practice, ensuring that the quantum and construct of total remuneration remains market-related and enables the group to attract and retain key staff within the industry.
- Ensuring that the demand for remuneration adjustments is more realistically related to the SA inflation environment.
- Continuously assessing the Nedbank Performance Management Framework to ensure that targets set are relevant, appropriate and are driving the desired behaviour within an acceptable risk framework.
- Ensuring that the implementation of total remuneration within Nedbank Group is based on an approach that incorporates a formulaic approach as well as a measure of discretion in an open and transparent process.
- Conducting a total review of all the employee long-term incentive schemes.

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

Prof Brian de Lacy Figaji
25 February 2011

GROUP REMUNERATION COMMITTEE MEMBERSHIP AND CHARTER

The committee functions according to a charter approved by the board of directors of Nedbank Group Limited. The board delegates responsibility to the committee for the investigation and benchmarking of remuneration practices and for considering and approving, according to rules set out in the committee charter, all proposals made on remuneration practices that have a direct or indirect financial impact within the group.

A board initiative was implemented to review all board committee charters with a view to streamlining these into one board charter with addenda specific to each committee. The committee's responsibilities as defined in the new, combined charter are as follows:

- To evaluate remuneration proposals and practices for the group to ensure alignment with best practice and the latest governance principles.
- To manage the overall financial liability related to all elements of remuneration for the entire group.
- To recommend to the board for approval all elements of remuneration on an individual basis for the Chief Executive, executive directors and other members of the Group Executive Committee (Group Exco).
- To review and approve the annual performance scorecards of the Chief Executive, executive directors and other members of the Group Exco.
- To approve the corporate performance targets related to the vesting of long-term incentive allocations and matched shares.
- To approve overall remuneration increases for all staff.
- To approve proposed bonus awards to individuals in excess of a defined limit.
- To approve, on an individual basis, all share-based long-term incentive allocations in excess of a defined limit.
- To review the material terms and conditions of service of all staff of the group (where appropriate) to ensure that they are fair and competitive.
- To make recommendations to the board on the remuneration of the Chairman of the board.
- To review and comment on proposals for non-executive directors' fees and submit these to an independent committee for consideration.
- To define the appropriate peer group against which group remuneration will be evaluated.
- To review any issues raised by the Group Risk and Capital Management Committee that are related to remuneration.
- To make use of independent external advice where necessary.
- To prepare an annual remuneration report for the board for publication in the group's integrated report.
- To report back to the board after each meeting and more frequently if required.

In 2010 the committee initially comprised three independent non-executive directors, namely Prof B de L Figaji (Chairman), Mr CJW Ball, and Ms NP Mnxasana and one non-executive director, namely Mr RM Head. On 19 February 2010 Mr DI Hope replaced Mr RM Head as a non-executive member of the committee. On 1 March 2010 Mr MI Wyman was appointed as an independent non-executive member of the committee.

The Chief Executive, Group Executive: Human Resources and Chief Operating Officer are permanent invitees to committee meetings and recuse themselves from discussions on their own remuneration. The Group Executive: Human Resources resigned from Nedbank in September 2010 and a replacement was appointed in February 2011. The committee met five times during 2010.

All members of the committee act as trustees of the 1994 and 2005 Long-term Incentive Employee Group Schemes.

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.

As in previous years, a self-assessment of the committee was conducted in July 2010 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. High-level feedback confirmed the following:

- 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.
- Committee meetings are productive and well-facilitated, with appropriately robust discussions and debate.
- The remuneration of executives is well-researched, with good benchmark information against industry standards.

ADVICE TO THE COMMITTEE

The committee has full access to independent executive remuneration consultants, and has utilised the services of Vasdex Associates (Pty) Limited.

The Old Mutual plc Remuneration Unit also provided the committee with advice, specifically around international remuneration practices and trends.

The committee is informed of market-related remuneration information based on a number of independent remuneration surveys in which the group participates. These include PWC Remchannel, the Global Remuneration Solutions Top Executive Remuneration Survey, the LMO Executive Remuneration 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.

EDUCATION OF COMMITTEE MEMBERS

As part of the ongoing education of directors, an in-depth session on key remuneration practices was conducted by Vasdex Associates.

REMUNERATION GOVERNANCE

Following the global financial crisis, the financial services industry has experienced significant challenges in the governance and management of total remuneration. To this end the group has actively implemented a number of initiatives aimed at ensuring compliance with regulatory and statutory frameworks. The board and the committee support these initiatives and are of the opinion that Nedbank Group is compliant with these requirements.

The committee assists the board in discharging its corporate governance duties related to remuneration strategy, policy and practices. The board ensures that the committee is:

- constituted in a way that enables it to exercise competent and independent judgement on remuneration policy and practices, while also considering the management of risk, capital and liquidity;
- independently engaged by the Group Risk and Capital Management Committee for specific risk-related decisions;
- functioning in compliance with statutory requirements, codes of relevant best remuneration practice as well as applicable regulatory requirements; and
- continuously evolving in terms of risk-adjusted remuneration practices.

In terms of remuneration governance the key roles of the committee are:

- actively to oversee the remuneration policy and practices, independently from the Nedbank Group executive management team;
- to ensure that the remuneration policy and practices operate as agreed;
- to regularly review remuneration outcomes, risk and performance measurements, and risk outcomes to ensure consistency with intentions;
- actively to oversee all components of remuneration on an individual basis for executive directors and members of the Group Exco; and
- to approve the overall Nedbank Group short-term and long-term incentive pools.

As highlighted in a number of regulatory compliance requirements, the independence of staffmembers in the financial and risk control environment is critical. In response to this requirement, the committee ensures that all staffmembers engaged in the financial and risk control environments are independent, have appropriate authority, and are remunerated in a manner that is sufficiently independent of the business areas they oversee and commensurate with their key role in the group. Effective independence and appropriate authority of such staff is necessary to preserve the integrity of financial and risk management's influence on reported results and individual remuneration.

For such roles the committee oversees that their remuneration is adequate to attract and retain qualified and experienced staffmembers. Their performance measures as per their balanced scorecards are based principally on the achievement of the objectives of their respective functions.

All the Nedbank Group remuneration components are aligned with risk outcomes. The committee ensures that the underlying remuneration practices support and are in compliance with the overall intent, while ensuring that the relevant risks are identified and mitigated accordingly.

In terms of the pool size and individual allocation of variable remuneration, an appropriate range of risks are considered, in particular:

- the cost and quantity of capital required to support the business risk profile; and
- the cost and quantity of the liquidity and interest rate risk assumed in the conduct of business

REMUNERATION PHILOSOPHY

The overall purpose of total remuneration in Nedbank Group is to attract, retain, motivate and reward all its people appropriately. The total remuneration philosophy is aimed at encouraging sustainable long-term performance of the group 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.

The group defines total reward as a combination of all types of rewards, including financial and non-financial, indirect and direct, intrinsic and extrinsic rewards, and its total remuneration policy forms part of total reward and supports the Nedbank Employee Value Proposition (EVP).

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. To this end all staffmembers have balanced scorecards in place, which is a key input into determining individual remuneration.

The key principles underpinning the remuneration policy are:

- The governance and management of remuneration in the group by the committee, Group Exco and management to ensure statutory and regulatory compliance as well as alignment with codes of good remuneration practice.
- Supporting the Nedbank EVP by offering an appropriate mix of total reward for its various employee groups that will attract, motivate and retain talented employees, and will stimulate employee satisfaction and engagement.
- Transparency of and regular communication to all staff on remuneration.
- Paying for performance, while ensuring appropriate distribution around the desired market position and reflecting the skills in demand.
- Managing remuneration and ensuring fairness, and internal and external equity.

The committee is confident that the remuneration policy aligns the interests of management with shareholders and ensures that proper risk and performance-based remuneration is applied.

See page 29 for the complete remuneration policy. The policy is supported by all committee decisions, scheme rules, approved practices and operational procedures.

COMPONENTS OF TOTAL REMUNERATION

GUARANTEED PACKAGE

All staffmembers of 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, except for staffmembers employed in some non-SA countries where the practice is still to pay a basic salary plus benefits.

Contributions from the guaranteed package (GP) can be made to the Nedgroup Medical Aid Scheme, a postretirement medical aid fund, a retirement fund (compulsory), 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 the relevant tax authorities.

Annual increases in guaranteed remuneration are performance- and market-related, based on the local rate of inflation, increases awarded by the relevant peer group, individual performance and affordability. To maintain appropriate remuneration competitiveness relative to the labour market individual remuneration is reviewed regularly and annual increases take effect on 1 April.

For South Africa, most non-managerial staffmembers are covered under a collective bargaining agreement with SASBO and IBSA respectively. In April 2010 the non-managerial remuneration bill was increased by 8,5%, and the managerial and executive remuneration bill by 6,5% and 5% respectively.

RETIREMENT SCHEMES

The majority of staffmembers as well as all appointees since 1 January 1994 are members of the Nedgroup Defined-contribution Pension or Provident Fund, with a flexible investment choice. At 31 December 2010 a total of 7 100 staffmembers are members of the Defined-contribution Pension Fund and 17 078 members of the Defined-contribution Provident Fund.

Nedbank Group also has the closed defined-benefit Nedgroup Pension Fund with 364 active members and 2 933 pensioners at 31 December 2010. The Nedgroup Pension Fund is fully funded with an actuarial surplus.

SIGNON BONUSES

In February 2010 the committee approved a signon bonus pool from which the Chief Executive could allocate bonuses, at his discretion, on recommendation of the responsible Group Exco member to prospective staffmembers who meet specific eligibility criteria. The intention of a signon bonus is to act as a recruitment incentive to aid in talent attraction and compensate for potential loss of benefits from the previous employer. For the financial year ended 31 December 2010 R5,4 million was allocated to key staff, with such allocations having been reviewed and ratified by the committee.

SHORT-TERM INCENTIVE SCHEMES

Short-term incentives (STIs) are intended to encourage particular behaviours and obtain desired results within the agreed risk appetite framework. In the Nedbank Group environment the STI scheme is also referred to as the annual performance bonus. 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.

Performance is measured at a group and business unit level against agreed targets after the finalisation of the audited year-end results.

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

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 (Capital, Corporate, Business Banking, Retail and Wealth) are measured against a combination of performance targets namely EP, headline earnings and non-financial targets. As in previous years, the committee continues to institute a control limit whereby there may be no more than a 10% variance between the group topdown performance calculation and the independent bottomup cluster performance calculations.

Distribution of these STI pools is on a discretionary basis is aligned with market practice and utilises individual performance relative to the agreed deliverables in the performance management process. To take full cognisance of long-term sustainability of performance a portion of the STI earned above a threshold is deferred and remains at risk over a future settlement period.

The year-on-year change in the STI pool was broadly aligned with the change in headline earnings. The scheme incorporates non-financial metrics and thus the 2010 pool has an element of additional reward as a result of the outperformance of the group against its non-financial targets. However, the 2010 STI pool is still smaller than the 2007 STI pool.

The table below shows the STI pools for the 2009 and 2010 financial years:

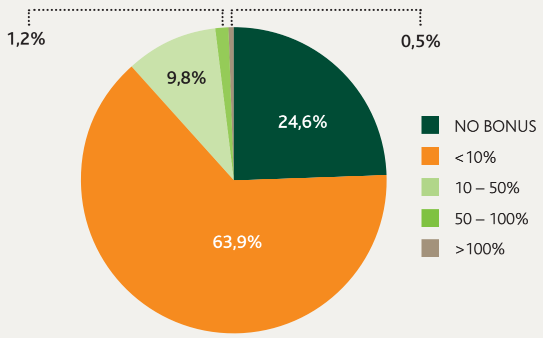
	FY2009	**FY2010**	Year-on-year % change
Headline earnings	4 277	**4 900**	+15%
EP	57	**(289)**	n/a
STI	833	**981**	+18%

While economic conditions have improved since 2009, the global recovery remains muted and uneven. Financial targets, which were set taking into account the deteriorating macroenvironment, were largely met during 2010.

All individual STI payments in excess of 200% of GP are individually motivated by the respective Group Exco members and individually signed off by the committee. For the 2009 financial year the committee approved 11 STI payments in excess of 200% of GP.

Refer to the table below for the distribution of the STI/GP ratio for all staffmembers for financial year 2009. The data for financial year 2010 will be included in the 2011 Remuneration Report:

DISTRIBUTION OF THE STI/GP RATIO



STI DEFERRAL SCHEME

In line with best practice, from financial year 2009 the group implemented a scheme for the compulsory deferral of STI awards earned in excess of R1 million.

For financial year 2010 STIs, payable in 2011, the committee agreed to offer the following deferral choices:

Basis of the deferral 25% between R1 and R3m and 50% in excess of R3m	
Cash Deferral Scheme	**Compulsory Bonus Share Scheme**
Deferment period	
30 months – cash earns interest at a prime-linked call deposit rate.	36 months.
Maximum potential matching	
No matching option.	Matching will apply to the number of shares remaining at the end of the 36-month vesting period, subject to the following two conditions: 0,5:1 still in employment. 0,5:1 performance target being met.
Release of forfeiture obligation	
Release and payment after 6/18/30 months in equal tranches.	Release from forfeiture after 6/18/30 months in equal tranches and matching only after 36 months.

For the scheme applicable to financial year 2009, 35% of participants selected the Cash Deferral Scheme and 65% of participants selected the Compulsary Bonus Share Scheme.

The committee also introduced a cash-settled compulsory STI deferral for all staffmembers employed in the United Kingdom earning a short-term incentive in excess of R1,5 million. No United Kingdom staffmembers earned STIs in excess of the threshold for financial year 2009, payable in 2010.

During the last quarter of 2010 the committee approved the rules applicable to the financial year 2011, with STI allocations payable in 2012. The changes are that 50% of STIs earned in excess of R1 million will be deferred into the Compulsary Bonus Share Scheme and that no cash option will be made available.

For all deferral options, the deferred amount will be forfeited should the employee resign before the end of the release of forfeiture obligations as well as in cases where, in the sole opinion of the board, material irregularities in 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 against the individual, or grouping of individuals, who may be affected by the transgression. The deferral policy will be reviewed annually.

DEFERRED SHORT-TERM INCENTIVE

The Chief Executive is granted a pool by the committee for the financial year, within which he may make discretionary deferred short-term incentive (DSTI) allocations to specific individuals where their retention is a concern. All DSTI payments are individually motivated by the responsible Group Exco member and individually approved by the Chief Executive. All allocations are reviewed by the committee.

The Chief Executive and members of the Group Exco are excluded from participating in the scheme, except in circumstances where they received an allocation prior to their appointment as a Group Exco member.

During 2010 a total of R23,7 million was allocated and paid to specific staffmembers.

Participants leaving the service of the group before the termination date of the agreed deferral period are required to reimburse Nedbank Group the gross initial amount awarded.

LONG-TERM INCENTIVES

Long-term incentives (LTIs) are awarded with the primary aim of retaining key staffmembers and aligning performance with the interests of shareholders. The allocation of LTIs is discretionary and based on the following key eligibility criteria:

- Talent management strategy and succession plans
- Retention of key talent/scarce skills
- Transformation objectives
- Higher potential/performance
- Leadership pool
- Cluster strategy and individuals key to driving the business strategy

All LTI allocations were motivated by the Group Exco and approved by the committee.

Criteria and the quantum of allocations are benchmarked annually against market practices. Furthermore, scheme rules and the application thereof are annually evaluated to ensure compliance with legislative and regulatory requirements.

1994 Nedcor Group Employee Incentive Scheme

The scheme is closed for new participants and will be terminated when all outstanding options have been exercised.

At 31 December 2010 there were five participants and 43 500 Nedbank Group share options outstanding.

2005 Nedbank Employee Share Scheme

The above scheme consists of three subschemes, namely the Option Scheme, Restricted Share Scheme and the Matched Share Scheme.

The Option Scheme

No allocations were made during 2010.

At 31 December 2010 there were 135 participants and 708 979 Nedbank Group share options outstanding. All remaining share options issued under this scheme were issued with time- and performance-based vesting criteria.

Restricted Share Scheme

During 2010 the committee issued restricted shares to eligible participants. An allocation under this scheme may be granted, subject to committee approval, under the following circumstances:

- *On-appointment Restricted Share Plan (RSP) allocations for 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 Exco. The committee amended its policy in 2011 so that on-appointment allocations take place biannually, up to 10 trading days after the announcement of the annual and interim financial results. The vesting period for on-appointment allocations is three years from the date of allocation, subject to the achievement of corporate performance targets (for performance shares only).
- *Annual RSP allocations*
  Annual restricted share allocations apply to qualifying staffmembers in terms of criteria approved by the committee. The committee amended its policy in 2011 so that allocations take place annually up to 10 trading days after the announcement of the annual financial results.

As approved by shareholders at the Nedbank Group annual general meeting held on 4 May 2010, the maximum number of Nedbank Group ordinary shares that could be allocated from that date in terms of the existing Nedbank Group employee share incentive schemes is 49 717 637, of which 3 362 828 had been allocated to staff at 31 December 2010.

At 31 December 2010 share options and restricted shares in issue under the Nedbank Group employee schemes (vested and unvested) were 11 712 513.

During 2010 all on-appointment and annual RSP allocations were issued on the following basis:

- 50% performance shares: restricted shares with corporate performance targets
- 50% retention shares: restricted shares without corporate performance targets

Annual allocations were made to 1 625 staffmembers on 2 and 3 March 2010. On-appointment allocations were made to a total of 114 staffmembers on 2 and 3 March 2010 and on 5 and 6 August 2010. All RSPs are issued in terms of the approved rules of the scheme at no cost and participants are entitled to receive dividends. In 2010 a total of 4 358 878 restricted shares were issued.

Corporate performance targets

The committee approved the use of a combination of equally weighted internal absolute and external relative corporate performance targets for the performance shares awarded in 2010. The details of these targets are as follows:

Return on equity (RoE) above cost of equity (COE)

ROE is measured as the simple average published ROE (excluding goodwill) over a three-year period compared with the simple-average COE over the same period. Vesting occurs according to the following sliding scale:

Vesting ratios (for 50% of the allocation) based on ROE (excluding goodwill)							
COE + 0% or worse	COE + 1,25%	COE + 2,5%	COE + 3,75%	COE + 5%	COE + 6%	COE + 7%	COE + 8% or better
0%	25%	50%	75%	100%	110%	120%	130%

The target of COE + 5% is aligned to the published Nedbank Group medium- to long-term performance targets.

Share price relative to Fini 15

The three-year performance of relative share price movement against movement in the Fini 15 is used as the relative external measure. Vesting occurs according to the following sliding scale:

Vesting ratios (for 50% of the allocation) based on share price relative to Fini 15							
Fini 15 - 20% or worse	Fini 15 - 15%	Fini 15 - 10%	Fini 15 - 5%	Fini 15	Fini 15 + 10%	Fini 15 + 20%	Fini 15 + 30% or better
0%	25%	50%	75%	100%	110%	120%	130%

Current best practice regarding good governance of remuneration indicates that corporate performance targets may not be altered once they have been set.

Matched Share Scheme

The Matched Share Scheme is used both for the compulsory deferral of certain STI payments as well as the voluntary deferral of a certain amount of the STI granted. Staffmembers have an opportunity to allocate up to 50% of their after-tax STI 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 on a one-for-one basis. The scheme'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.

The number of participants who committed shares under the Matched Share Scheme at 31 December 2010 is noted below:

2010	2009	2008
263	247	412
The number of shares held in the scheme totals 649 447.	The number of shares held in the scheme totals 583 048.	The number of shares held in the scheme totals 595 170.

During 2010 a total of 67 127 shares were allocated to participants of the 2007 Matched Share Scheme as the time-based vesting criteria had been met. The corporate performance condition was not met.

Although the Matched Investment Plan is available as a further matching scheme, it was not offered as an option to staffmembers in 2010. The committee retains the discretion to implement the Matched Investment Plan based on business and market conditions.

Phantom Cash-settled Restricted Share Plan

During 2007 the committee approved the Phantom Cash-settled Restricted Share Plan for key staffmembers in the United Kingdom. The design principles and rules mirror the RSP (2005 Nedbank Employee Share Scheme). A total of 19 UK staffmembers participated in the scheme during 2010 and 67 076 phantom shares were allocated during this period.

Nedbank Africa subsidiary schemes

No allocations were made in 2010.

NEDBANK EYETHU EMPLOYEE SCHEMES

Nedbank Group implemented its black economic empowerment (BEE) staff schemes in August 2005. The following schemes were approved at the time:

- 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.

In 2010 two black staffmembers were selected as new participants of the Black Executive Trust. These participants are in senior management positions with groupwide impact, were identified by the Group Exco and approved by the committee and trustees.

At 31 December 2010 a total of 40 black staffmembers were participants in the scheme.

In 2010 altogether 324 black staffmembers in management positions were identified by the Group Exco and approved by the committee and trustees as participants in the Black Management Scheme. At 31 December 2010 a total of 1 708 black staffmembers were participants in the scheme.

On 27 July 2010 the Eyethu Broad-based Scheme vested. This was an important milestone in the group's broad-based BEE transaction and proved to be a huge success both to the group and the participants. The scheme was a once-off share grant to all permanent Nedbank Group staffmembers who met the eligibility criteria at the inception date of the scheme. A trading restriction of five years applied to shares issued under this scheme. In total 14 699 staffmembers were beneficiaries and received a total award of R182 million. During the five-year period the group also paid a total of R36,8 million in dividends to all participants.

The Evergreen Trust was created with the specific purpose of improving the living standards and personal circumstances of black permanent staffmembers at the lower income levels by providing grants and/or benefits to qualifying staffmembers. At 31 December 2010 a total of 39 beneficiaries are in the process of completing their grade 12 qualification, equivalent to a NQF3, to whom funding for studies were granted by the trust.

NEDBANK AFRICA EMPOWERMENT SCHEMES

In January 2010 Nedbank Swaziland launched its empowerment employee scheme, namely Sinakekelwe Employee Share Scheme. This included a black management and a broad-based scheme. At 31 December 2010 there were 48 and 208 participants respectively.

No allocations were made under the Nedbank Namibia Ofifiya Black Management Scheme in 2010.

EMPLOYEE DIRECTORSHIPS

In all instances where employees are members of external boards all fees earned accrue to Nedbank Group.

EXECUTIVE DIRECTORS

INCREASES IN GUARANTEED PACKAGE

On 1 March 2010 Mike Brown was appointed as Chief Executive following the retirement of Tom Boardman as Chief Executive on 28 February 2010. Mike Brown's GP was adjusted to R5 750 000 per annum with effect from 1 April 2010. This increase took into account an annual increase in line with CPI, a market adjustment based on his performance and his remuneration levels relative to his peer group and also considered remuneration data obtained from a number of surveys. The GP was considered and recommended by the committee, approved by the board and ratified by Old Mutual plc.

The Chief Operating Officer Graham Dempster's GP was adjusted to R3 675 000 per annum and that of Chief Financial Officer Raisibe Morathi GP to R2 850 000 per annum, both effective from 1 April 2010. The same considerations as for the Chief Executive were applied and the new GPs were recommended by the committee and approved by the board.

RETIREMENT SCHEMES

All executive directors are members of the Nedgroup Defined-contribution Pension or Provident Funds. There are no defined-benefit liabilities in respect of the executive directors. Contributions to the retirement funds form part of the GP.

SERVICE CONTRACTS

Tom Boardman's service contract as Chief Executive expired on 28 February 2010. Mike Brown's appointment as Chief Executive became effective on 1 March 2010, with a notice period of 12 months and retirement age of 60 years. This notice period and retirement age apply to all other executive directors.

TERMINATION 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' GP per completed year service.

No executive director or staffmember has any additional severance agreements in place. Entitlements for previous LTI grants on termination are dealt with under the relevant scheme rules.

SHORT-TERM INCENTIVE SCHEMES TARGETS

The current target and maximum STI awards applicable to the Chief Executive and executive directors are:

- Target STI as a percentage of GP = 150%
- Maximum STI as a percentage of GP = 250%

The drivers of the annual STI pools are based on performance against the following set of measures:

- Group headline earnings versus target (50% of the primary financial performance).
- Group EP versus target (50% of the primary financial performance).
- In addition, individual performance metrics apply (an additional modifier adjustment up or down of 22,5% of GP).

Individual performance is measured on a balanced scorecard against financial, clients, internal processes, transformation and organisational learning dimensions versus targets.

The broad objectives for each of these dimensions for the Chief Executive were as follows:

- Financial – achieve the 2010 financial targets in a sustainable way that allows for appropriate growth in 2011.
- Clients and relationships – position Nedbank Group for sustainable quality growth, identify strategic growth opportunities, focus on increasing levels of sustainable non-interest revenue (NIR), enhance stakeholder relationships, brand position and client service, lead in corporate social responsibility and sustainability, and position Nedbank Group as a green and caring bank.
- Management and Internal process – identify and implement strategic initiatives that enhance productivity, manage risk conservatively through the cycle and manage impairments/collections.
- Transformation – position Nedbank Group as South Africa's most transformed company.
- Organisational learning and leadership – establish a cohesive and high-performing Group Exco.

The following table presents the basis on which the STI awards have been determined based on the assessment of the group headline earnings and EP performance for the financial year, as well as performance of each executive director against his or her agreed individual balanced scorecards:

	Target % of GP	% of GP achieved for financial targets	% of GP achieved for non-financial targets	Final STI % of GP	Final STI % of Target
	A	B	C	D = B+C	E = D/ A
MWT Brown	150%	111,3%	10,4%	121,7%	81%
GW Dempster	150%	111,3%	11,1%	122,4%	82%
RK Morathi	150%	111,3%	11,5%	122,8%	82%

There is a mandatory deferral of any STI awards in excess of R1 million and an additional voluntary deferral that may be elected up to a maximum 50% of the total award.

The committee was satisfied with the performance levels achieved by the executive directors during a challenging year.

TOTAL REMUNERATION

The year-on-year change in total remuneration for all executive directors was 4%. The year-on-year change for each individual director is not directly comparable due to changes in roles over the periods under review as outlined below:

- The current Chief Executive was the Chief Financial Officer until June 2009, whereafter he was appointed as the Chief Executive Designate for the remainder of 2009. The 2009 STI award of R4,25 million thus reflects these two roles, while the 2010 award of R7 million reflects a two-month period as Chief Executive Designate and a 10-month period as Chief Executive.
- The current Chief Operating Officer was the managing director of Nedbank Corporate until July 2009, and was thereafter appointed as an executive director and as the Chief Operating Officer. The full STI 2009 award of R4 million reflects these two roles, while the disclosed 2009 STI of R1,667 million is based on a pro rata amount of the full R4 million award for the period as an executive director. The R4,5 million award for 2010 reflects a full 12-month period as Chief Operating Officer and executive director.
- The Chief Financial Officer was appointed to both boards on 1 September 2009. The R1 million STI award for 2009 was thus only based on a four-month employment period. The R3,5 million awarded for 2010 was based on a full 12-month period as Chief Financial Officer and executive director.

The remuneration of executive directors for the year ended 31 December 2010 was as follows:

Table 1: Executive directors' remuneration – year to 31 December 2010

Name	Basic salary and other benefits* (R000)	Defined-contribution retirement fund (R000)	Guaranteed remuneration (R000)	Performance bonus for FY2010 (R000)	Total (R000)	2010 – 2009 % change****
TA Boardman**	1 267	61	1 328		1 328	(91)
MWT Brown	4 790	669	5 459	7 000+	12 459	63
GW Dempster***	3 090	547	3 637	4 500++	8 137	160
RK Morathi	2 446	341	2 787	3 500+++	6 287	237
Total	**11 593**	**1 618**	**13 211**	**15 000**	**28 211**	**4**

* *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.*

** *Retired on 28 February 2010, as part of the termination policy TA Boardman encashed all available leave.*

*** *A dependent family member of GW Dempster received a study grant of R8 000.*

**** *The year-on-year % increases reflect the appointment of MWT Brown as Chief Executive Designate in July 2009 as well as his appointment as Chief Executive on 1 March 2010. GW Dempster was appointed as Chief Operating Officer in August 2009 and RK Morathi as Chief Financial Officer in September 2009, and their respective bonuses reflect a full 12-month performance in 2010 and for 2009 a pro rata period from their dates for appointment as executive directors.*

\+ *Bonus relates to performance in 2010, where a minimum of R2,5 million will be deferred in terms of the STI deferral scheme.*

++ *Bonus relates to performance in 2010, where a minimum of R1,25 million will be deferred in terms of the STI deferral scheme.*

+++ *Bonus relates to performance in 2010, where a minimum of R750 000 will be deferred in terms of the STI deferral scheme.*

See pages 32 to 35 for the full LTI holdings of the executive directors.

TA Boardman earned R21 961 for board membership of Mutual & Federal up to 28 February 2010, which fees were ceded to Nedbank Group, while still employed by Nedbank Group. He also acted as non-executive director for Fairbairn Trust Company, for which he received no remuneration.

Table 2: 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 for FY2010 (R000)	Total (R000)	2009 – 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 TA Boardman's role during his tenure as Chief Executive, where a minimum of R3,750 million will be deferred in terms of the STI deferral scheme.*

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

**** *Bonus relates to performance in 2009, where a minimum of R1 million will be deferred in terms of the STI 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 managing director of Nedbank Corporate and Chief Operating Officer for 2009.*

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

++ *RK 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 Chief Executive designate for the rest of the year.*

REMUNERATION ADJUSTMENTS

The table below indicates the GP adjustments from April 2010 to April 2011 and the LTI allocations awarded in April 2011 to the executive directors:

Name	GP at April 2010 (R000)	GP at April 2011 (R000)	2010 – 2011 % change	LTI allocation with CPTs	LTI allocation without CPTs
MWT Brown	5 750	6 000	4,2	3 000	3 000
GW Dempster	3 675	4 000	8,8	2 000	2 000
RK Morathi	2 850	3 150	10,5	2 000	2 000

TOP THREE EARNERS

For 2010 the top three earners in the group, excluding the executive directors, were:

Function	Basic salary and other benefits* (R000)	Defined-contribution retirement fund (R000)	Guaranteed remuneration (R000)	Performance bonus FY2010 (R000)	Total (R000)
Group Exco member	2 644	468	3 112	4 500+	7 612
Group Exco member	2 965	390	3 355	3 900++	7 255
Group Exco member	2 545	355	2 900	4 000+++	6 900
Total	**8 154**	**1 213**	**9 367**	**12 400**	**21 767**

* *This salary includes contributions to the medical aid, postretirement medical aid subsidy, disability insurance and car allowance/company car benefits structured into the package.*

\+ *Bonus relates to performance in 2010, where a minimum of R1,25 million will be deferred in terms of the STI deferral scheme.*

++ *Bonus relates to performance in 2010, where a minimum of R950 000 will be deferred in terms of the STI deferral scheme.*

+++ *Bonus relates to performance in 2010, where a minimum of R1 million will be deferred in terms of the STI deferral scheme.*

See pages 36 to 39 for the full LTI holdings of the top three earners.

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.

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 March 2010 TA Boardman, who retired from the group, accepted the invitation from the board to serve as a non-executive director of Nedbank Group and Nedbank Limited. He will not be classified as an independent director for three years as he has recently served as an executive of the group.

REMUNERATION

The committee and the board debated the principle of splitting non-executive director fees to reflect a retention and attendance fee. The board is of the view that, irrespective of the attendance of meetings, directors are accountable for decisions taken and would do the necessary board preparation. As a result the board agreed to retain a single fee for non-executive directors.

Board and board committee meeting attendance is recorded in the Enterprise Governance and Compliance Report on pages 202 and 203 of the Nedbank Group Limited Integrated Report.

Non-executive directors' remuneration for the years ended 31 December 2010 and 31 December 2009 was as follows:

Name	Appointment date	Termination date	Note	Board meeting fees (R000)	Committee meeting fees (R000)	**2010 (R000)**	2009 (R000)
CJW Ball			1, 2	438	784	**1 222**	1 303
MA Enus-Brey			1	272	415	**687**	576
NP Mnxasana			1	319	324	**643**	535
RM Head		February 2010	2, 4	35	23	**58**	458
ML Ndlovu		October 2009	2				509
GT Serobe			2, 5, a	586	199	**785**	665
JB Magwaza		November 2009	3				545
JVF Roberts	December 2009		4	294	50	**344**	26
DI Hope	December 2009		4, b	294	181	**475**	30
R Harris		March 2009	4				89
TA Boardman	March 2010		2, c	362	157	**519**	
JK Netshitenzhe	August 2010		e	114	37	**151**	
MI Wyman	August 2009			272	176	**448**	123
WE Lucas-Bull	August 2009			272	468	**740**	161
PJ Moleketi	August 2009	March 2010	d	44	37	**81**	136
TCP Chikane				272	344	**616**	499
B de L Figaji				272	323	**595**	474
MM Katz		November 2009					542
RJ Khoza						**3 439**	3 300
A de VC Knott-Craig				272	256	**528**	323
ME Mkwanazi		November 2009					444
Total				**4 118**	**3 774**	**11 331**	**10 738**

1 *Includes fees for board, subsidiary board and committee memberships (including Imperial Bank) for the years 2009 and 2010.*
2 *Includes fees for board and committee memberships (including Mutual & Federal) for the years 2009 and 2010.*
3 *Includes fees for board and committee memberships (and additional services to Mutual & Federal) for the year 2009.*
4 *Fees for RM Head, JVF Roberts, R Harris and DI Hope are paid to Old Mutual (SA) Limited for 2009 and 2010.*
5 *Includes fees for board and committee memberships [including Old Mutual Life Company (South Africa)] for the year 2009.*
a *In November 2009 GT Serobe terminated her service from the Group Risk and Capital Management Committee.*
b *DI Hope was appointed on the Group Remuneration Committee and Group Finance and Oversight Committee.*
c *In March 2010 TA Boardman was appointed as a member of the Group IT Committee and Group Credit Committee.*
d *In March 2010 PJ Moleketi resigned as a member of the Group IT Committee, Group Audit Committee and Group Transformation and Sustainability Committee.*
e *In October 2010 JK Netshitenzhe was appointed as a member of the Group Risk And Capital Management Committee.*

NON-EXECUTIVE DIRECTORS' FEES

The board and committee fees for non-executive directors for committee membership are as follows:

	Annual fee 2010 R	Proposed (with effect from 1 July 2011)*** R	2010 – 2011 % change**
Boards			
Chairman of the board*	**3 578 000**	3 775 000	5,5%
Senior independent director****	**112 000**	118 400	5,7%
Nedbank Group Limited	**152 000**	161 000	5,9%
Nedbank Limited	**128 000**	135 000	5,5%
Committees			
Group Audit Committee	**120 000**	126 000	5,0%
Group Finance and Oversight Committee	**21 000**	22 000	4,8%
Group Remuneration Committee	**75 000**	80 000	6,7%
Group Risk and Capital Management Committee	**105 000**	110 000	4,8%
Executive Credit Committee	**100 000**	105 000	5,0%
Group Credit Committee	**70 000**	73 000	4,3%
Group Directors' Affairs Committee	**49 000**	52 000	6,1%
Group IT Committee	**49 000**	52 000	6,1%
Group Transformation and Sustainability Committee	**70 000**	73 000	4,3%

* *The Nedbank Group Chairman's fees include his fees for board, subsidiary board and committee memberships.*

** *Based on 2010 fees, the increase (%) is applied in order to align the board fees with local market practices.*

*** *Subject to shareholders' approval at the annual general meeting on 6 May 2011.*

**** *An additional fee of 40% of the Nedbank Group Limited and Nedbank Limited Board member fees is paid to the senior independent director.*

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 an independent subcommittee of the Group Remuneration Committee. The above increases are effective from 1 July 2011, subject to shareholders' approval at the 6 May 2011 annual general meeting.

NEDBANK EYETHU NON-EXECUTIVE DIRECTORS' TRUST

This trust held 984 640 Nedbank Group ordinary shares at 31 December 2010, of which a total of 768 575 shares were allocated to six participants. No allocations were made during 2010 and the committee agreed that no future allocations will be made. The scheme will run its normal course, after which the trust will be dissolved.

It was announced on 28 December 2010 that the end of the lock-in period for certain of these schemes is 1 January 2011. These include the Aka-Nedbank Eyethu Trust and the Nedbank Eyethu Non-executive Directors' Trust (collectively, 'the maturing schemes'). Accordingly, shareholders were advised that Nedbank Group intends to exercise the call options that were granted to it by the maturing schemes to repurchase Nedbank Group ordinary shares. The transaction was finalised and announced on 6 January 2011.

DIRECTORS' INTERESTS

At 31 December 2010 the directors' interests in ordinary shares in Nedbank Group were as follows:

	Beneficial direct		Beneficial indirect	
Number of shares	**2010**	2009	**2010**	2009
CJW Ball	**10 000**	10 000		
TA Boardman	**65 662**	81 100	**251 715**	251 715
MWT Brown	**54 379**	49 940	**327 430**	235 815
TCP Chikane			**95 319**	92 213
GW Dempster	**11 881**	11 881	**215 229**	169 584
MA Enus-Brey+			**2 113**	2 076
B de L Figaji			**125 933**	121 879
DI Hope				
RJ Khoza++			**1 374**	1 374
A de VC Knott-Craig				
WE Lucas-Bull				
NP Mnxasana			**51 242**	49 572
RK Morathi			**91 472**	
JK Netshitenzhe*				
JVF Roberts				
GT Serobe+++			**1 296**	1 296
MI Wyman				
Total	**141 922**	152 921	**1 163 123**	925 524

* *Appointed to the board during 2010.*

\+ *Excludes 4 996 918 and 5 202 795 shares held by the Brimstone-Mtha Financial Services Trust in 2009 and 2010 respectively.*

++ *Excludes 2 062 082 and 2 130 822 shares held by the Aka-Nedbank Eyethu Trust in 2009 and 2010 respectively.*

+++ *Excludes 5 017 632 and 5 233 594 held by the Wiphold Financial Services Number Two Trust in 2009 and 2010 respectively.*

At 31 December 2010 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	**2010**	2009	**2010**	2009
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				
DI Hope				
RJ Khoza				
A de VC Knott-Craig				
WE Lucas-Bull				
NP Mnxasana				
RK Morathi				
JK Netshitenzhe*				
JVF Roberts				
GT Serobe				
MI Wyman				
Total	**144 300**	144 300	**85 000**	85 000

* *Appointed to the board during 2010.*

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

REMUNERATION POLICY

The policy is quoted below:

'OBJECTIVE AND PHILOSOPHY

The overall purpose of total remuneration in Nedbank Group is to attract, retain, motivate and reward all our people appropriately. Our total remuneration philosophy is aimed at encouraging sustainable long-term performance of the group 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.

The group defines total reward as a combination of all types of rewards, including financial and non-financial, indirect and direct, intrinsic and extrinsic rewards, and its total remuneration policy forms part of total reward and supports the Nedbank Employee Value Proposition (EVP).

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. To this end, all staffmembers have balanced scorecards in place, which is a key input into determining individual remuneration.

In designing the remuneration policy, the group takes cognisance of best practice, the applicable statutory legislation as well as adherence to codes of good remuneration and governance practices.

SCOPE

This document translates the Nedbank Group Board's (the 'board') on how remuneration should be managed in Nedbank Group. As such, it:

- carries the approval of the board with management carrying the responsibility to implement the policy;
- documents the requirements for how total remuneration should be managed in its various businesses;
- forms part of the group's operating philosophy, policies and standards;
- applies to all Nedbank Group companies, including international subsidiaries, subject to local statutory requirements and practices; but does not include companies in which Nedbank Group has a private equity investment; and
- is supported by detailed operating policies and procedures available at local and business unit level.

TERMINOLOGY

Interpretation

For the purposes of this policy:

- the masculine gender shall include the other gender, and vice versa, and the plural shall include the singular, and vice versa; and
- the terms must, is/are to, is/are required to, needs/need to and has/have to are used interchangeably and shall have the same degree of obligation.

REMUNERATION PRINCIPLES

- The governance and management of remuneration in the group by the Group Remuneration Committee (RemCo), the Group Executive Committee (Group Exco) and management to ensure statutory and regulatory compliance as well as alignment with codes of good remuneration practice.
- In support of the EVP, the group has implemented an appropriate mix of total reward for its various employee groups that will attract, motivate and retain talented employees, and will stimulate employee satisfaction and engagement.
- The RemCo has access to independent remuneration consultants who provide independent advice to ensure that remuneration in the group is in line with current market practices and complies with legislation.
- The management of remuneration supports and reinforces the group's desired culture and agreed values.
- The group's remuneration policy should be transparent and is communicated to all staff.
- Confidentiality of an individuals' personal remuneration information will be respected and at all times dealt with in terms of statutory requirements.
- All remuneration practices will be aligned with by the principles of equity and equality, and implemented on the basis of differentiation in respect of performance.
- In the management of remuneration, internal and external equity are key considerations.
  - Under the principle of internal equity, all staffmembers will be rewarded fairly and consistently according to their roles, individual worth and experience, also taking cognisance of the group, business unit's and individual performance.
  - To achieve external equity, the group will monitor the relevant job markets continuously to ensure a competitive total reward positioning, within the parameters of affordability.
- The group annually assesses its remuneration distribution to ensure fair application and employment practices.
- All remuneration practices comply with applicable statutory requirements.
- Premiums for race, gender, specialist skills and other market drivers should be accommodated within broad remuneration ranges.
- Performance management is applied and serves as input into the management of individual remuneration.
- The group will provide employees and their dependants with an appropriate level of employee benefits within legislative requirements.

Total remuneration: all permanent staff (including executive directors)

Guaranteed package (GP)

- All RSA staff are remunerated on a 'total cost to company' (TCC) approach. It is the intention of the group to implement this approach, where appropriate, in the non-RSA countries.
- The group will determine annually the GP applicable to all positions. Earning ranges are benchmarked against market median information, allowing a reasonable range to accommodate different levels of competence, performance and applicable market drivers.
- The group's remuneration position is to pay for performance, while ensuring appropriate distribution around the market median and reflecting the skills in demand.
- Employees can structure their GP within the framework of applicable policies and statutory requirements.
- Annual adjustments, as defined in the appropriate relationship agreement, will be agreed with the relevant recognised unions on an annual basis.
- The RemCo is responsible for approving the overall mandate for the annual remuneration review . Adjustments for the members of the Group Executive Committee are recommended by the Chief Executive to the RemCo and approved by the Nedbank Group Board.
- The Chief Executive's adjustment is approved by the Nedbank Group Board and ratified by the ultimate holding company.
- Remuneration adjustments outside of the annual remuneration review exercise may be considered under exceptional circumstances and will be subject to the agreed authorisation.

Job evaluation and market benchmarking:

- Jobs are sized or benchmarked, using the appropriate methodologies, and matched to the respective market job and earnings range.
- Job evaluations and market benchmarks are managed by the appointed job family committees, which are mandated with a specific charter.
- Job profile changes are proposed by the line manager and then approved by the appropriate job family committee.
- Employees have sight of their market match and earnings range.

Employee benefits

- All employees have access to the same employee benefits, subject to the statutory requirements and local practices.

- Employees have access to the following benefits:
  - leave;
  - retirement funding;
  - healthcare;
  - disability cover; and
  - death cover.
- Depending on the requirements of a role, the company may allow for certain job-specific structures and/or allowances.
- The service contracts of executive directors are aligned with those of general staff and do not include any golden-parachute arrangements.

Short-term incentive schemes (STIs):

- STIs will be designed to reward performance both in terms of financial and non-financial performance, desired behaviours and deliverables within an agreed risk framework.
- The RemCo has full and final discretion on all the group STI arrangements, including the approval of the final group pool and also ratifies specific allocations on an annual basis.
- The group operates a Compulsory STI Deferral Scheme, the participation and forfeiture rules of which are determined by the RemCo on an annual basis.
- The group operates a Voluntary STI Deferral Scheme, which allows eligible participants to receive additional matched shares upon selecting participation and meeting certain criteria.
- A sign-on bonus scheme is used as a recruitment incentive to aid in the acquisition of potential candidates.
- The RemCo approves STI pools on an annual basis and ratifies all short-term incentive allocations.
- The RemCo approves all proposed STIs in excess of 200% of GP on an individual basis.

Long-term incentive schemes (LTIs):

- LTIs are designed to retain key employees and to align their long-term performance with that of shareholders.
- The RemCo considers and approves the LTI scheme arrangements.
- The relevant legal and governance processes are followed in each jurisdiction to approve each scheme.
- The group operates both an option (no further allocation since 31 December 2007) and a restricted-share scheme as share-based LTI.
- The RemCo approves the corporate performance targets applicable to LTI awards.
- All LTI awards are allocated in the form of performance shares and retention shares.
- The RemCo approves all LTI allocations on an individual basis.
- The group operates a Deferred Short-Term Incentive (DSTI) Scheme, which is a cash-based LTI scheme.
- In countries where the group is not listed, a cash settled phantom arrangement, linked to corporate performance targets, is used as an LTI vehicle.

Ownership schemes:

- As part of the broader black economic empowerment (BEE) initiative, RSA or in-country BEE schemes may also apply.

Total remuneration: non-executive directors

- The fees of non-executive directors are reviewed annually, in terms of corporate governance regulations, and approved by shareholders at the AGM.

ROLES AND RESPONSIBILITIES

The Nedbank Group Board (the board)

The board is ultimately responsible for the financial reporting and soundness of the group, including the remuneration policy. The board delegates responsibility for this policy to the RemCo, who will annually review the policy.

Group Remuneration Committee (the RemCo)

The RemCo is responsible for reviewing and approving the remuneration policy and the strategy related to all reward matters for the group, including executive and non-executive remuneration.

Group Risk and Capital Management Committee (the GRCMC)

The GRCMC will on an annual basis, receive feedback from the RemCo to ensure that the remuneration requirements and practices of the group comply with relevant codes of conduct and best practice, thereby ensuring alignment with the risk appetite and business plan of the group and not encouraging excessive risk-taking.

Group Executive Committee (the Group Exco)

The Group Exco is responsible for amongst other things the proposal, and implementation, of remuneration strategies and policies for the group.

Group Rewards Department

Group Rewards Department will provide supporting frameworks, guidelines and tools to facilitate the process of remuneration management across the group, inclusive of providing line human resource managers with ongoing support and assistance.

Management

Management is required to:

- conduct open and honest discussions with employees around employees' individual remuneration;
- ensure fair and equitable remuneration practices;
- consult with Human Resources or Group Rewards Department in the event that guidance on remuneration practice is required; and
- treat all remuneration data with a high level of confidentiality.

Line Human Resources

- Line human resources managers are responsible for the remuneration practices at a business level, and support line managers appropriately to ensure that the group is a place where our people can thrive, and that remuneration principles are applied in a fair and equitable manner within the group.
- Line human resources managers will work with line managers to manage remuneration expectations and plan for future strategic business growth.
- Line human resources managers will upskill themselves and line managers to manage remuneration competently by having meaningful conversations with employees.'

EXECUTIVE DIRECTORS' SHARE OPTION HOLDING

	Opening balance at December 2009				
Name	Number of options	Date of issue	Issue price (R)	Vested	Expiry date
TA Boardman	120 000	28/02/2006	110,98	120 000	28/02/2011
	72 765*	27/02/2007	144,30		27/02/2012
	192 765			120 000	
MWT Brown	20 000	11/05/2004	60,01	20 000*	11/05/2010
	80 000	10/08/2004	55,75	80 000*	10/08/2010***
	20 000	30/06/2005	76,79	20 000	30/06/2010
	70 000	28/02/2006	110,98	70 000	28/02/2011
	40 000*	27/02/2007	144,30		28/02/2012
	230 000			190 000	
GW Dempster	50 000	30/06/2005	76,79	50 000	30/06/2010
	45 000	28/02/2006	110,98	45 000	28/02/2011
	40 000*	27/02/2007	144,30		28/02/2012
	135 000			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, Matched Share and Restricted Share Scheme, 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 were issued in 2008 as a result of the introduction of the RSP.*

*** *Prior to the expiry date of these options the committee approved a resolution declaring an ad hoc closed period for MWT Brown, restraining him from dealing in securities or options of the company. MWT Brown exercised 80 000 options 10 trading days after the lifting of the ad hoc closed period in line with the rules of the Nedbank Group (2005) Share Option, Matched Share and Resticted Share Scheme.*

EXECUTIVE DIRECTORS' RESTRICTED SHAREHOLDING

Nedbank issued restricted shares in 2008 with vesting thereof linked to the group meeting certain performance conditions. The SENS announcement of 3 March 2011 relating to executive directors and the Company Secretary confirmed that these conditions were not met and in terms of the rules of the scheme the restricted shares issued by the group in 2008 lapsed, including those issued to executive directors and those employees listed as top three earners who are not executive directors.

	Opening balance at December 2009				Restricted shares issued during 2010			
Name	Number of restricted shares	Date of issue	Issue price (R)	Vesting date	Number of restricted shares	Date of issue	Issue price (R)	Vesting date
TA Boardman*	60 167○	03/03/2008	120,62	04/03/2011				
	99 340**	03/03/2009	75,74	04/03/2012				
	92 208***	11/08/2009	108,45	12/08/2012				
	251 715							
MWT Brown	38 613○	03/03/2008	120,62	04/03/2011				
	52 812+	03/03/2009	75,74	04/03/2012				
	66 015++	04/03/2009	75,74	04/03/2012				
	73 766+++	11/08/2009	108,45	12/08/2012				
					43 360-	02/03/2010	121,08	02/03/2013
					43 360- -	03/03/2010	121,08	03/03/2013
	231 206				86 720			
GW Dempster	33 577○	03/03/2008	120,62	04/03/2011				
	52 812+	03/03/2009	75,74	04/03/2012				
	52 812++	04/03/2009	75,74	04/03/2012				
	27 662+++	11/08/2009	108,45	12/08/2012				
					20 647-	02/03/2010	121,08	02/03/2013
					20 647- -	03/03/2010	121,08	03/03/2013
	166 863				41 294			
RK Morathi					35 736-	02/03/2010	121,08	02/03/2013
					35 736- -	03/03/2010	121,08	03/03/2013
					71 472			

○ *Restricted shares were issued on 3 March 2008 with corporate performance targets in terms of the Nedbank Group (2005) Share Option, Matched and Restricted Share Scheme.*

* *Restricted shares issued with time- and performance-based vesting criteria. No accelerated vesting applied to TA Boardman, notwithstanding the fact that he retired in February 2010.*

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

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

Exercised during 2010				**Closing balance at December 2010****			
Number of options	Date of exercise/ cancellation	Exercise price (R)	Gain on options exercised/ lapsed	**Number of options**	**Date of issue**	**Vested**	**Expiry date**
120 000	22/12/2010	129,0203	2 164 836,00	**0**			
72 765*	28/02/2010		Lapsed	**0**			
192 765							
20 000	10/05/2010	132,6236	1 452 272,00	**0**			
80 000	29/10/2010	130,4628	5 977 024,00	**0**			
20 000	28/06/2010	124,50	954 200,00	**0**			
				70 000	**28/02/2006**	**70 000**	**28/02/2011**
40 000*	28/02/2010		Lapsed	**0**			
160 000						**70 000**	
50 000	29/06/2010	124,0368	2 357 597,50	**0**			
45 000	20/12/2010	128,1293	771 718,50	**0**			
40 000*	28/02/2010		Lapsed	**0**			
135 000							

Restricted shares vesting during 2010				**Closing balance at December 2010**			
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	Lapsed				
				99 340**	**03/03/2009**	**75,74**	**04/03/2012**
				92 208***	**11/08/2009**	**108,45**	**12/08/2012**
60 167				**191 548**			
38 613	03/03/2008	120,62	Lapsed				
				52 812+	**03/03/2009**	**75,74**	**04/03/2012**
				66 015++	**03/03/2009**	**75,74**	**04/03/2012**
				73 766+++	**11/08/2009**	**108,45**	**12/08/2012**
				43 360-	**02/03/2010**	**121,08**	**02/03/2013**
				43 360- -	**03/03/2010**	**121,08**	**03/03/2013**
38 613				**279 313**			
33 577	03/03/2008	120,62	Lapsed				
				52 812+	**03/03/2009**	**75,74**	**04/03/2012**
				52 812++	**03/03/2009**	**75,74**	**04/03/2012**
				27 662+++	**11/08/2009**	**108,45**	**12/08/2012**
				20 647-	**02/03/2010**	**121,08**	**02/03/2013**
				20 647- -	**03/03/2010**	**121,08**	**03/03/2013**
33 577				**146 918**			
				35 736-	**02/03/2010**	**121,08**	**02/03/2013**
				35 736- -	**03/03/2010**	**121,08**	**03/03/2013**
				71 472			

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

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

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

\- *Restricted shares were issued on 2 March 2010 with corporate performance targets in terms of the Nedbank Group (2005) Share Option, Matched and Restricted Share Scheme.*

\- - *Restricted shares were issued on 3 March 2010 without corporate performance targets in terms of the Nedbank Group (2005) Share Option, Matched and Restricted Share Scheme.*

EXECUTIVE DIRECTORS' EYETHU SHARE OPTION HOLDING

	Opening balance at December 2009				
Name	Number of options	Date of issue	Issue price (R)	Vested	Expiry date
RK Morathi	–	–	–	–	–

* Restricted shares and share options issued in terms of the Nedbank Eyethu Employee Scheme are subject to time-based vesting criteria with 33% vesting criteria after four years from date of grant, 33% vesting after five years from date of grant and 34% vesting after six years from date of grant.

EXECUTIVE DIRECTORS' EYETHU RESTRICTED SHAREHOLDING

	Opening balance at December 2009				Restricted shares issued during 2010			
	Number of restricted shares	Date of issue	Issue price (R)	Vesting date	Number of restricted shares*	Date of issue	Issue price (R)	Vesting date
RK Morathi	–	–	–	–	6 600	03/03/2010	R121,08	04/03/2014
	–	–	–	–	6 600	03/03/2010	R121,08	04/03/2015
	–	–	–	–	6 800	03/03/2010	R121,08	04/03/2016
					20 000			

* Restricted shares and share options issued in terms of the Nedbank Eyethu employee scheme are subject to time-based vesting criteria, with 33% vesting criteria after four years from date of grant, 33% vesting after five years from date of grant and 34% vesting after six years from date of grant.

SHARES PURCHASED/COMMITTED BY EXECUTIVE DIRECTORS UNDER THE MATCHED SHARE SCHEME FOR THE PERIOD 2008 – 2010

Name	Number of shares	Date of inception	Strike price (R)
TA Boardman	20 000	31/03/2008	117,83
	21 100	31/03/2009	85,28
	4 351	31/03/2010	137,88
	16 318++	31/03/2010	137,88
MWT Brown	8 878	31/03/2007+	141,92
	13 155	31/03/2008	117,83
	11 051	31/03/2009	85,28
	4 351	31/03/2010	137,88
	4 895++	31/03/2010	137,88
GW Dempster	11 881	31/03/2008	117,83
	2 721	31/03/2010	137,88
	4 351++	31/03/2010	137,88
RK Morathi	2 175	31/03/2010	137,88

\+ 50% of the ordinary shares were matched on 31 March 2010 in terms of the rules of the Nedbank Group (2005) Matched Share Scheme.
++ Participant in Compulsory Bonus Share Scheme.

There are zero options outstanding (2009: 100 000) that have been granted to executive directors in terms of the Nedcor Group (1994) Employee Incentive Scheme and 1 044 497 instruments outstanding (2009: 457 765) that have been granted to executive directors in terms of the Nedbank Group (2005) Share Option Scheme, Matched Share Scheme and RSP.

Share options issued during 2010				**Closing balance at December 2010****			
Number of share options*	Date of issue	Exercise price (R)	Vesting date	**Number of options**	**Date of issue**	**Vested**	**Expiry date**
19 800	03/03/2010	R121,08	04/03/2014	**19 800**	**03/03/2010**		**03/03/2017**
19 800	03/03/2010	R121,08	04/03/2015	**19 800**	**03/03/2010**		**03/03/2017**
20 400	03/03/2010	R121,08	04/03/2016	**20 400**	**03/03/2010**		**03/03/2017**
60 000				**60 000**			

Restricted shares vesting during 2010				**Closing balance at December 2010**			
Number of restricted shares	Date of issue	Issue price (R)	Vesting date	**Number of restricted shares**	**Date of issue**	**Issue price (R)**	**Vesting date**
–	–	–	–	**6 600**	**03/03/2010**	**R121,08**	**04/03/2014**
–	–	–	–	**6 600**	**03/03/2010**	**R121,08**	**04/03/2015**
–	–	–	–	**6 800**	**03/03/2010**	**R121,08**	**04/03/2016**
				20 000			

TOP THREE EARNERS' SHARE OPTION HOLDING

	Opening balance at December 2009				
Function	Number of options	Date of issue	Issue price (R)	Vested	Expiry date
Group Exco Member	36 000	28/02/2006	110,98	36 000	28/02/2011
	26 000*	27/02/2007	144,30		28/02/2012
	62 000			36 000	
Group Exco Member	55 000	28/02/2006	110,98	55 000	28/02/2011
	40 000*	27/02/2007	144,30		27/02/2012
	95 000			55 000	
Group Exco Member	10 000	28/02/2006	110,98	10 000	28/02/2011
	18 500*	27/02/2007	144,30		28/02/2012
	28 500				

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, Matched Share and Restricted Share Scheme, 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 were issued in 2008 as a result of the introduction of the RSP.*

TOP THREE EARNERS' RESTRICTED SHAREHOLDING

	Opening balance at December 2009				Restricted shares issued during 2010			
Function	Number of restricted shares	Date of issue	Issue price (R)	Vesting date	Number of restricted shares	Date of issue	Issue price (R)	Vesting date
Group Exco Member	20 146❍	03/03/2008	120,62	04/03/2011				
	68 115+	03/03/2009	75,74	04/03/2012				
	25 357+++	11/08/2009	108,45	12/08/2012				
					24 777-	02/03/2010	121,08	02/03/2013
					24 777- -	03/03/2010	121,08	03/03/2013
	113 618				49 554			
Group Exco Member	33 577❍	03/03/2008	120,62	04/03/2011				
	52 812+	03/03/2009	75,74	04/03/2012				
	52 812++	04/03/2009	75,74	04/03/2012				
					24 777-	02/03/2010	121,08	02/03/2013
					24 777- -	03/03/2010	121,08	03/03/2013
	139 201				49 554			
Group Exco Member	20 146❍	03/03/2008	120,62	04/03/2011				
	53 142+	03/03/2009	75,74	04/03/2012				
	23 974+++	11/08/2009	108,45	12/08/2012				
					24 777-	02/03/2010	121,08	02/03/2013
					24 777- -	03/03/2010	121,08	03/03/2013
	97 262				49 554			

❍ *Restricted shares were issued on 3 March 2008 with corporate performance targets in terms of the Nedbank Group (2005) Share Option, Matched and Restricted Share Scheme.*

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

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

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

\- *Restricted shares were issued on 2 March 2010 with corporate performance targets in terms of the Nedbank Group (2005) Share Option, Matched and Restricted Share Scheme*

\- - *Restricted shares were issued on 3 March 2010 without corporate performance targets in terms of the Nedbank Group (2005) Share Option, Matched and Restricted Share Scheme*

Exercised during 2010				**Closing balance at December 2010****			
Number of options	Date of exercise/ cancellation	Exercise price (R)	Gain on options exercised/ lapsed	**Number of options**	**Date of issue**	**Vested**	**Expiry date**
36 000	02/11/2010	130,9539	719 060	**0**			
26 000*	28/02/2010		Lapsed	**0**			
62 000							
55 000	18/03/2010	133,6942	1 249 325	**0**			
40 000*	28/02/2010		Lapsed	**0**			
95 000							
10 000	14/12/2010	127,5881	166 081	**0**			
18 500*	28/02/2010		Lapsed	**0**			
28 500							

Restricted shares vested during 2010				**Closing balance at December 2010**			
Number of restricted shares	Date of issue	Issue price (R)	Vesting date	**Number of restricted shares**	**Date of issue**	**Issue price (R)**	**Vesting date**
20 146	03/03/2008	120,62	Lapsed				
				68 115+	**03/03/2009**	**75,74**	**04/03/2012**
				25 357++	**11/08/2009**	**108,45**	**12/08/2012**
				24 777-	**02/03/2010**	**121,08**	**02/03/2013**
				24 777- -	**03/03/2010**	**121,08**	**03/03/2013**
20 146				**143 026**			
33 577	03/03/2008	120,62	Lapsed				
				52 812+	**03/03/2009**	**75,74**	**04/03/2012**
				52 812++	**03/03/2009**	**75,74**	**04/03/2012**
				24 777-	**02/03/2010**	**121,08**	**02/03/2013**
				24 777- -	**03/03/2010**	**121,08**	**03/03/2013**
33 577				**155 178**			
20 146	03/03/2008	120,62	04/03/2011				
				53142+	**03/03/2009**	**75,74**	**04/03/2012**
				23974++	**11/08/2009**	**108,45**	**12/08/2012**
				24777-	**02/03/2010**	**121,08**	**02/03/2013**
				24777- -	**03/03/2010**	**121,08**	**03/03/2013**
20 146				**126 670**			

TOP THREE EARNERS' EYETHU SHARE OPTION HOLDING

Function	Opening balance at December 2009				
	Number of options*	Date of issue	Issue price (R)	Vested	Expire date
Group Exco Member	7 920	08/08/2005	74,75	7 920	08/08/2012
	8 160	08/08/2005	74,75		08/08/2012
	11 880	03/03/2009	75,74		03/03/2016
	11 880	03/03/2009	75,74		03/03/2016
	12 240	03/03/2009	75,74		03/03/2016
	52 080				

** Restricted shares and share options issued in terms of the Nedbank Eyethu Employee Scheme are subject to time-based vesting criteria, with 33% vesting after four years from date of grant, 33% vesting after five years from date of grant and 34% vesting after six years from date of grant.*

TOP THREE EARNERS' EYETHU RESTRICTED SHAREHOLDING

Function	Opening balance at December 2009				Restricted shares issued during 2010			
	Number of restricted shares*	Date of issue	Issue price (R)	Vesting date	Number of restricted shares	Date of issue	Issue price (R)	Vesting date
Group Exco Member	2 640	08/08/2005	74,75	09/08/2010				
	2 720	08/08/2005	74,75	09/08/2011				
	3 960	03/03/2009	75,74	04/03/2013				
	3 960	03/03/2009	75,74	04/03/2014				
	4 080	03/03/2009	75,74	04/03/2015				
	17 360							

** Restricted shares and share options issued in terms of the Nedbank Eyethu Employee Scheme are subject to time-based vesting criteria, with 33% vesting after four years from date of grant, 33% vesting after five years from date of grant and 34% vesting after six years from date of grant.*

SHARES PURCHASED/COMMITTED BY TOP THREE EARNERS UNDER THE MATCHED SHARE SCHEME FOR THE PERIOD 2008 – 2010

Function	Number of shares	Date of inception	Strike price (R)
Group Exco Member	7 425	31/03/2008	117,83
	3 807+	31/03/2010	137,88
Group Exco Member	4 243	31/03/2008	117,83
	2 931	31/03/2009	85,28
	4 786+	31/03/2010	137,88
Group Exco Member	8 911	31/03/2008	117,83
	3 807+	31/03/2010	137,88

+ Employee participant in the Compulsory Bonus Share Scheme.

Exercised during 2010				**Closing balance at December 2010****			
Number of options	Date of exercise/ cancellation	Exercise price (R)	Gain on options exercised/ lapsed	**Number of options**	**Date of issue**	**Vested**	**Expiry date**
7 920	21/10/2010	136,6942	490 598,06				
				8 160	**08/08/2005**		**08/08/2012**
				11 880	**03/03/2009**		**03/03/2016**
				11 880	**03/03/2009**		**03/03/2016**
				12 240	**03/03/2009**		**03/03/2016**
7 920				**44 160**			

Restricted shares vested during 2010				**Closing balance at December 2010**			
Number of restricted shares*	Date of issue	Issue price (R)	Vesting date	**Number of restricted shares***	**Date of issue**	**Issue price (R)**	**Vesting date**
2 640	08/08/2005	74,75	09/08/2010				
				2 720	**08/08/2005**	**74,75**	**09/08/2011**
				3 960	**03/03/2009**	**75,74**	**04/03/2013**
				3 960	**03/03/2009**	**75,74**	**04/03/2014**
				4 080	**03/03/2009**	**75,74**	**04/03/2015**
2 640				**14 720**			

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2010 Rm	2009 Rm
Interest and similar income	12	**43 421**	49 332
Interest expense and similar charges	13	**27 556**	33 795
Net interest income		**15 865**	15 537
Impairments charge on loans and advances	27.1	**6 360**	6 659
Income from lending activities		**9 505**	8 878
Non-interest revenue	14	**10 741**	10 338
Operating income		**20 246**	19 216
Total operating expenses		**14 983**	13 792
Operating expenses	15	**14 838**	13 674
Black economic empowerment transaction expenses	15.1	**145**	118
Indirect taxation	16	**387**	402
Profit from operations before non-trading and capital items		**4 876**	5 022
Non-trading and capital items	17	**(103)**	(32)
Profit from operations		**4 773**	4 990
Share of profits of associates and joint ventures	30.1		(1)
Profit before direct taxation		**4 773**	4 989
Direct taxation	18.1	**983**	960
Profit for the year		**3 790**	4 029
Other comprehensive income net of taxation		**118**	264
Exchange differences on translating foreign operations		**(15)**	32
Fair-value adjustments on available-for-sale assets		**(31)**	146
Gains on property revaluations		**164**	86
Total comprehensive income for the year		**3 908**	4 293
Profit attributable to:			
– Equity holders of the parent		**3 737**	3 790
– Non-controlling interest – ordinary shareholders		**53**	224
– preference shareholders			15
		3 790	4 029
Total comprehensive income attributable to:			
– Equity holders of the parent		**3 855**	4 054
– Non-controlling interest – ordinary shareholders		**53**	224
– preference shareholders			15
Total comprehensive income for the year		**3 908**	4 293

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

	Notes	2010 Rm	2009 Rm
ASSETS			
Cash and cash equivalents	21	**7 469**	6 823
Other short-term securities	22	**21 955**	14 408
Derivative financial instruments	23	**14 077**	12 871
Government and other securities	25	**31 667**	35 754
Loans and advances*	26	**469 527**	444 403
Other assets	28	**3 613**	3 917
Clients' indebtedness for acceptances		**1 920**	2 025
Current taxation receivable		**440**	580
Investment securities	29	**2 999**	3 012
Non-current assets held for sale	31	**5**	12
Investments in associate companies and joint ventures	30	**933**	922
Deferred taxation asset	32	**48**	36
Investment property	33	**82**	102
Property and equipment	34	**5 394**	4 754
Long-term employee benefit assets	35	**1 965**	1 783
Mandatory reserve deposits with central bank	21	**11 068**	10 437
Intangible assets	36	**3 328**	3 151
Total assets		**576 490**	544 990
EQUITY AND LIABILITIES			
Ordinary share capital	38.1	**27**	27
Ordinary share premium		**14 422**	14 422
Reserves		**20 281**	18 174
Total equity attributable to equity holders of the parent		**34 730**	32 623
Preference share capital and premium	38.2	**3 560**	3 483
Non-controlling interest attributable to:			
– ordinary shareholders		**110**	1 796
– preference shareholders	38.3		91
Total equity		**38 400**	37 993
Derivative financial instruments	23	**11 930**	10 799
Amounts owed to depositors**	39	**489 118**	465 899
Provisions and other liabilities	40	**6 179**	5 218
Liabilities under acceptances		**1 920**	2 025
Current taxation liabilities		**76**	162
Deferred taxation liabilities	32	**1 358**	1 514
Long-term employee benefit liabilities	35	**1 408**	1 298
Long-term debt instruments	41	**26 101**	20 082
Total liabilities		**538 090**	506 997
Total equity and liabilities		**576 490**	544 990
Guarantees on behalf of clients	42	**29 185**	27 827

* *Included in loans and advances are loans to fellow subsidiaries amounting to R11,6 billion (2009: R10,9 billion).*

** *Included in amounts owed to depositors are deposits from fellow subsidiaries amounting to R15,2 billion (2009: R14,4 billion).*

CONSOLIDATED CURRENCY-ADJUSTED
STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

Millions	2010 ZAR	2009 ZAR
Interest and similar income	43 421	49 332
Interest expense and similar charges	27 556	33 795
Net interest income	15 865	15 537
Impairments charge on loans and advances	6 360	6 659
Income from lending activities	9 505	8 878
Non-interest revenue	10 741	10 338
Operating income	20 246	19 216
Total operating expenses	14 983	13 792
Operating expenses	14 838	13 674
Black economic empowerment transaction expenses	145	118
Indirect taxation	387	402
Profit from operations before non-trading and capital items	4 876	5 022
Non-trading and capital items	(103)	(32)
Profit from operations	4 773	4 990
Share of profits of associates and joint ventures		(1)
Profit before direct taxation	4 773	4 989
Direct taxation	983	960
Profit for the year	3 790	4 029
Non-controlling interest attributable to ordinary shareholders	53	224
Non-controlling interest attributable to preference shareholders		15
Profit attributable to equity holders of the parent	3 737	3 790
Less: Non-trading and capital items	(101)	(33)
Non-trading and capital items	(103)	(32)
Tax on non-trading and capital items	2	(1)
Headline earnings	3 838	3 823
Average exchange rate at 31 December for R1	1	1

The statement of comprehensive income reported in SA rand has been translated into other currencies at the average exchange rates for the year. See note 46.

2010 USD	2009 USD	2010 GBP	2009 GBP	2010 EUR	2009 EUR
5 936	5 935	**3 851**	3 813	**4 494**	4 282
3 767	4 066	**2 444**	2 612	**2 852**	2 933
2 169	1 869	**1 407**	1 201	**1 642**	1 349
869	801	**564**	515	**658**	578
1 300	1 068	**843**	686	**984**	771
1 468	1 244	**953**	799	**1 112**	897
2 768	2 312	**1 796**	1 485	**2 096**	1 668
2 048	1 659	**1 329**	1 066	**1 551**	1 197
2 028	1 645	**1 316**	1 057	**1 536**	1 187
20	14	**13**	9	**15**	10
53	48	**34**	31	**40**	35
667	605	**433**	388	**505**	436
(14)	(4)	**(9)**	(2)	**(11)**	(3)
653	601	**424**	386	**494**	433
653	601	**424**	386	**494**	433
135	116	**88**	74	**103**	84
518	485	**336**	312	**391**	349
7	27	**5**	17	**5**	19
	2		1		1
511	456	**331**	294	**386**	329
(14)	(4)	**(9)**	(2)	**(11)**	(3)
(14)	(4)	**(9)**	(2)	**(11)**	(3)
525	460	**340**	296	**397**	332
0,1367	0,1203	**0,0887**	0,0773	**0,1035**	0,0868

CONSOLIDATED CURRENCY-ADJUSTED **STATEMENT OF FINANCIAL POSITION**

AT 31 DECEMBER 2010

Millions	2010 ZAR	2009 ZAR
ASSETS		
Cash and cash equivalents	7 469	6 823
Other short-term securities	21 955	14 408
Derivative financial instruments	14 077	12 871
Government and other securities	31 667	35 754
Loans and advances	469 527	444 403
Other assets	3 613	3 917
Clients' indebtedness for acceptances	1 920	2 025
Current taxation receivable	440	580
Investment securities	2 999	3 012
Non-current assets held for sale	5	12
Investments in associate companies and joint ventures	933	922
Deferred taxation asset	48	36
Investment property	82	102
Property and equipment	5 394	4 754
Long-term employee benefit assets	1 965	1 783
Mandatory reserve deposits with central bank	11 068	10 437
Intangible assets	3 328	3 151
Total assets	576 490	544 990
EQUITY AND LIABILITIES		
Ordinary share capital	27	27
Ordinary share premium	14 422	14 422
Reserves	20 281	18 174
Total equity attributable to equity holders of the parent	34 730	32 623
Preference share capital and premium	3 560	3 483
Non-controlling interest attributable to:		
– ordinary shareholders	110	1 796
– preference shareholders		91
Total equity	38 400	37 993
Derivative financial instruments	11 930	10 799
Amounts owed to depositors	489 118	465 899
Provisions and other liabilities	6 179	5 218
Liabilities under acceptances	1 920	2 025
Current taxation liabilities	76	162
Deferred taxation liabilities	1 358	1 514
Long-term employee benefit liabilities	1 408	1 298
Long-term debt instruments	26 101	20 082
Total liabilities	538 090	506 997
Total equity and liabilities	576 490	544 990
Guarantees on behalf of clients	29 185	27 827
Exchange rate at 31 December for R1	1	1

The statement of financial position reported in SA rand has been translated into other currencies at the closing exchange rate at 31 December. See note 46.

2010 USD	2009 USD	**2010 GBP**	2009 GBP	**2010 EUR**	2009 EUR
1 123	924	**724**	573	**840**	642
3 300	1 952	**2 127**	1 210	**2 470**	1 356
2 116	1 744	**1 364**	1 081	**1 584**	1 211
4 760	4 845	**3 069**	3 003	**3 563**	3 364
70 570	60 217	**45 497**	37 330	**52 822**	41 818
541	531	**351**	329	**406**	369
289	274	**186**	170	**216**	191
66	79	**43**	49	**50**	55
451	408	**291**	253	**337**	283
1	2		1	**1**	1
140	125	**90**	77	**105**	87
7	5	**5**	3	**5**	3
12	14	**8**	9	**9**	10
811	644	**523**	399	**607**	447
295	241	**190**	150	**221**	168
1 664	1 414	**1 072**	877	**1 245**	982
500	427	**322**	265	**374**	297
86 646	73 846	**55 862**	45 779	**64 855**	51 284
4	4	**3**	2	**3**	3
2 168	1 954	**1 397**	1 211	**1 622**	1 357
3 048	2 463	**1 965**	1 527	**2 282**	1 710
5 220	4 421	**3 365**	2 740	**3 907**	3 070
535	472	**345**	293	**401**	328
17	243	**11**	151	**12**	169
	12		8		9
5 772	5 148	**3 721**	3 192	**4 320**	3 576
1 793	1 463	**1 156**	907	**1 342**	1 016
73 514	63 129	**47 396**	39 135	**55 026**	43 841
928	707	**599**	438	**695**	491
289	275	**186**	170	**216**	191
11	22	**7**	14	**9**	15
204	205	**132**	127	**153**	142
212	176	**136**	109	**158**	122
3 923	2 721	**2 529**	1 687	**2 936**	1 890
80 874	68 698	**52 141**	42 587	**60 535**	47 708
86 646	73 846	**55 862**	45 779	**64 855**	51 284
4 387	3 771	**2 828**	2 337	**3 283**	2 619
0,1503	0,1355	**0,0969**	0,0840	**0,1125**	0,0941

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 2008	27 240 023	27	14 422	(13)	922
Shares issued by subsidiary					
Preference share dividend					
Ordinary non-controlling shareholders' share of preference dividend					
Dividend to shareholders					
Total comprehensive income for the year				32	86
Net income/(expense) recognised directly in equity		–	–	–	(34)
Transfer to/(from) reserves					(34)
Share-based payments reserve movement					
Regulatory risk reserve provision					
Preference shares acquired by group entities					
Buyout of non-controlling interests					
Balance at 31 December 2009	**27 240 023**	**27**	**14 422**	**19**	**974**
Preference shares issued					
Dilution of shareholding in subsidiary					
Preference share dividend					
Preference share cumulative dividend					
Dividend to shareholders					
Total comprehensive income for the year				**(15)**	**164**
Net expense recognised directly in equity		**–**	**–**	**–**	**(26)**
Transfer to/(from) reserves					**(26)**
Preference shares acquired by group entities					
Share-based payments reserve movement					
Regulatory risk reserve provision					
Buyout of non-controlling interests					
Other movements					
Balance at 31 December 2010	**27 240 023**	**27**	**14 422**	**4**	**1 112**

* *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 parent company. 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 taxation. 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 payment 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. The negative share-based payment reserve arises from the grants paid by Nedbank Limited to various share schemes to acquire Nedbank Group Limited shares, which is recognised directly in equity. The reconciliation shown in this note is the cumulative share-based payment charge for all share schemes.*

RESERVES

Share-based payment 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
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)
		146	3 790	4 054		224	15	4 293
(487)	16	–	103	(402)	–	(52)	(209)	(663)
(88)	19		103	–				–
(399)				(399)				(399)
	(3)			(3)				(3)
				–			(209)	(209)
				–		(52)		(52)
(205)	**119**	**256**	**17 011**	**32 623**	**3 483**	**1 796**	**91**	**37 993**
				–	**91**			**91**
			(13)	**(13)**		**13**		**–**
			(270)	**(270)**				**(270)**
				–	**(14)**			**(14)**
			(996)	**(996)**		**(7)**		**(1 003)**
		(31)	**3 737**	**3 855**		**53**		**3 908**
(351)	**(66)**	**–**	**(26)**	**(469)**	**–**	**(1 745)**	**(91)**	**(2 305)**
7	**(64)**		**83**	**–**				**–**
				–				**–**
(358)				**(358)**				**(358)**
	(2)			**(2)**				**(2)**
			(108)	**(108)**		**(1 745)**	**(91)**	**(1 944)**
			(1)	**(1)**				**(1)**
(556)	**53**	**225**	**19 443**	**34 730**	**3 560**	**110**	**–**	**38 400**

**** *Represents other non-distributable revaluation surplus 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 and impairment 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	**2010 Rm**	2009 Rm
Cash generated by operations	47.1	**13 329**	13 703
Cash received from clients	47.2	**53 905**	59 615
Cash paid to clients, employees and suppliers	47.3	**(41 383)**	(46 566)
Dividends received on investments		**246**	47
Recoveries on loans previously written off		**561**	435
Effects of exchange rate changes on opening cash and cash equivalents (excluding foreign borrowings)		*****	172
Change in funds for operating activities		**(11 705)**	(14 018)
Increase in operating assets	47.4	**(36 593)**	(4 708)
Increase/(Decrease) in operating liabilities	47.5	**24 888**	(9 310)
Net cash from/(utilised by) operating activities before taxation		**1 624**	(315)
Taxation paid	47.6	**(1 592)**	(1 977)
Cashflows utilised by operating activities		**32**	(2 292)
Cashflows utilised by investing activities		**(3 508)**	(1 734)
Acquisition of property and equipment, computer software and development costs and investment property		**(1 504)**	(1 789)
Disposal of property and equipment, computer software and development costs and investment property		**(96)**	208
Net movement in non-current assets		**7**	(2)
Disposal of investment banking assets		**11**	9
Acquisition of associate companies		**(149)**	(84)
Disposal of associate companies		**138**	74
Acquisition of other investments		**(233)**	(105)
Disposal of other investments		**171**	(45)
Acquisition of investments in subsidiary companies net of cash	47.7	**(1 853)**	
Cashflows from financing activities		**4 753**	3 587
Issue of long-term debt instruments		**6 512**	6 192
Redemption of long-term debt instruments		**(493)**	(170)
Dividends paid to ordinary shareholders	47.8	**(996)**	(2 070)
Preference share dividends paid		**(270)**	(365)
Net increase/(decrease) in cash and cash equivalents		**1 277**	(439)
Cash and cash equivalents at the beginning of year**		**17 260**	17 699
Cash and cash equivalents at the end of the year**	21	**18 537**	17 260

* *Represents amounts less than R1 million.*

** *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 and as reviewed by the chief operating decisionmaker, which in Nedbank Limited's case is the Group Executive Committee. 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 SA 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.

NEDBANK RETAIL

Nedbank Retail serves the financial needs of all individuals (excluding high-net-worth individuals) and small businesses with a turnover of up to R7,5 million, to whom it offers a full spectrum of banking and assurance products and services. The Nedbank Retail product portfolio includes transactional accounts, home loans, vehicle and asset finance [including Motor Finance Corporation (MFC)], card (both card-issuing and merchant-acquiring services), personal loans and investments.

NEDBANK BUSINESS BANKING

Nedbank 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 WEALTH

Nedbank Wealth provides services across retail banking, business and corporate banking as well as the high-net-worth segment and independent financial adviser market. The businesses within Nedbank Wealth encompass life assurance, short-term insurance, financial planning, stockbroking, insurance brokerage, private banking, fiduciary services and asset management.

SHARED SERVICES

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

CENTRAL MANAGEMENT

Includes group capital instruments together with certain group overheads not recoverable from business segments, mainly within the Balance Sheet Management Division.

	Nedbank Limited		Fellow subsidiaries		Nedbank Capital		Nedbank Corporate	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
STATEMENT OF FINANCIAL POSITION (Rm)								
Cash and cash equivalents	**18 537**	17 260	**(1 208)**	(1 115)	**2 732**	2 875	**1 868**	1 807
Other short-term securities	**21 955**	14 408	**(5 089)**	(4 142)	**20 792**	12 233	**1 357**	949
Derivative financial instruments	**14 077**	12 871	**195**	161	**13 790**	12 471	**(65)**	79
Government and other securities	**31 667**	35 754	**(157)**	(229)	**12 083**	12 519	**4 314**	4 060
Loans and advances	**469 527**	444 403	**(5 746)**	(5 898)	**62 328**	55 315	**157 703**	146 035
Other assets	**20 727**	20 294	**(20 223)**	(14 490)	**7 578**	3 393	**5 097**	4 811
Intergroup assets	**–**	–			**95 886**	99 454		
Total assets	**576 490**	544 990	**(32 228)**	(25 713)	**215 189**	198 260	**170 274**	157 741
Equity and liabilities								
Allocated capital	**38 400**	37 993	**(9 414)**	(6 991)	**5 116**	4 678	**7 603**	7 280
Derivative financial instruments	**11 930**	10 799	**(122)**	(752)	**12 006**	11 404	**20**	94
Amounts owed to depositors	**489 118**	465 899	**(1 322)**	(3 456)	**184 201**	175 041	**131 194**	119 831
Other liabilities	**10 941**	10 217	**(21 367)**	(14 512)	**13 200**	6 398	**3 570**	2 434
Long-term debt instruments	**26 101**	20 082	**(3)**	(2)	**666**	739	**2**	2
Intergroup liabilities	**–**	–					**27 885**	28 100
Total equity and liabilities	**576 490**	544 990	**(32 228)**	(25 713)	**215 189**	198 260	**170 274**	157 741
STATEMENT OF COMPREHENSIVE INCOME (Rm)								
Net interest income	**15 865**	15 537	**(743)**	(769)	**1 201**	1 260	**3 306**	3 326
Impairments charge on loans and advances	**6 360**	6 659	**172**	25	**535**	141	**307**	369
Income from lending activities	**9 505**	8 878	**(915)**	(794)	**666**	1 119	**2 999**	2 957
Non-interest revenue	**10 741**	10 338	**(2 474)**	(1 568)	**2 264**	2 236	**1 566**	1 518
Operating income	**20 246**	19 216	**(3 389)**	(2 362)	**2 930**	3 355	**4 565**	4 475
Total operating expenses	**14 983**	13 792	**(1 615)**	(1 308)	**1 561**	1 606	**2 496**	2 132
Operating expenses	**14 838**	13 674	**(1 612)**	(1 300)	**1 506**	1 571	**2 455**	2 106
Black economic empowerment (BEE) transaction expenses	**145**	118	**(3)**	(8)	**55**	35	**41**	26
Indirect taxation	**387**	402	**(60)**	(36)	**23**	23	**41**	28
Profit/(Loss) from operations	**4 876**	5 022	**(1 714)**	(1 018)	**1 346**	1 726	**2 028**	2 315
Share of (losses)/profits of associates and joint ventures	**–**	(1)	**(1)**	(56)			**1**	(1)
Profit/(Loss) before direct taxation	**4 876**	5 021	**(1 715)**	(1 074)	**1 346**	1 726	**2 029**	2 314
Direct taxation	**985**	959	**(381)**	(273)	**139**	277	**504**	574
Profit/(Loss) after direct taxation	**3 891**	4 062	**(1 334)**	(801)	**1 207**	1 449	**1 525**	1 740
Profit attributable to non-controlling interest:								
– ordinary shareholders	**53**	224	**(6)**	(18)	**5**	(3)	**29**	18
– preference shareholders	**–**	15	**(266)**	(329)				
Headline earnings/(loss)	**3 838**	3 823	**(1 062)**	(454)	**1 202**	1 452	**1 496**	1 722
SELECTED RATIOS*								
Average interest-earning banking assets (Rm)	**503 231**	478 448	**7 301**	(2 930)	**156 864**	140 788	**158 943**	150 871
Return on assets (%)**	**0,6**	0,6			**0,6**	0,8	**0,9**	1,1
Return on equity (%)**	**8,3**	8,5			**23,5**	31,0	**19,7**	23,7
Net interest income to average interest-earning banking assets (%)	**3,15**	3,25			**0,77**	0,89	**2,08**	2,20
Non-interest revenue to total income (%)	**40,4**	40,0			**65,3**	64,0	**32,1**	31,3
Non-interest revenue to total operating expenses (%)	**71,7**	75,0			**145,0**	139,2	**62,8**	71,2
Credit loss ratio – banking advances (%)**	**1,38**	1,53			**1,27**	0,36	**0,20**	0,25
Efficiency ratio (%)	**56,3**	53,3			**45,1**	45,9	**51,2**	44,0
Efficiency ratio (excluding BEE transaction expense) (%)	**55,8**	52,8			**43,5**	44,9	**50,4**	43,5
Effective taxation rate (%)	**21,6**	21,8			**10,4**	16,0	**24,8**	24,8
Contribution to group economic profit	**(748)**	(192)	**(459)**	(249)	**477**	832	**421**	758
Number of employees	**26 035**	26 007	**(1 490)**	(1 030)	**699**	695	**3 611**	3 822

The comparative results for the segmental reporting for the year ended 31 December 2009 have been restated in line with the group's implementation of a revised economic capital allocation methodology and as a result of the Imperial Bank Limited integration. The Imperial Bank Limited businesses have been combined with the following segments: MFC, Supplier Asset Finance with Nedbank Retail and Property Finance with Nedbank Corporate. The restatement has no effect on the group results and ratios, and only changes segment results and ratios.

Depreciation costs of R555 million (2009: R600 million) and amortisation costs of R475 million (2009: R441 million) 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.

	Total Nedbank Retail and Nedbank Business Banking		Nedbank Retail		Nedbank Business Banking		Nedbank Wealth		Shared Services		Central Management		Eliminations	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	1 494	1 430	1 494	1 430			327	256	154	194	13 170	11 813		
	(1)	–	(1)				4 200	3 021			696	2 347		
	–	–						13			157	147		
	–	–									15 427	19 404		
	238 099	230 000	187 334	179 885	50 765	50 115	16 869	19 089	(6)	121	280	(259)		
	5 263	5 465	4 567	4 656	696	809	12 524	11 530	6 643	7 371	3 845	2 214		
	28 364	29 321			28 364	29 321					3 747	116	(127 997)	(128 891)
	273 219	266 216	193 394	185 971	79 825	80 245	33 920	33 909	6 791	7 686	37 322	35 782	(127 997)	(128 891)
	19 683	20 742	16 560	16 525	3 123	4 217	1 445	1 226	1 362	1 177	12 605	9 881		
	–	3		3				4		1	26	45		
	162 973	161 662	87 204	86 641	75 769	75 021	11 356	13 100	370	340	346	(619)		
	3 357	3 244	2 424	2 237	933	1 007	9 794	8 944	1 718	3 889	669	(180)		
	1 760	2 019	1 760	2 019							23 676	17 324		
	85 446	78 546	85 446	78 546			11 325	10 635	3 341	2 279		9 331	(127 997)	(128 891)
	273 219	266 216	193 394	185 971	79 825	80 245	33 920	33 909	6 791	7 686	37 322	35 782	(127 997)	(128 891)
	11 611	11 598	9 181	8 791	2 430	2 807	405	422	(156)	(187)	241	(113)		
	5 320	6 042	5 110	5 758	210	284	25	82	1					
	6 291	5 556	4 071	3 033	2 220	2 523	380	340	(157)	(187)	241	(113)	–	–
	7 353	6 358	6 011	5 147	1 342	1 211	1 958	1 518	401	388	(246)	(35)	(81)	(77)
	13 644	11 914	10 082	8 180	3 562	3 734	2 338	1 858	244	201	(5)	(148)	(81)	(77)
	11 110	10 202	8 770	8 082	2 340	2 120	1 471	1 227	113	78	(72)	(68)	(81)	(77)
	11 090	10 160	8 761	8 048	2 329	2 112	1 469	1 226	73	36	(62)	(48)	(81)	(77)
	20	42	9	34	11	8	2	1	40	42	(10)	(20)		
	232	229	210	207	22	22	53	25	94	129	4	4		
	2 302	1 483	1 102	(109)	1 200	1 592	814	606	37	(6)	63	(84)	–	–
	–	–						56						
	2 302	1 483	1 102	(109)	1 200	1 592	814	662	37	(6)	63	(84)	–	–
	717	389	342	(82)	375	471	222	150	(218)	(117)	2	(41)		–
	1 585	1 094	760	(27)	825	1 121	592	512	255	111	61	(43)	–	–
	–	–						10			25	217		
	–	–									266	344		
	1 585	1 094	760	(27)	825	1 121	592	502	255	111	(230)	(604)	–	–
	264 010	256 396	183 756	175 514	80 254	80 882	21 471	22 787	117	126	22 748	22 122	(128 223)	(111 712)
	0,6	0,4	0,4	0,0	1,0	1,4	1,7	1,6						
	8,1	5,3	4,6	(0,2)	26,4	26,6	41,0	40,9						
	4,40	4,52	5,00	5,01	3,03	3,47	1,89	1,85						
	38,8	35,4	39,6	36,9	35,6	30,1	82,9	78,3						
	66,2	62,3	68,5	63,7	57,4	57,2	133,1	123,8						
	2,18	2,56	2,67	3,17	0,40	0,52	0,15	0,47						
	58,6	56,8	57,7	58,0	62,0	52,8	62,2	63,2						
	58,5	56,6	57,7	57,7	61,7	52,6	62,2	63,2						
	31,2	26,2	31,0	75,2	31,3	29,6	27,3	22,6						
	(1 201)	(1 654)	(1 583)	(2 217)	382	563	388	339	62	(45)	(436)	(173)		
	17 863	17 369	15 473	15 140	2 390	2 229	1 896	1 762	3 381	3 372	75	17		

* *These ratios (unless otherwise stated) were calculated using amounts to R million.*

** *Certain of the group's reporting ratio calculations have been adjusted. The ratios for return on risk-adjusted capital and return on assets have been restated, with the denominator changing from simple average to daily average for equity and total assets values respectively. The calculation of credit loss ratios has been changed from simple-average advances to daily-average banking advances (thereby excluding trading advances from the calculation). Comparatives have been restated accordingly.*

GEOGRAPHICAL SEGMENTAL REPORTING

FOR THE YEAR ENDED 31 DECEMBER

	Nedbank Limited		Fellow subsidiaries	
STATEMENT OF FINANCIAL POSITION (Rm)	2010	2009	2010	2009
ASSETS				
Cash and cash equivalents	18 537	17 260	(1 208)	(1 115)
Other short-term securities	21 955	14 408	(5 089)	(4 142)
Derivative financial instruments	14 077	12 871	195	161
Government and other securities	31 667	35 754	(157)	(229)
Loans and advances	469 527	444 403	(5 746)	(5 898)
Other assets	20 727	20 294	(20 223)	(14 490)
Intergroup assets	–	–		
Total assets	576 490	544 990	(32 228)	(25 713)
EQUITY AND LIABILITIES				
Total equity	38 400	37 993	(9 414)	(6 991)
Derivative financial instruments	11 930	10 799	(122)	(752)
Amounts owed to depositors	489 118	465 899	(1 322)	(3 456)
Provisions and other liabilities	10 941	10 217	(21 367)	(14 512)
Long-term debt instruments	26 101	20 082	(3)	(2)
Intergroup liabilities	–	–		
Total equity and liabilities	576 490	544 990	(32 228)	(25 713)
STATEMENT OF COMPREHENSIVE INCOME (Rm)				
Net interest income	15 865	15 537	(743)	(769)
Impairments charge on loans and advances	6 360	6 659	172	25
Income from lending activities	9 505	8 878	(915)	(794)
Non-interest revenue	10 741	10 338	(2 474)	(1 568)
Operating income	20 246	19 216	(3 389)	(2 362)
Total operating expenses	14 983	13 792	(1 615)	(1 308)
Operating expenses	14 838	13 674	(1 612)	(1 300)
Black economic empowerment transaction expenses	145	118	(3)	(8)
Indirect taxation	387	402	(60)	(36)
Profit from operations	4 876	5 022	(1 714)	(1 018)
Share of profits of associates and joint ventures	–	(1)	(1)	(56)
Profit before direct taxation	4 876	5 021	(1 715)	(1 074)
Direct taxation	985	959	(381)	(273)
Profit/(Loss) after direct taxation	3 891	4 062	(1 334)	(801)
Profit attributable to non-controlling interest:				
– ordinary shareholders	53	224	(6)	(18)
– preference shareholders	–	15	(266)	(329)
Headline earnings	3 838	3 823	(1 062)	(454)

	South Africa		Rest of Africa		Rest of world	
	2010	2009	**2010**	2009	**2010**	2009
	16 488	14 536	**1 285**	1 224	**1 972**	2 615
	20 488	13 847	**1 357**	949	**5 199**	3 754
	13 349	12 402	**28**	79	**505**	229
	29 532	33 929	**50**	95	**2 242**	1 959
	453 187	425 133	**8 843**	7 820	**13 243**	17 348
	37 848	31 617	**771**	691	**2 331**	2 476
	(6 676)	(9 950)	**2 266**	1 639	**4 410**	8 311
	564 216	521 514	**14 600**	12 497	**29 902**	36 692
	42 350	40 115	**1 665**	1 446	**3 799**	3 423
	11 506	11 226	**20**	76	**526**	249
	462 379	435 956	**11 419**	9 995	**16 642**	23 404
	31 469	23 676	**521**	378	**318**	675
	26 102	20 082	**2**	2		
	(9 590)	(9 541)	**973**	600	**8 617**	8 941
	564 216	521 514	**14 600**	12 497	**29 902**	36 692
	15 702	15 440	**606**	519	**300**	347
	6 372	6 360	**33**	34	**(217)**	240
	9 330	9 080	**573**	485	**517**	107
	12 248	10 787	**461**	375	**506**	744
	21 578	19 867	**1 034**	860	**1 023**	851
	15 499	14 066	**657**	524	**442**	510
	15 354	13 947	**654**	517	**442**	510
	145	119	**3**	7		
	431	423	**12**	11	**4**	4
	5 648	5 378	**365**	325	**577**	337
		55	**1**			
	5 648	5 433	**366**	325	**577**	337
	1 191	1 080	**104**	94	**71**	58
	4 457	4 353	**262**	231	**506**	279
	29	209	**30**	18		15
	266	344				
	4 162	3 800	**232**	213	**506**	264

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) as issued by the International Accounting Standards Board (IASB), the AC 500 standards as issued by the Accounting Practices Board, and the requirements of the South African Companies Act, 1973, as amended.

The financial statements are presented in SA rand, 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;
- employee benefit liabilities, valued using the projected-unit credit method; 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 Group accounting

The financial information disclosed in the consolidated financial statements comprises that of the parent company, Nedbank Limited, together with its subsidiaries, including certain special-purpose entities (SPEs) and associates, presented as a single entity.

Subsidiary undertakings and special-purpose entities

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 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 other 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.

The group reassesses the consolidation requirements on a continuous basis and any changes in the group structure are considered as they occur.

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 group'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 long-term 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 associate.

At each reporting date the group determines whether there is objective evidence that the investments in associates are impaired. The carrying amounts of such investments are then reduced to recognise any impairment by applying the impairment methodology described in 1.11.

Investments in associates that are held with the intention of disposing them within 12 months are accounted for and classified as non-current assets held for sale in accordance with the methodology described in 1.10.

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 1.11.

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 in accordance with the methodology described in 1.10.

Company

Investments in group companies are accounted for at cost less impairment losses in the company financial statements. The carrying amounts of these investments are reviewed annually and impaired when necessary by applying the impairment methodology described in 1.11.

Investments held by venture capital divisions

Where the group has an investment in an associate 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 of these investments are recognised in non-interest revenue 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.

1 PRINCIPAL ACCOUNTING POLICIES – continued

1.2 Group accounting – continued

Where the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, that asset or liability is measured at the acquisition date fair value. 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 a contingent consideration classified as an asset or liability are accounted for in accordance with the relevant IFRSs. Changes in the fair value of a 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 Business Combinations, 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 International Accounting Standard (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 interests in the acquired entity are 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 interests 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 were disposed of.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. The interest of non-controlling shareholders 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, non-controlling interests consist of the amount attributed to such interests 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, the fair value of any retained investment 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 as a gain or loss on the disposal of the subsidiary in the group profit or loss for the period.

All 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 interests are increased or decreased 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 subsequent to 1 January 2009. The accounting treatment for prior-period 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 tested 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 goodwill attributable to the subsidiary is included in the determination of the profit or loss on disposal.

1.3 Foreign currency translation

Foreign currency transactions

Individual entities within the group may use a different functional currency than that of the group, being the currency of the primary economic environment in which the respective entities operate. 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.

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 SA rand.

The assets and liabilities, including goodwill, of those entities that have functional currencies other than that of the group (SA rand) are translated at the closing exchange 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 in other comprehensive income in the statement of comprehensive income. The cumulative exchange differences are recognised as a separate component of equity and are represented by the balance in the foreign currency translation reserve.

On disposal of a foreign operation the cumulative amount in the foreign currency translation reserve related to that operation is transferred to profit or loss for the period when the gain or loss on the disposal of the foreign operation 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.

1.4 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.

1 PRINCIPAL ACCOUNTING POLICIES – continued

1.4 Financial instruments – continued

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, the group's risk management policies and note 6.1: Valuation of financial instruments.

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 the 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 the 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 date of the contract.

Initial measurement

Financial instruments that are designated at initial recognition as being at fair value through profit or loss are recognised at fair value. Transaction costs, which are directly attributable to the acquisition or on issue of these financial instruments, are recognised immediately in 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 or amortised 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 in the period in which 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.

- 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. The interest expense is recorded in interest expense and similar charges.

- 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 in 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 other comprehensive income. Foreign currency translation gains or losses on monetary items, impairment losses or interest income, calculated by using the effective-interest-rate method, is reported in profit or loss.

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.

1 PRINCIPAL ACCOUNTING POLICIES – continued

1.4 Financial instruments – continued

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.

  The effective-interest-rate method is a method of calculating the amortised cost of a financial instrument 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, cashflows are estimated considering all contractual terms of the financial instrument, but future credit losses are not considered. 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

  The fair value of a financial instrument 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 an active market is determined using 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 81 to 85 of the annual financial statements.

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.
- 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.

  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.

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

1 PRINCIPAL ACCOUNTING POLICIES – continued

1.4 Financial instruments – continued

Derecognition – continued

- 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 non-interest revenue for the period.

Securitisations

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 for the period.

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.

For a detailed discussion on collateral see note 44: Collateral on page 146 of the annual financial statements.

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

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Issued financial guarantee contracts are recognised as insurance contracts and are measured at the best estimate of the expenditure required to settle any financial obligation as of the reporting date. Liability adequacy testing is performed to ensure that the carrying amount of the liability for issued financial guarantee contracts is sufficient. Any increase in the liability relating to guarantees is recognised in profit or loss.

1.5 Taxation

Taxation expense, recognised in the statement of comprehensive income, comprises current and deferred taxation. Current or deferred 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.

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 reverse.

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 reverse 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.

Deferred tax assets and liabilities are not discounted.

1.6 Goodwill and intangible assets

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.

1 PRINCIPAL ACCOUNTING POLICIES – continued

1.6 Goodwill and intangible assets – continued

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 capital and non-trading items 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. Expenditure for the development of computers that are 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 annually. 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.

- Contractual client relationships

  Contractual client relationships, including the present value of in-force business in insurance businesses, acquired in a business combination are recognised at fair value at the date of acquisition. The contractual client relations have a finite useful life and are carried at cost less accumulated amortisation. The useful lives of these client relationships are reviewed on an annual basis. Amortisation is calculated using the straight-line method over the expected life of the client relationship.

1.7 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.

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.

1.8 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 reverse 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.

1 PRINCIPAL ACCOUNTING POLICIES – continued

1.8 Property and equipment – continued

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.

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.

1.9 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 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 and liabilities 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 is 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 resale.

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

The group assesses all assets (other than financial instruments and goodwill) 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 CGU 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.

1.12 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.

1 PRINCIPAL ACCOUNTING POLICIES – continued

1.12 Other provisions – continued

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 include:

- 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.

1.13 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 such goods and services could not be identified the cost has been expensed with immediate effect. The valuation techniques are consistent with those mentioned above.

1.14 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 benefits. No gain or loss 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 a liability and an 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.

1.15 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.

1.16 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.

1.17 Insurance contracts

Contracts under which the scheme accepts insurance risk from another party by agreeing to compensate such party or other beneficiaries if a specified uncertain future event adversely affects the party or other beneficiaries, are classified as insurance contracts.

1 PRINCIPAL ACCOUNTING POLICIES – continued

1.17 Insurance contracts – continued

Policy liabilities

The policy liabilities under unmatured policies, including unintimated claims, are computed at the reporting date by PA Vergeest, the statutory actuary, according to the financial soundness valuation method as set out in the guidelines issued by the Actuarial Society of South Africa in Professional Guidance Note (PGN) 104. Claims intimated but not paid are provided for. The actuarial balance sheet is included as a separate item in the group's annual financial statements. The group performs a liability adequacy test on its liabilities in line with IFRS 4 Insurance Contracts.

Linked products

Linked products are investment-related products where the risk and reward of the underlying investment portfolio accrues to the policyholder. Linked products, which provide for returns based on the change in the value of the underlying instruments and market indicators, are initially recorded at cost. These products are revalued at year-end using discounted-cashflow analysis, closing market values and index values based on the observation dates stated in the underlying investment agreements. Valuations are adjusted for the effects of changes in foreign exchange rates. Actuarial liabilities of these linked products are stated at the same value as the underlying investments.

1.18 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.

1.19 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.

1.20 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.

1.21 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 by which the points will be utilised. Adjustments are made for the expected utilisation and non-utilisation of the points awarded.

1.22 Revenue and expenditure

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 financial 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.

1 PRINCIPAL ACCOUNTING POLICIES – continued

1.22 Revenue and expenditure – continued

- 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 1.16 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.

1.23 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 component are regularly reviewed by management to make decisions about resources to be allocated and to assess its performance, and 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 detail of which can be found in the Operational Segmental Report on pages 49 to 51 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.

1.24 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.

2 STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations issued but not yet effective

2.1.1 New standards

The following new standards have not been early-adopted by the group:

IFRS 9 Financial Instruments
The IASB has issued IFRS 9 Financial Instruments, which is the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement, in its entirety. The project has three main phases:

- Phase I: Classification and measurement of financial instruments;
- Phase II: Amortised cost and impairment of financial assets; and
- Phase III: Hedge accounting.

IFRS 9, as currently issued, includes requirements for the classification and measurement of financial assets and liabilities, derecognition requirements and additional disclosure requirements. The main requirements include the following:

- Financial assets are to be classified and measured based on the business model for managing the financial asset and the cashflow characteristics of the financial asset. There are two measurement approaches, namely fair value and amortised cost. The financial asset is carried at amortised cost if it is the business model of the entity to hold that asset for the purpose of collecting contractual cashflows and if those cashflows comprise principal repayments and interest. All other financial assets are carried at fair value.
- A financial asset that would otherwise be at amortised cost may only be designated as at fair value through profit or loss if such a designation reduces an accounting mismatch.
- The classification and measurement of financial liabilities include requirements similar to those contained in the existing standard IAS 39 Financial Instruments: Recognition and Measurement.
- For financial liabilities designated as at fair value through profit or loss, a further requirement is that all changes in the fair value of financial liabilities attributable to credit risk be transferred to other comprehensive income with no recycling through profit or loss on disposal.
- The requirements for derecognition are similar to those contained in the existing standard IAS 39 Financial Instruments: Recognition and Measurement, with certain additional disclosure requirements. Management does not anticipate these requirements to have a significant impact on the group's financial statements.

IFRS 9 is effective for the group for the year commencing 1 January 2013. However, the IASB adopted a phased approach for the release of IFRS 9, with the requirements for the classification and measurement of financial assets having been released in 2009 and the requirements for the classification and measurement of financial liabilities and derecognition having been released in 2010. Accordingly, the requirements released in 2010 cannot be early-adopted without the simultaneous adoption of the 2009 requirements. However, the requirements released in 2009 may be separately early-adopted.

The IASB intends to expand IFRS 9 in 2011 to address the requirements for the offsetting of financial assets and financial liabilities, impairment of financial assets carried at amortised cost and hedge accounting.

The implementation of IFRS 9 is anticipated to have a significant impact on the group's financial statements. The group is evaluating the impact of the standard.

2.1.2 Revised standards

The following revisions to IFRS have not been early-adopted by the group:

IFRS 7 Financial Instruments: Disclosures

The following amendments were made to this standard during the year:

- Clarification of certain qualitative and quantitative disclosures relating to the nature and extent of risks. The amendment is effective for the group for the year commencing 1 January 2011.
- Additional disclosure requirements relating to the transfer of financial assets. This amendment is effective for the group for the year commencing 1 January 2012.

These amendments address disclosure in the annual financial statements and will therefore not affect the financial position of the group.

IFRS 3 Business Combinations

The amendment clarifies the measurement of non-controlling interests and provides additional guidance on unreplaced and voluntarily replaced share-based payment awards.

The amendment is effective for the group for the year commencing 1 January 2011 and is not expected to have a significant impact on the group.

IAS 12 Income Taxes

The amendment provides a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair-value model in IAS 40 Investment Property.

The amendment is effective for the group for the year commencing on or after 1 January 2012 and is not expected to have a significant impact on the group.

2 STANDARDS AND INTERPRETATIONS – continued

2.1 Standards and interpretations issued but not yet effective – continued

2.1.2 Revised standards – continued

The amendment provides exemptions from certain disclosure requirements in respect of government-related entities and clarifies the definition of a related party. The amendment is effective for the group for the year commencing 1 January 2011.

This amendment addresses disclosure in the annual financial statements and will therefore not affect the financial position of the group. Furthermore, the revisions to the disclosures are not expected to have a significant effect on the group.

Annual improvement project
As part of its third annual improvement project the IASB has issued its 2010 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 improvement of the current year that will affect the group and the improvement is effective for the group commencing 1 January 2011.

2.1.3 Interpretations

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

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

2.2.1 Revised standards

The following revisions to IFRS have been 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 adoption of the amendments to the standard did not have an effect on the group's financial statements.

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 was early-adopted and did not have a significant effect on the group's financial statements.

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 was early-adopted and did not have a significant effect on the group's financial statements.

Annual improvement project
As part of its second annual improvement project, the IASB issued its 2009 edition of annual improvements. The annual improvement project aimed to clarify and improve the accounting standards.

These improvements included 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 the year commencing 1 January 2010.

3 KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION

The group's accounting policies are set out on pages 54 to 72. 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 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.

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 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, wealth and business bank 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.

3 KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION – continued

3.1 Allowances for loan impairment and other credit risk provisions – continued

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 impairment 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 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 result and 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. 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 affects 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 81 to 85.

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 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 IFRS guidance. Where it is difficult to determine whether the group controls an SPE, the group 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 45 to the financial statements on pages 146 and 147.

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 CGUs, 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 amount of goodwill relates to Nedbank Limited. The goodwill impairment testing performed in 2010 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 amount of Nedbank Limited's goodwill would 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 financial statements on pages 136 and 137.

3.5 Intangible assets

An internally generated intangible asset, specifically internally developed software generated during the development phase, is recognised as an asset if certain conditions are met. These conditions include technical feasibility, intention to complete the development, ability to use the asset under development and demonstration of how the asset will generate probable future economic benefits.

The cost of a recognised internally generated intangible asset comprises all costs directly attributable to making the asset capable of being used as intended by management. Conversely, all expenditures arising during the research phase are expensed as incurred.

The decision to recognise internally generated intangible assets requires significant judgement, particularly in the following areas:

- Evaluation of whether or not activities should be considered research activities or development activities.
- Assumptions about future market conditions, client demand and other developments.
- Assessment of whether completing an asset is technically feasible. The term 'technical feasibility' is not defined in the accounting standards, and therefore requires a group-specific and necessarily judgemental approach.
- Evaluation of the future ability to use or sell the intangible asset arising from the development and the assessment of probability of future benefits from sale or use.
- Evaluation of whether or not a cost is directly or indirectly attributable to an intangible asset and whether or not a cost is necessary for completing a development.

All intangible assets of the group have finite useful lives. Consequently, the depreciable amount of the intangible assets is allocated on a systematic basis over their useful lives. Judgement is applied to the following:

- Determining the useful life of an intangible asset, based on estimates regarding the period over which the intangible asset is expected to produce economic benefits to the group.
- Determining the appropriate amortisation method. Accounting standards require that the straight-line method be used, unless management can reliably determine the pattern in which the future economic benefits of the asset are expected to be consumed by the group.

Both the amortisation period and the amortisation method have an impact on the amortisation expenses recorded in each period.

In making impairment assessments for the group's intangible assets, management uses certain complex assumptions and estimates about future cashflows, which require significant judgement and assumptions about future developments. These assumptions are affected by various factors, including changes in the group's business strategy, internal forecasts and estimation of the group's weighted-average cost of capital. Due to these factors, actual cashflows and values could vary significantly from the forecast future cashflows and related values derived using the discounted-cashflow method.

3.6 Employee benefits

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, including postretirement medical aid 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 on 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.

3 KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION – continued

3.6 Employee benefits – continued

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 2010 was a surplus of R991 million (2009: R1 201 million). This comprises net recognised assets of R869 million (2009: R728 million) and unrecognised actuarial gains of R122 million (2009: R473 million). The group's IAS 19 pension asset in respect of the main South African scheme at 31 December 2010 was R853 million (2009: R710 million surplus).

If the group had increased/decreased the assumption relating to the discount rate by 1% in respect of the significant postretirement and pension funds, the result would have been an increase/decrease of R47 million (2009: R26 million) in the net funded position of the relevant funds. If the group had increased/(decreased) the assumption relating to the expected return on plan assets by 1% in respect of the significant postretirement and pension funds, the result would have been an increase/decrease of R46 million (2009: R44 million) of the net pension cost.

The group's IAS 19 postretirement medical aid obligation across all schemes at 31 December 2010 was a deficit of R412 million (2009: R295 million). This comprises recognised liabilities of R312 million (2009: R243 million) and unrecognised actuarial losses of R100 million (2009: R52 million).

If the group had increased/decreased the assumption relating to the medical cost trend rate by 1% in respect of the postretirement medical aid schemes, the result would have been an increase/decrease of R175 million and R143 million respectively (2009 an increase/decrease of R156 million and R129 million respectively) in the net unfunded position of the relevant funds. It would have increased/decreased the postretirement medical aid expense by R26 million and R20 million respectively (2009 an increase/decrease of R21 million and R16 million respectively).

Further information on employee benefit obligations, including assumptions, is set out in note 35 to the financial statements on pages 130 to 135.

3.7 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.

3.8 Financial risk management

The group's risk management policies and procedures are disclosed in the Risk and Balance Sheet Management Review of the annual report on pages 168 to 217. 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 (ALCO) 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 equity on pages 46 and 47 as well as the long-term debt instruments per note 41 on pages 142 and 143.

Further details on the ERMF, capital management and regulatory requirements are disclosed in the Risk and Balance Sheet Management Review on pages 168 to 217, which is unaudited.

5 CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CATEGORIES OF FINANCIAL INSTRUMENTS

	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 invest-ments Rm	Loans and receivables Rm	Financial liabilities at amortised cost Rm	Non-financial assets and liabilities Rm
2010									
ASSETS									
Cash and cash equivalents	21	7 469					7 469		
Other short-term securities	22	21 955	9 598	12 357					
Derivative financial instruments	23	14 077	14 077						
Government and other securities	25	31 667	146	17 290	827	10 113	3 291		
Loans and advances	26	469 527	19 180	42 078			408 269		
Other assets	28	3 613		880			2 733		
Clients' indebtedness for acceptances		1 920							1 920
Current taxation receivable		440							440
Investment securities	29	2 999	314	2 077	608				
Non-current assets held for sale	31	5							5
Investments in associate companies and joint ventures	30	933		912					21
Deferred taxation asset	32	48							48
Investment property	33	82							82
Property and equipment	34	5 394							5 394
Long-term employee benefit assets	35	1 965							1 965
Mandatory reserve deposits with central banks	21	11 068					11 068		
Intangible assets	36	3 328							3 328
Total assets		576 490	43 315	75 594	1 435	10 113	432 830	–	13 203
EQUITY AND LIABILITIES									
Ordinary share capital	38.1	27							27
Ordinary share premium		14 422							14 422
Reserves		20 281							20 281
Total equity attributable to equity holders of the parent		34 730	–	–	–	–	–	–	34 730
Preference share capital and premium	38.2	3 560							3 560
Non-controlling interest attributable to:									
– ordinary shareholders		110							110
– preference shareholders	38.3	–							
Total equity		38 400	–	–	–	–	–	–	38 400
Derivative financial instruments	23	11 930	11 930						
Amounts owed to depositors	39	489 118	35 259	89 531				364 328	
Provisions and other liabilities	40	6 179	1 726					4 453	
Liabilities under acceptances		1 920							1 920
Current taxation liabilities		76							76
Deferred taxation liabilities	32	1 358							1 358
Long-term employee benefit liabilities	35	1 408							1 408
Long-term debt instruments	41	26 101		7 774				18 327	
Total liabilities		538 090	48 915	97 305	–	–	–	387 108	4 762
Total equity and liabilities		576 490	48 915	97 305	–	–	–	387 108	43 162

5 CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CATEGORIES OF FINANCIAL INSTRUMENTS – continued

	Notes	Total Rm	At fair value through profit or loss		Available-for-sale financial assets Rm	Held-to-maturity invest-ments Rm	Loans and receivables Rm	Financial liabilities at amortised cost Rm	Non-financial assets and liabilities Rm
			Held for trading Rm	* Designated 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 banks	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	38.1	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	38.2	3 483							3 483
Non-controlling interest attributable to:									
– ordinary shareholders		1 796							1 796
– preference shareholders	38.3	91							91
Total equity		37 993	–	–	–	–	–	–	37 993
Derivative financial instruments	23	10 799	10 799						
Amounts owed to depositors	39	465 899	29 122	74 782				361 995	
Provisions and other liabilities	40	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	41	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

** See note 24 in respect of financial instruments designated as at fair value through profit or 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;

  – independent valuation of structures, products and trades; and

  – periodic review of all elements of the modelling process.

  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.

  The review of the modeling process includes approval of model revisions, vetting of model inputs, review of model results and more specifically the verification of risk calculations. 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 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 (VaR) 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 pages 94 and 95.

6 FAIR-VALUE MEASUREMENT – continued

6.1 Valuation of financial instruments – continued

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. A market is considered to be active if transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

  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;

  – earnings 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.

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 on the strength and quality of the available evidence.

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 South Africa, London, New York and Chicago, as well as on 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.

6 FAIR-VALUE MEASUREMENT – continued

6.1 Valuation of financial instruments – continued

Valuation methodologies – continued

- 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 (LGD): 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 investment 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, the variables of which 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 as 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 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).

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.
- 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 earnings 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 or long 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/long 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 as 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 or long 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/long 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

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
2010		**563 287**	**442 943**	**120 344**
Cash and cash equivalents	21	**18 537**	**18 537**	**–**
Other short-term securities	22	**21 955**		**21 955**
Derivative financial instruments	23	**14 077**		**14 077**
Government and other securities	25	**31 667**	**13 404**	**18 263**
Loans and advances	26	**469 527**	**408 269**	**61 258**
Other assets	28	**3 613**	**2 733**	**880**
Investments in associate companies and joint ventures	30	**912**		**912**
Investment securities	29	**2 999**		**2 999**
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

Summary of fair-value hierarchies

Rm	Total financial assets recognised at fair value 2010	2009
Other short-term securities	**21 955**	14 408
Derivative financial instruments	**14 077**	12 871
Government and other securities	**18 263**	17 171
Loans and advances	**61 258**	50 778
Other assets	**880**	667
Investments in associate companies and joint ventures	**912**	908
Investment securities	**2 999**	3 012
	120 344	99 815

Reconciliation to statement of financial position

Rm	Note	2010	2009
Total financial assets	5	**563 287**	532 533
Total non-financial assets	5	**13 203**	12 457
Total assets		**576 490**	544 990

	Held for trading			**Designated at fair value through profit or loss**			**Available for sale**		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
	(617)	**43 535**	**397**	**16 027**	**57 392**	**2 175**	**1 023**	**412**	**–**
	728	**8 870**		**1 335**	**11 022**				
	1	**14 076**							
	(1 346)	**1 445**	**47**	**13 900**	**3 390**		**432**	**395**	
		19 144	**36**	**1**	**42 077**				
				260	**620**				
						912			
			314	**531**	**283**	**1 263**	**591**	**17**	
	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

	Total financial assets classified at level 1		**Total financial assets classified at level 2**		**Total financial assets classified at level 3**	
	2010	2009	**2010**	2009	**2010**	2009
	2 063	909	**19 892**	13 499		
	1	3	**14 076**	12 852		16
	12 986	13 443	**5 230**	3 673	**47**	55
	1		**61 221**	50 696	**36**	82
	260	221	**620**	446		
					912	908
	1 122	1 196	**300**	1	**1 577**	1 815
	16 433	15 772	**101 339**	81 167	**2 572**	2 876

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
2010		**533 328**	**387 108**	**146 220**
Derivative financial instruments	23	**11 930**		**11 930**
Amounts owed to depositors	40	**489 118**	**364 328**	**124 790**
Provisions and other liabilities	41	**6 179**	**4 453**	**1 726**
Long-term debt instruments	43	**26 101**	**18 327**	**7 774**
2009		501 998	379 045	122 953
Derivative financial instruments	23	10 799		10 799
Amounts owed to depositors	40	465 899	361 995	103 904
Provisions and other liabilities	41	5 218	4 779	439
Long-term debt instruments	42	20 082	12 271	7 811

Summary of fair-value hierarchies

Rm	Total financial liabilities recognised at fair value 2010	2009
Derivative financial instruments	**11 930**	10 799
Amounts owed to depositors	**124 790**	103 904
Provisions and other liabilities	**1 726**	439
Long-term debt instruments	**7 774**	7 811
	146 220	122 953

Reconciliation to statement of financial position

Rm		2010	2009
Total financial liabilities	5	**533 328**	501 998
Total equity and non-financial liabilities	5	**43 162**	42 992
Total equity and liabilities		**576 490**	544 990

The financial instruments recognised at fair value have been categorised under the three levels of the IFRS 7 Financial Instruments: Disclosures, 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 or loss		
Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1 480	**47 425**	**10**	**7 774**	**89 531**	**–**
6	**11 914**	**10**			
	35 259			**89 531**	
1 474	**252**				
			7 774		
216	40 091	53	7 811	74 782	–
3	10 743	53			
	29 122			74 782	
213	226				
			7 811		

Total financial liabilities classified at level 1		Total financial liabilities classified at level 2		Total financial liabilities classified at level 3	
2010	2009	**2010**	2009	**2010**	2009
6	3	**11 914**	10 743	**10**	53
		124 790	103 904		
1 474	213	**252**	226		
7 774	7 811				
9 254	8 027	**136 956**	114 873	**10**	53

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

ASSETS

Rm	Opening balance at 1 January	Gains/(losses) in profit for the year*	Gains/(losses) in other comprehensive income for the year
2010			
Held for trading	**426**	**25**	**–**
Derivative financial instruments	**16**		
Government and other securities	**55**	**(8)**	
Loans and advances	**82**	**(7)**	
Investment securities	**273**	**40**	
Designated as at fair value	**2 433**	**53**	**–**
Investments in associate companies and joint ventures	**908**	**(4)**	
Investment securities	**1 525**	**57**	
Available-for-sale financial assets	**17**	**–**	**–**
Investment securities	**17**		
Total financial assets classified at level 3	**2 876**	**78**	**–**

* *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 represent investment securities that have been moved to the level 2 category where more observable and relevant market information became available.*

Rm	Opening balance at 1 January	Gains/(Losses) in profit for the year*	Gains/(Losses) in other comprehensive income for the year
2009			
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 as 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 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.*

Purchases and issues	**Sales and settlements**	**Transfers in**	**Transfers out****	**Closing balance at 31 December**
–	(40)	1	(15)	397
	(1)		(15)	–
				47
	(39)			36
		1		314
50	(61)	–	(300)	2 175
8				912
42	(61)		(300)	1 263
–	–	–	(17)	–
			(17)	–
50	(101)	1	(332)	2 572

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

6 FAIR-VALUE MEASUREMENT – continued

6.5 Level 3 reconciliation – continued

LIABILITIES

Rm	Opening balance at 1 January	(Gains)/Losses in profit for the year*	(Gains)/Losses in other comprehensive income for the year
2010			
Held for trading	**53**	**(18)**	**–**
Derivative financial instruments	**53**	**(18)**	*****
Total financial liabilities classified at level 3	**53**	**(18)**	**–**

* *Represents amounts less than R1 million.*

** *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 represent derivative financial instruments that have been moved to the level 2 category where more observable and relevant market information became available.*

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

* *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.*

Purchases and issues	**Sales and settlements**	**Transfers in**	**Transfers out*** **	**Closing balance at 31 December**
9	**–**	**–**	**(34)**	**10**
9			**(34)**	**10**
9	**–**	**–**	**(34)**	**10**

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:

2010	Principle assumption stressed	Stress parameters %	Statement of financial position value Rm	Favourable change in value due to stress test Rm	Unfavourable change in value due to stress test Rm
ASSETS					
Government and other securities	Credit spreads	between (25) and 25	47	1	(1)
Loans and advances	Credit spreads	between (25) and 25	36	*	*
Investment securities	Correlations, volatilities and credit spreads	between (20) and 20	1 577	243	(268)
Investments in associate companies and joint ventures	Valuation multiples	between (10) and 10	912	88	(88)
Total financial assets classified at level 3			2 572	332	(357)
LIABILITIES					
Derivative financial instruments	Correlations, volatilities and credit spreads	between (33) and 33	10	3	(3)

** Represents amounts less than R1 million.*

2009	Principle assumption stressed	Stress parameters %	Statement of financial position value Rm	Favourable change in value due to stress test Rm	Unfavourable change in 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 (20) and 20	53	9	(9)

** Represents amounts less than R1 million.*

6.7 Fair value approximates carrying value

Certain financial instruments of the group are not carried at fair value. The calculation of the fair value of these financial instruments incorporates the group's best estimate of the amount at which these financial assets could be exchanged, or financial liabilities settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values at the balance sheet date of these respective financial instruments detailed below are estimated for the purpose of disclosure, as follows:

Loans and advances

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

Loans and advances are not actively traded in the SA market and it is therefore not possible to determine the fair value of these loans and advances using observable market prices. Due to 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 a price that could be negotiated between a willing buyer and seller. The group is not currently in the position of a forced sale for the underlying loans and advances and it would therefore be inappropriate to value the loans and advances on a forced-sale basis.

For impaired loans and 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 has developed a methodology and model to determine the fair value of the gross exposures for performing loans and advances measured at amortised cost. This model incorporates the use of average interest rates and projected monthly cashflows per product type. Future cashflows are discounted using interest rates at which similar loans would be granted to borrowers with similar credit ratings and maturities. Methodologies and models are updated on a continuous basis for changes in assumptions and modelling techniques.

Future forecasts for the group's probability of default (PD) and LGD for periods 2011 to 2013 (2009 – for periods 2010 to 2012) are based on the latest available internal data and is applied to the first three years' projected cashflows. Thereafter, PDs and LGDs are reverted to their long-run averages and are applied to the remaining projected cashflows.

6 FAIR-VALUE MEASUREMENT – continued

6.7 Fair-value approximates carrying value – continued

The results of these fair value calculations are summarised below:

	2010	2009
Positive scenario	**0,36%**	0,38%
Base scenario	**0,16%**	0,25%
Mild-risk scenario	**(0,81%)**	(0,20%)

The above scenarios are based on the group's assessment of future economic developments.

Where the percentage is positive, this indicates that the fair value of the performing loans and advances is greater than the carrying value. Similarly, if the percentage is negative, this indicates that the fair value of the performing loans and advances is less than its carrying value. The group is of the opinion that the carrying value of loans and advances approximates fair value.

Government and other securities

The fair value of government and other securities are determined based on available market prices and directors' valuations where appropriate. See note 25.3 for further details.

Other financial assets (excluding government and other securities and loans and advances) and financial liabilities (excluding amounts owed to depositors and long-term debt instruments)

The carrying values of cash and cash equivalents, other assets, mandatory deposits with central banks and provisions and other liabilities are considered a reasonable approximation of their respective fair values, as they are either short-term in nature or are repriced to current market rates at frequent intervals.

Amounts owed to depositors

The group is of the opinion that the carrying value of variable-rate amounts owed to depositors approximates fair value.

Long-term debt instruments

The group is of the opinion that the carrying value of variable-rate long-term debt instruments approximates fair value.

7 LIQUIDITY GAP

Rm	<3 months	>3 months <6 months	>6 months <1 year	>1 year <5 years	>5 years	Non-deter-mined	Total
2010							
Cash and cash equivalents (including mandatory reserve deposits with central bank)	18 314					223	18 537
Other short-term securities	16 700	2 392	2 271	592			21 955
Derivative financial instruments	3 701	1 122	1 472	4 936	2 846		14 077
Government and other securities	352	1 248	5 633	18 266	6 168		31 667
Loans and advances	84 987	18 108	29 639	176 418	160 375		469 527
Other assets	5 643					15 084	20 727
	129 697	22 870	39 015	200 212	169 389	15 307	576 490
Total equity						38 400	38 400
Derivative financial instruments	1 295	512	1 019	4 839	4 265		11 930
Amounts owed to depositors	341 648	49 777	56 611	38 790	2 292		489 118
Provisions and other liabilities	1 920					9 021	10 941
Long-term debt instruments	289	1 674		18 101	6 037		26 101
	345 152	51 963	57 630	61 730	12 594	47 421	576 490
Net liquidity gap	(215 455)	(29 093)	(18 615)	138 482	156 795	(32 114)	–
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						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)	–

This note has been prepared on a contractual maturity basis.

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-deter-minable maturity	Total
2010								
Long-term debt instruments	**26 101**	**673**	**1 883**	**773**	**22 332**	**7 447**		**33 108**
Amounts owed to depositors	**489 118**	**345 580**	**52 015**	**59 344**	**42 471**	**2 292**	**–**	**501 702**
Current accounts	**45 655**	**45 658**						**45 658**
Savings deposits	**8 758**	**8 758**						**8 758**
Other deposits and loan accounts	**302 220**	**241 640**	**21 009**	**23 994**	**18 681**	**2 279**		**307 603**
Foreign currency liabilities	**9 168**	**9 168**						**9 168**
Negotiable certificates of deposit	**109 137**	**26 175**	**31 006**	**35 350**	**23 790**	**13**		**116 334**
Deposits received under repurchase agreements	**14 180**	**14 181**						**14 181**
Derivative financial instruments – liabilities	**11 930**	**1 295**	**512**	**1 019**	**4 839**	**4 265**		**11 930**
Provisions and other liabilities	**10 941**	**1 920**					**9 020**	**10 940**
	538 090	**349 468**	**54 410**	**61 136**	**69 642**	**14 004**	**9 020**	**557 680**
Guarantees on behalf of clients	**29 185**	**29 185**						**29 185**
Confirmed letters of credit and discounting transactions	**2 114**	**2 114**						**2 114**
Unutilised facilities and other	**76 182**	**76 182**						**76 182**
	107 481	**107 481**	**–**	**–**	**–**	**–**	**–**	**107 481**
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*	78 452	78 452						78 452
	107 755	107 755	–	–	–	–	–	107 755

** Comparative information has been restated to include all irrevocable undrawn facilities.*

Derivatives are not profiled on an undiscounted basis.
Provisions and other liabilities are included in this table in order to provide a reconciliation with the statement of financial position.

9 HISTORICAL VALUE AT RISK (99%, ONE-DAY) BY RISK TYPE

	2010				2009			
Rm	**Average**	**Minimum**	**Maximum**	**Year-end**	Average	Minimum	Maximum	Year-end
Foreign exchange	**2,2**	**0,6**	**6,7**	**3,9**	4,1	0,9	10,3	3,7
Interest rate	**8,8**	**3,8**	**14,6**	**6,2**	16,8	6,8	30,8	6,8
Equity products	**0,1**		**1,0**		0,4		2,7	1,0
Credit	**2,8**	**0,8**	**4,0**	**4,0**	6,0	2,5	10,9	3,2
Commodity	**0,7**		**1,5**	**0,2**	0,5		2,4	1,2
Diversification	**(4,2)**			**(4,6)**	(6,8)			(4,4)
Total value-at-risk (VaR) exposure	**10,4**	**5,6**	**17,7**	**9,7**	21,0	9,2	35,5	11,5

See pages 195 to 197 of the Risk and Balance Sheet Management Review for information on the group trading book VaR and the comparison of trading VaR.

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**
2010							
Total assets	**426 551**	**11 553**	**10 165**	**28 207**	**20 707**	**79 307**	**576 490**
Total equity and liabilities	**368 299**	**38 828**	**30 760**	**17 376**	**1 931**	**119 296**	**576 490**
Interest rate hedging activities	**(27 825)**	**27 590**	**21 934**	**(3 420)**	**(18 279)**		
Repricing profile	**30 427**	**315**	**1 339**	**7 411**	**497**	**(39 989)**	
Cumulative repricing profile	**30 427**	**30 742**	**32 081**	**39 492**	**39 989**		
Expressed as a percentage of total assets	**5,3**	**5,3**	**5,6**	**6,9**	**6,9**		
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		

See pages 206 and 207 of the Risk and Balance Sheet Management Review for information on interest rate risk in the banking book.

11 CREDIT ANALYSIS OF OTHER SHORT-TERM SECURITIES, AND GOVERNMENT AND OTHER SECURITIES

	Investment grade		Sub-investment grade		Not rated		Total	
Credit ratings	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm
Other short-term securities	**21 584**	14 336	**269**	71	**102**	1	**21 955**	14 408
Negotiable certificates of deposit	**9 187**	8 341					**9 187**	8 341
Treasury bills and other	**12 397**	5 995	**269**	71	**102**	1	**12 768**	6 067
Government and other securities	**31 189**	35 663	**478**	91	**–**	–	**31 667**	35 754
Government and government-guaranteed securities	**20 371**	24 131	**1**				**20 372**	24 131
Other dated securities	**10 818**	11 532	**477**	91			**11 295**	11 623
	52 773	49 999	**747**	162	**102**	1	**53 622**	50 162

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 NGR01 to NGR11 and subinvestment grade includes credit ratings from NGR12 to NGR25.

12 INTEREST AND SIMILAR INCOME

	2010 Rm	2009 Rm
Home loans (including properties in possession)	**11 724**	14 642
Commercial mortgages	**7 679**	7 904
Finance lease and instalment debtors	**7 222**	7 568
Credit cards	**1 106**	1 188
Bills and acceptances	**20**	41
Overdrafts	**1 138**	1 397
Term loans and other	**10 981**	12 558
Government and other securities	**2 922**	3 430
Short-term funds and securities	**629**	604
	43 421	49 332
Interest and similar income may be analysed as follows:		
– Interest and similar income from financial instruments not at fair value through profit and loss	**37 806**	43 486
– Interest and similar income from financial instruments at fair value through profit or loss	**5 615**	5 846
	43 421	49 332

13 INTEREST EXPENSE AND SIMILAR CHARGES

	2010 Rm	2009 Rm
Deposit and loan accounts	**13 783**	19 341
Current and savings accounts	**752**	1 140
Negotiable certificates of deposit	**8 226**	9 547
Other liabilities	**2 307**	2 073
Long-term debt instruments	**2 488**	1 694
	27 556	33 795
Interest expense and similar charges may be analysed as follows:		
– Interest expense and similar charges from financial instruments not at fair value through profit and loss	**21 497**	26 402
– Interest expense and similar charges from financial instruments at fair value through profit or loss	**6 059**	7 393
	27 556	33 795

An unaudited margin analysis of the interest income and interest expense by asset and liability category is presented as additional financial information on page 61 of the Nedbank Group Limited Integrated Report.

14 NON-INTEREST REVENUE

	2010 Rm	2009 Rm
Commission and fee income**	**8 560**	7 873
Administration fees	**273**	207
Cash-handling fees	**590**	510
Insurance commission	**522**	483
Exchange commission	**255**	249
Fees	**443**	467
Guarantees	**118**	116
Card income	**2 008**	1 881
Service charges	**2 662**	2 335
Other commission	**1 689**	1 625
Securities dealing and fair-value adjustments	**(299)**	320
Securities dealing***	**(35)**	265
Fair-value adjustments (note 14.1)	**(264)**	55
Net trading income***	**1 909**	1 823
Foreign exchange	**997**	1 111
Debt securities	**774**	766
Equities	**138**	(54)
Rental income	**22**	25
Investment income	**257**	56
Long-term asset sales	**11**	9
Dividends received from unlisted investments	**246**	47
Sundry income****	**292**	242
Foreign currency translation losses	*****	(1)
	10 741	10 338

* *Represents amounts less than R1 million.*

** *Commission and fee income includes an amount of R11 million (2009: 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 'at fair value through profit and loss' in terms of IFRS 7 Financial Instruments.*

14 NON-INTEREST REVENUE – continued

14.1 Analysis of fair-value adjustments

	2010 Rm	2009 Rm
Fair-value adjustments can be analysed as follows:		
Held for trading	(1 097)	478
Designated as at fair value through profit or loss	833	(423)
	(264)	55

14.2 Government grants

The group advances home loans from its Retail Cluster for affordable housing. The group receives various government grants, from the SA and foreign governments. The government grants take a variety of forms, including interest rate subsidies on loans advanced to clients and payment in respect of previously writtenoff 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 towards the group's clients, including grants made to clients as first-time homeowners. Although the group may assist the client in obtaining the grant, these grants do not qualify as government grants as envisaged by the accounting standard.

The group receives certain SA 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

	2010 Rm	2009 Rm
Staff costs	8 014	7 298
Salaries and wages	7 941	7 311
Long-term employee benefits*	(47)	(26)
Share-based payments expense – employees**	120	13
Computer processing	1 932	1 760
Depreciation for computer equipment	326	325
Amortisation of computer software	475	441
Operating lease charges for computer equipment	167	137
Other computer processing expenses	964	857
Communication and travel	620	599
Depreciation for vehicles	3	3
Other communication and travel	617	596
Occupation and accommodation	1 293	1 197
Depreciation for owner-occupied land and buildings	102	77
Operating lease charges for land and buildings	489	494
Other occupation and accommodation expenses	702	626
Marketing and public relations***	973	861
Fees and insurances	1 344	1 209
Auditors' remuneration	89	89
Statutory audit – current year	74	62
– prior year	1	2
Non-audit services – interim reviews		5
– other services	14	20
Other fees and insurance costs	1 255	1 120
Furniture, office equipment and consumables	454	310
Depreciation for furniture and other equipment	250	195
Operating lease charge for furniture and other equipment	11	26
Other office equipment and consumables	193	89
Other sundries***	208	440
	14 838	13 674
Included in staff costs are the following:		
– Executive directors' remuneration****	28	27
– Non-executive directors' remuneration****	11	10
	39	37

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 postretirement medical aid funding and any adjustments for defined-benefit obligations together with any fair-value adjustments of plan assets held. See note 35.*

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

*** *2009 comparative information has been reclassified to appropriately account for joint venture management fees of R28 million.*

**** *See pages 25 to 28 of the Remuneration Report for a detailed breakdown of directors' remuneration.*

15.1 BEE transaction expenses

	2010 Rm	2009 Rm
BEE share-based payments expenses	**140**	107
Fees	**5**	11
	145	118

See note 49 for a description of the BEE schemes.

16 INDIRECT TAXATION

	2010 Rm	2009 Rm
Value-added taxation	**326**	343
Revenue stamps	**1**	4
Other transaction taxes	**60**	55
	387	402

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

17 NON-TRADING AND CAPITAL ITEMS

	2010 Rm	2009 Rm
Loss on sale of subsidiaries and investments	**(27)**	(42)
Profit on sale of property and equipment	**10**	20
Impairment of investments	**(12)**	*
Impairment of property and equipment, and capitalised development costs	**(74)**	(10)
	(103)	(32)

18 DIRECT TAXATION

18.1 Charge for the year

	2010 Rm	2009 Rm
SA normal taxation:		
– Current charge	**1 158**	1 170
– Capital gains taxation – deferred	**23**	35
– Deferred taxation	**(274)**	(321)
Foreign taxation	**57**	80
Current and deferred taxation on income	**964**	964
Prior-year (underprovision)/overprovision – current taxation	**(38)**	116
Prior-year overprovision/(underprovision) – deferred taxation	**48**	(146)
Total taxation on income	**974**	934
STC	**11**	25
Taxation on non-trading and capital items	**(2)**	1
	983	960

18.2 Taxation rate reconciliation

	2010 %	2009 %
Standard rate of South African normal taxation	**28**	28
Non-taxable dividend income	**(7)**	(7)
Capital items	**(1)**	(1)
Structured deals		(1)
Other	*****	1
Effective taxation rate	**20**	20

** Represents amounts less than R1 million.*

18 DIRECT TAXATION – continued

18.3 Future taxation relief

The group has estimated taxation losses of R353 million (2009: R266 million) that can be set off against future taxable income, of which R204 million (2009: R214 million) has been applied to the deferred taxation balance. Furthermore, the group has accumulated STC credits amounting to R640 million at the year-end (2009: R323 million), which have arisen as a result of dividends received exceeding dividends paid. A deferred taxation asset of R64 million (2009: R32 million) has been raised on these STC credits.

19 EARNINGS

Headline earnings reconciliation	2010		2009	
Rm	Gross	Net of taxation	Gross	Net of taxation
Profit attributable to equity holders of the parent		**3 737**		3 790
Less: Non-trading and capital items	**(103)**	**(101)**	(32)	(33)
Loss on sale of subsidiaries, investments and property and equipment	**(17)**	**(15)**	(22)	(23)
Net impairment of investments, property and equipment and capitalised development costs	**(86)**	**(86)**	(10)	(10)
Headline earnings		**3 838**		3 823

20 DIVIDENDS

20.1 Ordinary shares

	Millions of shares	Cents per share	Rm
2010			
Final declared for 2009 – paid 2010	**27**	**3 170**	**856**
Interim declared for 2010	**27**	**519***	**140**
Ordinary dividends paid 2010		**3 689**	**996**
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
Final ordinary dividend declared for 2009		3 170**	

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

The final ordinary dividend for 2010 had not yet been declared at the date of approval of these financial statements.

* *Total dividend declared for 2010 = 519 cents per share.*

** *Total dividend declared for 2009 = 8 340 cents per share.*

20.2 Preference shares

Dividends declared	Number of shares	Cents per share	Amount (Rm)
2009			
Nedbank Limited – Final declared for 2008 – paid March 2009	312 781 032	58,26844	182
Imperial Bank Limited – Final declared for 2008 – paid March 2009	3 000 000	545,32877	16
Nedbank Limited – Interim declared for 2009 – paid September 2009	312 781 032	48,98630	153
Imperial Bank Limited – Interim declared for 2009 – paid September 2009	3 000 000	457,20548	14
			365
2010			
Nedbank Limited – Final declared for 2009 – paid March 2010	**358 277 491**	**40,15068**	**144**
Imperial Bank Limited – Final declared for 2009 – paid March 2010	**3 000 000**	**374,73973**	**11**
Nedbank Limited – Interim declared for 2010 – paid September 2010	**358 277 491**	**38,05479**	**136**
			291
2010			
Nedbank Limited – Final declared for 2010 – payable March 2011	**358 277 491**	**36,20548**	**130**

Dividends declared calculations	**Days**	**Rate %**	**Amount (Rm)**
2010			
Nedbank Limited			
1 July 2010 – 31 December 2010	**184**		**129,7**
1 July 2010 – 9 September 2010	**71**	**7,500**	**52,3**
10 September 2010 – 18 November 2010	**70**	**7,125**	**48,9**
19 November 2010 – 31 December 2010	**43**	**6,750**	**28,5**
Total declared			**129,7**
Dividends paid calculations			
2010 (paid March 2010)			
Nedbank Limited			
1 January 2009 – 30 June 2009	**184**		**143,8**
1 July 2009 – 13 August 2009	**44**	**8,250**	**35,6**
14 August 2009 – 31 December 2009	**140**	**7,875**	**108,2**
Imperial Bank Limited			
1 January 2009 – 30 June 2009	**184**		**11,2**
1 July 2009 – 13 August 2009	**44**	**7,700**	**2,8**
14 August 2009 – 31 December 2009	**140**	**7,350**	**8,4**
2010 (paid September 2010)			
Nedbank Limited			
1 January 2009 – 30 June 2009	**181**		**136,3**
1 January 2010 – 25 March 2010	**84**	**7,875**	**64,9**
26 March 2010 – 30 June 2010	**97**	**7,500**	**71,4**
Total paid			**291,3**
Less – cumulative dividend paid			**14,2**
– Profit share dividend			**4,8**
– Dividend paid to group entities			**2,8**
			269,5

20 DIVIDENDS – continued

20.2 Preference shares – continued

	Days	Rate %	Amount (Rm)
2009 (paid March 2009)			
Nedbank Limited			
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
Imperial Bank Limited			
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
2009 (paid September 2009)			
Nedbank Limited			
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			
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 paid			365,3

21 CASH AND CASH EQUIVALENTS

	2010 Rm	2009 Rm
Coins and bank notes	**2 131**	2 061
Money at call and short notice	**3 141**	2 878
Balances with central banks – other than mandatory reserve deposits	**2 197**	1 884
Cash and cash equivalents excluding mandatory reserve deposits with central banks	**7 469**	6 823
Mandatory reserve deposits with central banks	**11 068**	10 437
	18 537	17 260

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

	2010 Rm	2009 Rm
Negotiable certificates of deposit	**9 187**	8 341
Treasury bills and other bonds	**12 768**	6 067
	21 955	14 408

22.2 Sectoral analysis

	2010 Rm	2009 Rm
Banks	**9 187**	8 341
Government and public sector	**12 768**	6 067
	21 955	14 408

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 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 on or before a specified date. Options may be exchange-traded agreements 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

	2010 Rm	2009 Rm
Gross carrying amount of assets	**14 077**	12 871
Gross carrying amount of liabilities	**(11 930)**	(10 799)
Net carrying amount	**2 147**	2 072

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 DERIVATIVE FINANCIAL INSTRUMENTS – continued

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.

	2010			2009		
	Notional principal Rm	**Positive value Rm**	**Negative value Rm**	Notional principal Rm	Positive value Rm	Negative value Rm
Equity derivatives	**11 759**	**5 881**	**5 878**	11 457	5 903	5 554
Options written	**4 806**		**4 806**	5 011		5 011
Options purchased	**4 809**	**4 809**		5 360	5 360	
Futures*	**2 144**	**1 072**	**1 072**	1 086	543	543
Commodity derivatives	**7 283**	**3 547**	**3 736**	14 537	7 115	7 422
Options written	**–**			3		3
Caps and floors	**1 142**	**544**	**598**	3 158	1 500	1 658
Swaps	**6 104**	**3 003**	**3 101**	11 315	5 567	5 748
Futures	**37**	**–**	**37**	61	48	13
Exchange rate derivatives	**152 957**	**78 717**	**74 240**	174 332	92 276	82 056
Forwards	**132 782**	**66 822**	**65 960**	148 595	75 277	73 318
Exchange futures	**6**	**6**		150	86	64
Currency swaps	**13 457**	**8 457**	**5 000**	16 817	12 533	4 284
Options purchased	**3 432**	**3 432**		4 380	4 380	
Options written	**3 280**		**3 280**	4 390		4 390
Interest rate derivatives	**523 695**	**275 320**	**248 375**	454 621	213 297	241 324
Interest rate swaps	**288 746**	**153 865**	**134 881**	311 638	155 953	155 685
Forward rate agreements	**211 536**	**113 499**	**98 037**	115 440	47 437	68 003
Options purchased	**1 903**	**1 903**		3 702	3 702	
Options written	**2 567**		**2 567**	4 621		4 621
Futures	**6 800**	**2 812**	**3 988**	10 857	4 616	6 241
Caps	**1 039**		**1 039**	3 458		3 458
Floors	**2 200**	**200**	**2 000**	2 619	819	1 800
Credit default swaps	**8 904**	**3 041**	**5 863**	2 286	770	1 516
Total notional principal	**695 694**	**363 465**	**332 229**	654 947	318 591	336 356

** Includes contracts for difference with positive notionals of R133 million (2009: R543 million) and negative notionals of R474 million (2009: R543 million).*

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.

23.3 Carrying amount of derivative financial instruments

	2010			2009		
	Net carrying amount Rm	**Carrying amount of assets Rm**	**Carrying amount of liabilities Rm**	Net carrying amount Rm	Carrying amount of assets Rm	Carrying amount of liabilities Rm
Equity derivatives	**(6)**	**600**	**606**	55	1 267	1 212
Options written	**(592)**		**592**	(1 212)		1 212
Options purchased	**586**	**586**		1 267	1 267	
Futures**	**–**	**14**	**14**	–		
Commodity derivatives	**40**	**1 110**	**1 070**	86	1 069	983
Caps and floors	**–**	**90**	**90**	(1)	106	107
Swaps	**44**	**1 020**	**976**	87	963	876
Futures	**(4)**		**4**	–		
Exchange rate derivatives	**3 500**	**6 367**	**2 867**	2 798	5 856	3 058
Forwards	**2 982**	**5 055**	**2 073**	2 487	5 068	2 581
Exchange futures	*****	*****	*****	(2)		2
Currency swaps	**467**	**1 155**	**688**	304	637	333
Options purchased	**157**	**157**		151	151	
Options written	**(106)**		**106**	(142)		142
Interest rate derivatives	**(1 387)**	**6 000**	**7 387**	(867)	4 679	5 546
Interest rate swaps	**(1 453)**	**5 755**	**7 208**	(806)	4 579	5 385
Forward rate agreements	**30**	**182**	**152**	(43)	57	100
Options purchased	**1**	**1**		10	10	
Options written	*****		*****	(7)		7
Futures	**(2)**	*****	**2**	(1)	1	2
Caps	*****		*****	*	*	*
Floors	**6**	**6**		23	24	1
Credit default swaps	**31**	**56**	**25**	(43)	8	51
Total carrying amount	**2 147**	**14 077**	**11 930**	2 072	12 871	10 799

* *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 DERIVATIVE FINANCIAL INSTRUMENTS – continued

23.4 Analysis of derivative financial instruments

	Equity derivatives Rm	Commodity derivatives Rm	Exchange rate derivatives Rm	Interest rate derivatives Rm	Total Rm
Derivative assets					
2010					
Maturity analysis					
Under one year	**264**	**180**	**5 156**	**695**	**6 295**
One to five years	**336**	**930**	**855**	**2 815**	**4 936**
Over five years			**356**	**2 490**	**2 846**
	600	**1 110**	**6 367**	**6 000**	**14 077**
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
Derivative liabilities					
2010					
Maturity analysis					
Under one year	**270**	**178**	**1 872**	**506**	**2 826**
One to five years	**336**	**892**	**702**	**2 909**	**4 839**
Over five years			**293**	**3 972**	**4 265**
	606	**1 070**	**2 867**	**7 387**	**11 930**
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
Notional principal of derivatives					
2010					
Maturity analysis					
Under one year	**8 292**	**1 063**	**139 075**	**244 440**	**392 870**
One to five years	**3 467**	**6 220**	**9 973**	**199 469**	**219 129**
Over five years			**3 909**	**79 786**	**83 695**
	11 759	**7 283**	**152 957**	**523 695**	**695 694**
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

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 way of interest rate swaps and managed by ALCO. 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 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 instruments that are managed and reviewed on a regular basis by the risk/investment functions 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

	Maximum exposure to credit risk Rm	Change in fair value due to change in credit risk Current period*	Cumulative
2010			
Negotiable certificates of deposit purchased	271		
Treasury bills	12 086		
Government-guaranteed	13 172		
Other dated securities	4 118		
Commercial mortgage loans	19 338	1	1
Instalment credit	6 598		
Leases and debentures	48		
Preference shares	1 437		
Loans and advances (secured and unsecured)	10 015		
Foreign correspondents	1 348		
Other loans	3 102		
Loans to other banks	119		
Trade and other bills and acceptances	73		
Debtors and accruals	260		
Listed investments	532		
Unlisted investments	1 527		
Endowment policy	18		
Other assets	620		
Associate companies	912		
	75 594	1	1

24 FINANCIAL INSTRUMENTS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS – continued

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

	Maximum exposure to credit risk Rm	Change in fair value due to change in 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)	

** Positive amounts represent a loss and negative amounts a profit. See note 27.1.*

Nedbank Limited has estimated the change in credit risk in accordance with IFRS 7.IG11 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 or 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.

24.2 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*	Change in fair value due to change in credit risk: Cumulative
2010				
Long-term subordinated debt instruments	**7 774**	**7 614**	**(213)**	**54**
Call and term deposits	**33 676**	**33 620**	**(41)**	**30**
Fixed deposits	**112**	**115**		
Promissory notes and other liabilities	**7**	**7**		
Foreign currency liabilities	**5 834**	**5 834**		
Negotiable certificates of deposit	**49 902**	**49 595**	**(69)**	**79**
	97 305	**96 785**	**(323)**	**163**
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

** Positive amounts represent a profit and negative amounts a loss.*

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

	2010 Rm	2009 Rm
Government and government-guaranteed securities*	**20 372**	24 131
Other dated securities**	**11 295**	11 623
	31 667	35 754

25.2 Sectoral analysis

	2010 Rm	2009 Rm
Financial services, insurance and real estate	**2 089**	3 274
Banks	**3 545**	3 889
Manufacturing	**1 312**	1 338
Transport, storage and communication	**171**	172
Government and public sector	**22 915**	26 402
Other sectors	**1 635**	679
	31 667	35 754

25.3 Valuation

	2010 Rm	2009 Rm
Listed securities:		
– Carrying amount	**31 600**	35 723
– Market value	**32 356**	35 981
Unlisted securities:		
– Carrying amount	**67**	31
– Directors' valuation	**67**	31
Total market/directors' valuation	**32 423**	36 012

* *Government and other securities amounting to R14 180 million (2009: R14 936 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. See note 45.*

** *Includes securitised assets. See note 45.*

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.

This note should be read in conjunction with note 27 'Impairment of 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

	2010 Rm	2009 Rm
Mortgage loans	**227 601**	221 448
Home loans*	**141 767**	141 080
Commercial mortgages*	**85 834**	80 368
Net finance lease and instalment debtors (note 26.4)	**67 029**	63 337
Gross investment	**70 734**	67 659
Unearned finance charges	**(3 705)**	(4 322)
Credit cards	**7 890**	7 314
Other loans and advances	**178 111**	161 922
Properties in possession	**661**	886
Overdrafts	**11 322**	9 203
Term loans	**73 126**	66 669
Personal loans	**12 629**	9 184
Other term loans	**60 497**	57 485
Overnight loans	**12 552**	12 420
Other loans to clients	**45 846**	45 686
Foreign client lending	**6 424**	6 522
Remittances in transit	**13**	46
Other loans**	**39 409**	39 118
Preference shares and debentures	**20 413**	16 571
Factoring accounts	**3 202**	2 179
Deposits placed under reverse repurchase agreements	**10 849**	8 026
Trade, other bills and bankers' acceptances	**140**	282
	480 631	454 021
Impairment of loans and advances (note 27)	**(11 104)**	(9 618)
	469 527	444 403
Comprises:		
– Loans and advances to customers	**465 119**	446 645
– Loans and advances to banks	**15 512**	7 376
	480 631	454 021

* *Comparative results have been restated for the prior year's disclosure within Imperial Bank Limited. Mortgage loans as migrated to the property asset finance book have been reclassified from home loans to commercial mortgages and mortgage loans as migrated to Nedbank Retail have been reclassified from commercial mortgages to home loans, in line with the group's reporting. The net result of this reclassification is a R4,2 billion adjustment from home loans to commercial mortgages.*

** *Represents mainly loans relating to Treasury and Investment Banking within the Nedbank Capital segment and other loans within the Nedbank Corporate, Nedbank Business Banking and Nedbank Retail segments.*

26 LOANS AND ADVANCES

26.2 Sectoral analysis

	2010 Rm	2009 Rm
Individuals	**185 978**	177 125
Financial services, insurance and real estate	**128 075**	98 374
Banks	**15 512**	7 376
Manufacturing	**30 605**	27 559
Building and property development	**11 616**	10 018
Transport, storage and communication	**29 441**	28 153
Retailers, catering and accommodation	**7 488**	9 887
Wholesale and trade	**7 246**	8 081
Mining and quarrying	**16 243**	21 224
Agriculture, forestry and fishing	**4 871**	4 448
Government and public sector	**7 428**	14 922
Other services	**36 128**	46 854
	480 631	454 021

26.3 Geographical analysis

	2010 Rm	2009 Rm
South Africa	**463 134**	441 428
Other African countries	**5 680**	6 136
Europe	**9 670**	3 660
Asia	**992**	1 753
United States	**622**	659
Other	**533**	385
	480 631	454 021

26.4 Net finance lease and instalment debtors

	2010 Rm	2009 Rm
Gross finance lease and instalment debtors:		
– No later than one year	**10 095**	11 572
– Later than one year and no later than five years	**59 827**	55 896
– Later than five years	**812**	191
	70 734	67 659
Unearned future income on finance lease and instalment debtors	**(3 705)**	(4 322)
Net finance lease and instalment debtors	**67 029**	63 337
The net finance lease and instalment debtors may be analysed as follows:		
– No later than one year	**9 408**	10 007
– Later than one year and no later than five years	**57 499**	53 169
– Later than five years	**122**	161
	67 029	63 337

26.5 Classification of loans and advances

	Total		Neither past due nor impaired		Past due but not impaired		Impaired	
Rm	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Mortgage loans	**227 601**	221 448	**195 013**	184 483	**14 854**	17 743	**17 734**	19 222
Net finance lease and instalment debtors	**67 029**	63 337	**54 915**	50 516	**9 094**	10 425	**3 020**	2 396
Credit cards	**7 890**	7 314	**6 799**	6 232	**573**	578	**518**	504
Properties in possession	**661**	886					**661**	886
Overdrafts	**11 322**	9 203	**9 580**	6 476	**605**	1 551	**1 137**	1 176
Term loans	**73 126**	66 669	**61 712**	59 136	**9 626**	6 349	**1 788**	1 184
Overnight loans	**12 552**	12 420	**12 552**	12 369		16		35
Other loans to clients	**45 846**	45 686	**43 948**	44 164	**481**	676	**1 417**	846
Preference shares and debentures	**20 413**	16 571	**19 556**	16 430	**784**	12	**73**	129
Factoring accounts	**3 202**	2 179	**3 165**	2 158		6	**37**	15
Deposits placed under reverse repurchase agreements	**10 849**	8 026	**10 849**	8 026				
Trade, other bills and bankers' acceptances	**140**	282	**140**	282				
	480 631	454 021	**418 229**	390 272	**36 017**	37 356	**26 385**	26 393

26 LOANS AND ADVANCES – continued

26.6 Age analysis of loans and advances

	Total		<1 month	
Rm	**2010**	2009	**2010**	2009
Neither past due nor impaired	**418 229**	390 272	**418 229**	390 272
Mortgage loans	**195 013**	184 483	**195 013**	184 483
Net finance lease and instalment debtors	**54 915**	50 516	**54 915**	50 516
Credit cards	**6 799**	6 232	**6 799**	6 232
Properties in possession	**–**	–		
Overdrafts	**9 580**	6 476	**9 580**	6 476
Term loans	**61 712**	59 136	**61 712**	59 136
Overnight loans	**12 552**	12 369	**12 552**	12 369
Other loans to clients	**43 948**	44 164	**43 948**	44 164
Preference shares and debentures	**19 556**	16 430	**19 556**	16 430
Factoring accounts	**3 165**	2 158	**3 165**	2 158
Deposits placed under reverse repurchase agreements	**10 849**	8 026	**10 849**	8 026
Trade, other bills and bankers' acceptances	**140**	282	**140**	282
Past due but not impaired	**36 017**	37 356	**30 237**	30 433
Mortgage loans	**14 854**	17 743	**11 902**	13 408
Net finance lease and instalment debtors	**9 094**	10 425	**8 188**	9 394
Credit cards	**573**	578	**421**	292
Overdrafts	**605**	1 551	**506**	1 322
Term loans	**9 626**	6 349	**8 996**	5 585
Overnight loans	**–**	16	**–**	16
Other loans to clients	**481**	676	**222**	410
Preference shares and debentures	**784**	12	**2**	
Factoring accounts	**–**	6		6
Subtotal	**454 246**	427 628	**448 466**	420 705
Impaired	**26 385**	26 393		
Mortgage loans	**17 734**	19 222		
Net finance lease and instalment debtors	**3 020**	2 396		
Credit cards	**518**	504		
Properties in possession	**661**	886		
Overdrafts	**1 137**	1 176		
Term loans	**1 788**	1 184		
Overnight loans		35		
Other loans to clients	**1 417**	846		
Preference shares and debentures	**73**	129		
Factoring accounts	**37**	15		
Total loans and advances	**480 631**	454 021		

** Represents amounts less than R1 million.*

>1 month >3 months		<3 months >6 months		<6 months <12 months		>12 months	
2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
–	–	**–**	–	**–**	–		
4 732	6 018	**748**	315	**47**	376	**253**	214
2 919	3 716	**33**	267		138		214
890	1 012	**16**	19				
152	286						
49	215	**50**	14				
630	764		*				
20	25	**2**	3		238	**237**	
72		**647**	12	**47**		**16**	
4 732	6 018	**748**	315	**47**	376	**253**	214

26 LOANS AND ADVANCES – continued

26.7 Credit quality of loans and advances

	Total		NGR 1 – 12	
Rm	**2010**	2009	**2010**	2009
Neither past due nor impaired	**418 229**	390 272	**149 618**	121 831
Mortgage loans	**195 013**	184 483	**29 605**	17 846
Net finance lease and instalment debtors	**54 915**	50 516	**7 438**	6 669
Credit cards	**6 799**	6 232	**1 228**	1 354
Overdrafts	**9 580**	6 476	**2 665**	769
Term loans	**61 712**	59 136	**52 648**	47 609
Overnight loans	**12 552**	12 369	**8 536**	7 993
Other loans to clients	**43 948**	44 164	**22 751**	22 826
Preference shares and debentures	**19 556**	16 430	**14 128**	8 581
Factoring accounts	**3 165**	2 158		2
Deposits placed under reverse repurchase agreements	**10 849**	8 026	**10 559**	8 026
Trade, other bills and bankers' acceptances	**140**	282	**60**	156
Past due but not impaired	**36 017**	37 356	**1 602**	828
Mortgage loans	**14 854**	17 743	**285**	8
Net finance lease and instalment debtors	**9 094**	10 425	**663**	806
Credit cards	**573**	578	**7**	7
Overdrafts	**605**	1 551		5
Term loans	**9 626**	6 349	**4**	2
Overnight loans	**–**	16		
Other loans to clients	**481**	676		
Preference shares and debentures	**784**	12	**643**	
Factoring accounts	**–**	6		
Impaired	**26 385**	26 393	**–**	–
Mortgage loans	**17 734**	19 222		
Net finance lease and instalment debtors	**3 020**	2 396		
Credit cards	**518**	504		
Properties in possession	**661**	886		
Overdrafts	**1 137**	1 176		
Term loans	**1 788**	1 184		
Overnight loans	**–**	35		
Other loans to clients	**1 417**	846		
Preference shares and debentures	**73**	129		
Factoring accounts	**37**	15		
Total loans and advances	**480 631**	454 021	**151 220**	122 659

** 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: 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 13 – 20		NGR 21 – 25		NP1 – NP3		Unrated	
2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
249 895	248 992	**17 266**	16 397	**–**	–	**1 450**	3 052
157 299	156 979	**7 832**	9 048			**277**	610
42 352	38 461	**4 820**	4 006			**305**	1 380
4 158	3 752	**1 413**	1 126				
6 375	5 319	**405**	156			**135**	232
7 985	10 827	**933**	596			**146**	104
2 952	3 927	**1 064**	448				1
19 964	19 673	**764**	973			**469**	692
5 310	7 809		7			**118**	33
3 136	2 125	**29**	31				
290							
74	120	**6**	6				*
20 781	18 966	**12 976**	16 274	**576**	1 195	**82**	93
6 379	6 962	**8 035**	10 516	**138**	241	**17**	16
6 426	7 077	**1 680**	2 112	**304**	395	**21**	35
163	142	**395**	421	**8**	8		
182	708	**408**	831	**12**	1	**3**	6
7 288	3 795	**2 302**	2 238	**27**	309	**5**	5
			16				
202	282	**156**	134	**87**	241	**36**	19
141							12
			6				
3	3	**879**	509	**24 836**	24 569	**667**	1 312
				17 734	18 806		416
	3		1	**3 018**	2 391	**2**	1
				518	504		
						661	886
				1 134	1 169	**3**	7
		167		**1 621**	1 184		*
					35		
		712	508	**704**	336	**1**	2
3				**70**	129		
				37	15		
270 679	267 961	**31 121**	33 180	**25 412**	25 764	**2 199**	4 457

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.

The comparative information in the loans and advances note has been restated to give effect to a reclassification of loans past due but not impaired, amounting to R537 million, from risk bucket NP1 to risk bucket NGR25 as a result of more accurate and relevant information becoming available. The restatement has no effect on the amounts reported in the group's statements of financial position, comprehensive income, changes in equity or cashflows.

27 IMPAIRMENT OF LOANS AND ADVANCES

27.1 Impairment of loans and advances

	Total impairment		Specific impairment		Portfolio impairment	
	2010	2009	**2010**	2009	**2010**	2009
Balance at beginning of year	**9 618**	7 646	**7 683**	5 408	**1 935**	2 238
Impairment charge/(release)	**6 921**	7 094	**6 728**	7 377	**193**	(283)
Statement of comprehensive income charge net of recoveries	**6 360**	6 659	**6 167**	6 942	**193**	(283)
Loans and advances	**6 359**	6 671	**6 166**	6 954	**193**	(283)
Advances designated as at fair value through profit or loss (see note 24.1)	**1**	(12)	**1**	(12)		
Recoveries	**561**	435	**561**	435		
Amounts written off against the impairment/Other transfers	**(5 435)**	(5 122)	**(5 429)**	(5 102)	**(6)**	(20)
Impairment of loans and advances	**11 104**	9 618	**8 982**	7 683	**2 122**	1 935

27.2 Impairments of loans and advances by classification

	Balance at the beginning of the year Rm	Impairment charge/ (release) Rm	Amounts written off against the impairment/ Other transfers Rm	Total Rm
Total impairment – 2010				
Home loans	**3 658**	**2 838**	**(2 645)**	**3 851**
Commercial mortgages	**907**	**382**	**(113)**	**1 176**
Properties in possession	**168**	**44**	**(150)**	**62**
Credit cards	**565**	**426**	**(425)**	**566**
Overdrafts	**943**	**241**	**(267)**	**917**
Other loans to clients	**1 520**	**1 751**	**(1 117)**	**2 154**
Net finance lease and instalment debtors	**1 810**	**1 265**	**(718)**	**2 357**
Preference shares and debentures	**45**	**(25)**		**20**
Trade, other bills and bankers' acceptances	**2**	**(1)**		**1**
Impairment of loans and advances	**9 618**	**6 921**	**(5 435)**	**11 104**
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 loans and advances	7 646	7 094	(5 122)	9 618

	Balance at the beginning of the year	Impairment charge/ (release)	Amounts written off against the impairment/ Other transfers	Total
Specific impairment – 2010				
Home loans	**3 210**	**2 703**	**(2 635)**	**3 278**
Commercial mortgages	**588**	**454**	**(115)**	**927**
Properties in possession	**168**	**44**	**(150)**	**62**
Credit cards	**501**	**426**	**(425)**	**502**
Overdrafts	**739**	**299**	**(295)**	**743**
Other loans to clients	**1 053**	**1 721**	**(1 077)**	**1 697**
Net finance lease and instalment debtors	**1 380**	**1 107**	**(732)**	**1 755**
Preference shares and debentures	**44**	**(26)**		**18**
Specific impairment of loans and advances	**7 683**	**6 728**	**(5 429)**	**8 982**
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
Specific impairment of loans and advances	5 408	7 377	(5 102)	7 683
Portfolio impairment – 2010				
Home loans	**448**	**135**	**(10)**	**573**
Commercial mortgages	**319**	**(72)**	**2**	**249**
Credit cards	**64**			**64**
Overdrafts	**204**	**(58)**	**28**	**174**
Other loans to clients	**467**	**30**	**(40)**	**457**
Net finance lease and instalment debtors	**430**	**158**	**14**	**602**
Preference shares and debentures	**1**	**1**		**2**
Trade, other bills and bankers' acceptances	**2**	**(1)**		**1**
Portfolio impairment of loans and advances	**1 935**	**193**	**(6)**	**2 122**
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
Portfolio impairment of loans and advances	2 238	(283)	(20)	1 935

27 IMPAIRMENT OF LOANS AND ADVANCES – continued

27.3 Sectoral analysis

	Total impairment		Specific impairment		Portfolio impairment	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm
Individuals	**6 702**	6 056	**5 473**	5 264	**1 229**	792
Financial services, insurance and real estate	**1 460**	882	**1 187**	589	**273**	293
Manufacturing	**243**	282	**125**	167	**118**	115
Building and property development	**150**	198	**111**	131	**39**	67
Transport, storage and communication	**272**	255	**175**	134	**97**	121
Retailers, catering and accommodation	**40**	74	**9**	36	**31**	38
Wholesale and trade	**820**	249	**771**	198	**49**	51
Mining and quarrying	**68**	127	**19**	63	**49**	64
Agriculture, forestry and fishing	**52**	73	**31**	46	**21**	27
Government and public sector	**49**	50	**27**	20	**22**	30
Other services	**1 248**	1 372	**1 054**	1 035	**194**	337
	11 104	9 618	**8 982**	7 683	**2 122**	1 935

27.4 Geographical analysis

	Total impairment		Specific impairment		Portfolio impairment	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm
South Africa	**11 033**	9 429	**8 940**	7 576	**2 093**	1 853
Other African countries	**45**	78	**31**	51	**14**	27
Europe	**12**	39		6	**12**	33
Asia	**1**	14		1	**1**	13
United States*	**13**	55	**11**	49	**2**	6
Other		3				3
	11 104	9 618	**8 982**	7 683	**2 122**	1 935

** The geographical analysis of impairments has been enhanced to separately disclosed impairments relating to the United States.*

	2010 Rm	2009 Rm
27.5 Ratio of impairments		
Impairment of advances at end of year	**11 104**	9 618
Total advances	**480 631**	454 021
Ratio (%)	**2,31**	2,12
27.6 Interest on specifically impaired loans and advances	**1 688**	1 811

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

	2010 Rm	2009 Rm
Sundry debtors and other accounts	**3 613**	3 917
	3 613	3 917

29 INVESTMENT SECURITIES

	2010 Rm	2009 Rm
Listed investments at market value	**754**	731
Private equity portfolio	**532**	482
Other	**222**	249
Unlisted investments at directors' valuation	**2 245**	2 281
Endowment policies	**18**	18
Morning Tide Investments 168 (Pty) Limited	**105**	91
Strate Limited	**36**	31
Private equity portfolio	**1 119**	1 248
Other	**967**	893
Total listed and unlisted investments	**2 999**	3 012

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 Movement in carrying amount

	2010 Rm	2009 Rm
Carrying amount at beginning of year	**922**	913
Share of associate companies' and joint ventures' losses after taxation for the current year		(1)
Net acquisitions of associate companies and joint ventures at carrying value	**10**	54
Fair-value movements	**1**	(44)
Carrying amount at end of year	**933**	922

All investments in associate companies and joint ventures are unlisted.

30.2 Analysis of carrying amount

	2010 Rm	2009 Rm
Associate investments – on acquisition: Net asset value	**547**	537
Share of retained earnings since acquisition	**101**	101
Fair-value movements	**285**	284
	933	922

Information relating to investments in associate companies appears on pages 164 and 165.

30.3 Valuation

	2010 Rm	2009 Rm
Unlisted at directors' valuation	**933**	922
	933	922

30.4 Summarised financial information of investments in associate companies

	2010 Rm	2009 Rm
Total assets	**5 518**	5 200
Total liabilities	**4 714**	4 439
Operating results	**280**	300
Total revenues	**1 520**	1 560

31 NON-CURRENT ASSETS HELD FOR SALE

	Previously included in:	2010 Rm	2009 Rm
Properties sold not yet transferred	Property and equipment	**5**	12
		5	12

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

	2010 Rm	2009 Rm
Deferred taxation asset		
Balance at the beginning of the year	**36**	71
Current year temporary differences recognised in the statement of comprehensive income	**(66)**	(47)
Impairment of loans and advances	**(41)**	(15)
Other income and capital items	**(25)**	(26)
Taxation losses utilised		(6)
Other movements	**78**	12
Balance at the end of the year	**48**	36
Deferred taxation liability		
Balance at the beginning of the year	**1 514**	1 982
Acquisition of businesses	**6**	
Disposal of businesses	**(6)**	
Current year temporary differences recognised in the statement of comprehensive income	**(271)**	(478)
Capital gains taxation	**48**	(68)
Client credit agreements		(229)
Deferred acquisition costs	**(23)**	(32)
Deferred fee income	**(10)**	(31)
Depreciation	**17**	14
Fair-value adjustments of financial instruments	**(44)**	(34)
Impairment of loans and advances	**(44)**	29
Other income and expense items	**(308)**	(199)
Property revaluations	**(3)**	(2)
Share-based payments	**93**	60
Taxation losses recognised	**3**	14
Other movements	**115**	10
Balance at the end of the year	**1 358**	1 514

32.2 Analysis of deferred taxation

	2010 Rm	2009 Rm
Deferred taxation asset		
Impairment of loans and advances	**7**	48
Other income and capital items	**41**	(12)
	48	36
Deferred taxation liability		
Capital gains taxation	**295**	254
Client credit agreements	**542**	540
Deferred acquisition costs	**351**	244
Deferred fee income	**(173)**	(160)
Depreciation	**260**	243
Fair-value adjustments of financial instruments	**(1)**	43
Impairment of loans and advances	**(492)**	(432)
Other income and expense items	**219**	576
Property revaluations	**353**	291
STC	**(61)**	(33)
Share-based payments	**122**	8
Taxation losses	**(57)**	(60)
	1 358	1 514

33 INVESTMENT PROPERTY

33.1 Fair value

	2010 Rm	2009 Rm
Fair value at beginning of year	**102**	104
Acquisitions		
Disposals		(2)
Net loss from fair-value adjustments	**(20)**	
Fair-value at end of year	**82**	102

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 valuers 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 10,59% (2009: 11,88%) and takes into account the type of property and the property's location.

	2010 Rm	2009 Rm
Valuations determined by reference to existing market conditions	**82**	98
Valuations based on discounted future income streams		4
	82	102

33.3 Rental income and operating expenses from investment property

	2010 Rm	2009 Rm
Rental income from investment property	**10**	12
Direct operating expense arising from investment property that generated rental income	**8**	9

33.4 Minimum contractual lease rental income from investment property

	2010 Rm	2009 Rm
2010		13
2011	**10**	1
2012	**10**	1
2013 and beyond	**11**	
	31	15

34 PROPERTY AND EQUIPMENT

Rm	Land 2010	Land 2009	Buildings 2010	Buildings 2009
Gross carrying amount				
Balance at 1 January	**646**	621	**2 938**	2 166
Acquisitions	**59**	4	**340**	725
Increases arising from revaluations	**59**	20	**165**	46
Transfers to non-current assets held for sale	**(1)**		**(4)**	
Impairments	**(20)**			
Disposals		(14)	**(2)**	(261)
Grossup of carrying value/depreciation				277
Reclassification		15		(15)
Writeoff of accumulated depreciation on revaluations			**(51)**	
Effect of movements in foreign exchange rates				
Balance at 31 December	**743**	646	**3 386**	2 938
Accumulated depreciation and impairment losses				
Balance at 1 January			**389**	170
Depreciation charge for the year			**102**	77
Acquisitions			**47**	
Writeoff of accumulated depreciation on revaluations			**(51)**	(33)
Disposals				(104)
Grossup of carrying value/depreciation				277
Effect of movements in foreign exchange rates			**1**	2
Balance at 31 December	**–**	–	**488**	389
Carrying amount				
At 1 January	**646**	621	**2 549**	1 996
At 31 December	**743**	646	**2 898**	2 549

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 group.

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 properties 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 have 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% (2009: 8,5% and 12,5%) 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 186 million (2009: R1 109 million).

Computer equipment		Furniture and other equipment		Vehicles		Total	
2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
2 708	2 504	**1 901**	1 732	**20**	20	**8 213**	7 043
408	320	**476**	271	**4**	2	**1 287**	1 322
						224	66
						(5)	–
						(20)	–
(395)	(115)	**(79)**	(102)	**(2)**	(2)	**(478)**	(494)
						–	277
						–	–
						(51)	–
1	(1)	**(1)**				**–**	(1)
2 722	2 708	**2 297**	1 901	**22**	20	**9 170**	8 213
2 056	1 835	**1 001**	902	**13**	12	**3 459**	2 919
326	325	**250**	195	**3**	3	**681**	600
17		**83**		**(2)**		**145**	–
						(51)	(33)
(394)	(103)	**(63)**	(97)	**(1)**	(2)	**(458)**	(306)
						–	277
1	(1)	**(2)**	1			**–**	2
2 006	2 056	**1 269**	1 001	**13**	13	**3 776**	3 459
652	669	**900**	830	**7**	8	**4 754**	4 124
716	652	**1 028**	900	**9**	7	**5 394**	4 754

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, 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 valuation, the defined-benefit plans were in a sound financial position in terms of section 16 of the Pension Funds Act of 1956. 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 2010.

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), Pension Fund of BoE Bank: Business Division.
- Nedbank UK Pension Fund.
- Other funds, consisting 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 benefits assets and liabilities

Rm	Assets	Liabilities	Net asset
2010			
Postemployment benefits	**1 676**	**(1 119)**	**557**
Other long-term employee benefits – disability fund	**289**	**(289)**	**–**
	1 965	**(1 408)**	**557**
2009			
Postemployment benefits	1 533	(1 048)	485
Other long-term employee benefits – disability fund	250	(250)	–
	1 783	(1 298)	485

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

Rm	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)	Unrecognised actuarial (gains)/ losses and assets	Net asset/ (liability)
Analysis of post-employment benefit assets and liabilities					
2010					
Pension funds	**3 917**	**4 908**	**991**	**(122)**	**869**
Nedgroup Fund	**3 276**	**4 208**	**932**	**(79)**	**853**
BoE Funds	**316**	**417**	**101**	**(101)**	**–**
Nedbank UK Fund	**181**	**162**	**(19)**	**35**	**16**
Other funds	**144**	**121**	**(23)**	**23**	**–**
Medical aid funds	**1 222**	**810**	**(412)**	**100**	**(312)**
Nedgroup scheme for Nedbank employees	**1 111**	**810**	**(301)**	**105**	**(196)**
Nedgroup scheme for BoE employees	**111**	**–**	**(111)**	**(5)**	**(116)**
Total	**5 139**	**5 718**	**579**	**(22)**	**557**
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

35 LONG-TERM EMPLOYEE BENEFITS – continued

35.2 Postemployment benefits – continued

Rm	Pension and provident funds	Medical aid funds	Total
Present value of defined benefit obligation			
2010			
Balance at the beginning of the year	**3 432**	**1 085**	**4 517**
Current service cost	**26**	**44**	**70**
Interest cost	**309**	**101**	**410**
Contributions by plan participants	**9**		**9**
Actuarial gains	**456**	**38**	**494**
Benefits paid	**(288)**	**(46)**	**(334)**
Effect of foreign exchange rate changes	**(27)**		**(27)**
Balance at the end of the year	**3 917**	**1 222**	**5 139**
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
Fair value of plan assets			
2010			
Balance at the beginning of the year	**4 633**	**790**	**5 423**
Expected return on plan assets	**463**	**71**	**534**
Actuarial gains/(losses)	**95**	**(10)**	**85**
Contributions by the employer	**20**		**20**
Contributions by plan participants	**9**		**9**
Benefits paid	**(288)**	**(41)**	**(329)**
Effect of foreign exchange rate changes	**(24)**		**(24)**
Balance at the end of the year	**4 908**	**810**	**5 718**
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

Rm	Pension and provident funds	Medical aid funds	Total
2010			
Present value of defined-benefit obligation	**(3 917)**	**(1 222)**	**(5 139)**
Fair value of plan assets	**4 908**	**810**	**5 718**
Funded status	**991**	**(412)**	**579**
Unrecognised net actuarial gains	**(16)**		**(16)**
Unrecognised asset due to asset ceiling	**(106)**	**100**	**(6)**
	869	**(312)**	**557**
Asset	**1 676**		**1 676**
Liability	**(807)**	**(312)**	**(1 119)**
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)
Net (income)/expense recognised			
2010			
Current service cost	**26**	**44**	**70**
Interest cost	**309**	**101**	**410**
Expected return on plan assets	**(463)**	**(71)**	**(534)**
Amortisation of unrecognised actuarial gains	**7**		**7**
	(121)	**74**	**(47)**
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)
Movements in net asset/(liability) recognised			
2010			
Balance at the beginning of the year	**728**	**(243)**	**485**
Net income/(expense) recognised in the statement of comprehensive income	**121**	**(74)**	**47**
Contributions paid by the employer	**20**	**5**	**25**
Balance at the end of the year	**869**	**(312)**	**557**
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

35 LONG-TERM EMPLOYEE BENEFITS – continued

35.2 Postemployment benefits – continued

Rm	Pension and provident funds	Medical aid funds	Total
2010			
Equity instruments	**37,01**	**27,00**	**35,60**
Debt instruments	**40,30**	**6,00**	**35,44**
Property	**5,57**		**4,78**
Cash	**1,73**	**53,00**	**8,99**
International	**15,39**	**14,00**	**15,19**
	100,00	**100,00**	**100,00**
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
Actual return on plan assets			
2010	**558**	**61**	**619**
2009	528	80	608
Principal actuarial assumptions (%)			
2010			
Discount rates	**5,50 – 8,50**	**7**	
Expected rates of return on plan assets	**5,40 – 10,20**	**7**	
Inflation rate	**3,20 – 6,20**	**5,3**	
Expected rates of salary increases	**6,00 – 6,25**	**5**	
Pension increase allowance	**2,20 – 5,25**		
Annual increase to medical aid subsidy		**5**	
Average expected retirement age (years)	**63**	**60**	
2009			
Discount rates	5,70 – 10,50	7,0	
Expected rates of return on plan assets	5,85 – 10,50	7,0	
Inflation rate	3,50 – 6,00	5,3	
Expected rates of salary increases	5,75 – 6,75	5,0	
Pension increase allowance	1,39 – 4,78		
Annual increase to medical aid subsidy		5,0	
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.

Weighted average assumptions:	2010 %	2009 %
Discount rate	**8,40**	10,19
Expected return on plan assets	**9,14**	9,39
Future salary increases	**5,14**	5,87
Future pension increases	**4,46**	4,41

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.

Rm	Pension and provident funds	Medical aid funds	Total
Experience adjustments on present value of defined-benefit obligation for past five years			
2010	**30**	**(48)**	**(18)**
2009	192	(98)	94
2008	(70)	33	(37)
2007	(17)	(64)	(81)
2006	84	43	127
2005	(31)	47	16
Experience adjustments on fair value of plan assets for past five years			
2010	**95**	**(10)**	**85**
2009	185	27	212
2008	(473)	(39)	(512)
2007	432	22	454
2006	433	47	480
2005	366	42	408
Estimate of future contributions			
Contributions expected for ensuing year	21		21

	Present value of obligation	Fair value of plan asset	Surplus / (Deficit)
Fund surplus/(deficit) for past five years			
Pension funds			
2010	**3 917**	**4 908**	**991**
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
Medical aid funds			
2010	**1 222**	**810**	**(412)**
2009	1 085	790	(295)
2008	911	743	(168)
2007	807	749	(58)
2006	810	700	(110)
2005	714	614	(100)

	2010	2009
Effect of 1% change in assumed medical cost trend rates (Rm)		
1% increase – effect on current service cost and interest cost	**26**	21
1% increase – effect on accumulated benefit obligation	**175**	156
1% decrease – effect on current service cost and interest cost	**(20)**	(16)
1% decrease – effect on accumulated benefit obligation	**(143)**	(129)

36 INTANGIBLE ASSETS

Rm	Goodwill	Software	Software development costs	Total
2010				
Cost				
Balance at the beginning of the year	**1 614**	**4 103**	**933**	**6 650**
Acquisitions		**132**	**570**	**702**
Development costs commissioned to software		**384**	**(384)**	**–**
Impairment losses			**(54)**	**(54)**
Disposals and retirements		**(4)**		**(4)**
Grossdown of carrying value/amortisation*		**(34)**	**(85)**	**(119)**
Foreign currency translation and other movements		**3**		**3**
Balance at the end of the year	**1 614**	**4 584**	**980**	**7 178**
Accumulated amortisation and impairment losses				
Balance at the beginning of the year	**224**	**3 053**	**222**	**3 499**
Amortisation charge		**475**		**475**
Disposals and retirements		**(4)**		**(4)**
Grossdown of carrying value/amortisation*		**(34)**	**(85)**	**(119)**
Foreign currency translation and other movements		**(1)**		**(1)**
Balance at the end of the year	**224**	**3 489**	**137**	**3 850**
Carrying amount				
At the beginning of the year	**1 390**	**1 050**	**711**	**3 151**
At the end of the year	**1 390**	**1 095**	**843**	**3 328**
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		(13)		(13)
Disposals and retirements		(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

** The group implemented a new system for the recording, valuation and calculation of amortisation so as to improve the recording of its software and software development costs. This has resulted in a grossdown being required for both the carrying value and the related accumulated amortisation for assets recorded on a net basis in the previous system.*

36.1 Analysis of goodwill

	2010			2009		
Rm	Cost	Accumulated impairment losses	Carrying amount	Cost	Accumulated impairment losses	Carrying amount
Peoples Mortgage Limited	198	(198)	–	198	(198)	–
Imperial Bank Limited	285	(25)	260	285	(25)	260
Old Mutual Bank Limited	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 CGUs based on business activity. Impairment testing is done on a regular basis by comparing the net carrying value of the CGUs to the estimated value in use. The value in use is determined by discounting estimated future cashflows of each CGU. 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 CGUs to be indefinite.

The value in use of the various CGUs were based on the following assumptions:

	2010	2009
Risk-free rate (%)	7,22	8,45
Beta range	0,50 – 0,96	0,53 – 0,76
Equity risk premium (%)	5,00	6,00
Terminal growth rate range (%)	0,00 – 4,00	0,00 – 5,00
Cashflow projection (years)	3	3
Discount rate range (%)*	9,23 – 12,02	9,81 – 12,98

** Management would not anticipate an impairment of goodwill if the discount rates applied increased by 20%.*

	2010 Rm	2009 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	96 247	85 705
Net estimated recoverable amounts	94 857	84 315

See note 3 for key assumptions used when assessing goodwill impairment.

37 ACQUISITIONS

37.1 Acquisition of remaining stake in Imperial Bank Limited

On 5 February 2010 (the effective date of the transaction) the group obtained approval from the South African Reserve Bank (SARB) for the acquisition of the remaining 49,9% shareholding in Imperial Bank Limited from non-controlling shareholders.

The merging entities are Nedbank Limited and Imperial Bank Limited. Imperial Bank's businesses have been combined with the following segments:
– The Motor Finance Corporation, Supplier Asset Finance and Professional Finance have been included in Nedbank Retail.
– Property Finance has been included in Nedbank Corporate.

The purchase price was R1 853 million [R1 775 million plus a Johannesburg Interbank Agreed Rate (JIBAR) factor applied up to 5 February 2010], which excludes total transaction costs of R6 million that was recognised in the statement of comprehensive income. These transaction costs exclude costs associated with the integration of the above business units into the group and tax on the transfer of securities.

The SARB granted a Section 54 approval in terms of the Banks Act to Nedbank Limited for the transfer of the banking assets from Imperial Bank Limited, a fully consolidated subsidiary, to Nedbank Limited effective 1 October 2010.

38 SHARE CAPITAL

38.1 Ordinary share capital

	2010 Rm	2009 Rm
Authorised		
30 000 000 (2009: 30 000 000) ordinary shares of R1 each	**30**	30
Issued		
27 240 023 (2009: 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.

38.2 Preference share capital and premium

	2010 Rm	2009 Rm
Nedbank Limited preference share capital and premium		
Authorised		
1 000 000 000 (2009: 1 000 000 000) non-redeemable non-cumulative preference shares of R0,001 each	**1**	1
Issued		
358 277 491 (2009: 349 082 721) non-redeemable non-cumulative preference shares of R0,001 each	*****	*
Preference share premium	**3 560**	3 483
	3 560	3 483

38.3 Non-controlling interest attributable to preference shareholders

	2010 Rm	2009 Rm
Imperial Bank Limited preference share capital and premium		
Authorised		
8 000 000 (2009: 8 000 000) non-redeemable non-cumulative non-participating preference shares of R0,0005 each	*****	*
Issued		
3 000 000 (2009: 3 000 000) non-redeemable non-cumulative non-participating preference shares of R0,0005 each	*****	*
Preference share premium		91
Total preference share capital and premium	**3 560**	3 574

** Represents amounts less than R1 million.*

38.3 Non-controlling interest attributable to preference shareholders – continued

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.

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 savings 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 (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 in the reduction of their 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.

39 AMOUNTS OWED TO DEPOSITORS

39.1 Classifications

	2010 Rm	2009 Rm
Current accounts	**45 655**	42 738
Savings deposits	**8 758**	8 727
Other deposits and loan accounts	**302 220**	290 522
Call and term deposits	**161 757**	172 506
Fixed deposits	**26 277**	27 232
Cash management deposits	**45 700**	32 794
Securitisation notes		1 120
Other deposits and loan accounts	**68 486**	56 870
Foreign currency liabilities	**9 168**	6 599
Negotiable certificates of deposit	**109 137**	102 377
Deposits received under repurchase agreements*	**14 180**	14 936
	489 118	465 899
Comprises:		
– Amounts owed to depositors**	**452 829**	424 619
– Amounts owed to banks**	**36 289**	41 280
	489 118	465 899

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.

39.2 Sectoral analysis

	2010 Rm	2009 Rm
Banks**	**36 289**	41 280
Government and public sector	**20 265**	24 046
Individuals	**149 395**	160 760
Business sector**	**283 169**	239 813
	489 118	465 899

39.3 Geographical analysis

	2010 Rm	2009 Rm
South Africa	**478 671**	451 928
Other African countries	**4 820**	4 500
Europe	**5 505**	8 756
Asia	**120**	378
United States	**2**	337
	489 118	465 899

* *Government and other securities (note 25) amounting to R14 180 million (2009: R14 936 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.*

** *Comparative results have been restated for negotiable certificates of deposits that were placed by other banks with the group on behalf of their clients that were erroneously classified as amounts owed to banks. A review by management established that a portion of the balance previously disclosed in the banks segment related to deposits held on behalf of asset managers and should have been disclosed as part of the business sector segment. The effect of this restatement is a R31,4 billion reclassification from banks to the business sector segment.*

40 PROVISIONS AND OTHER LIABILITIES

	2010 Rm	2009 Rm
Creditors and other accounts	**4 150**	4 479
Short-trading securities and spot positions	**1 474**	213
Leave pay accrual (note 40.1)	**555**	526
	6 179	5 218

40.1 Leave pay accrual

	2010 Rm	2009 Rm
Balance at the beginning of the year	**526**	481
Recognised in profit or loss	**331**	296
Utilised during the year	**(302)**	(251)
Balance at the end of the year	**555**	526

Provisions have been raised in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets, as set out in note 42.

40.2 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.

	2010 Rm	2009 Rm
Balance at the beginning of the year	**35**	55
Recognised in the statement of comprehensive income – amortisation	**(12)**	(20)
Balance at the end of the year	**23**	35

41 LONG-TERM DEBT INSTRUMENTS

	Nominal value	Instrument terms	2010 Rm	2009 Rm
Subordinated debt			**10 935**	11 124
Rand-denominated	(ZARm)		**10 269**	10 385
Callable bonds repayable on 30 December 2010 (IPB2) (a) +	500	8,38% per annum*		493
Callable bonds repayable on 4 December 2013 (IPB3) (b)	300	JIBAR + 2,5% per annum**	**151**	151
Callable notes repayable on 24 April 2016 (NED05) (c)	1 500	7,85% per annum*	**1 525**	1 499
Callable notes repayable on 20 September 2018 (NED06) (d)	1 800	9,84% per annum*	**1 915**	1 781
Callable notes repayable on 8 February 2017 (NED07) (c)	650	9,03% per annum*	**682**	658
Callable notes repayable on 8 February 2019 (NED08) (d)	1 700	8,90% per annum*	**1 759**	1 643
Callable notes repayable on 6 July 2022 (NED09) (f)	2 000	JIBAR + 0,47% per annum**	**2 031**	2 036
Callable notes repayable on 15 August 2017 (NED10) (c)	500	JIBAR + 0,45% per annum**	**504**	505
Callable notes repayable on 17 September 2020 (NED11) (e)	1 000	10,54% per annum*	**1 076**	997
Callable notes repayable on 14 December 2017 (NED12A) (c)	500	JIBAR + 0,70% per annum**	**502**	502
Callable notes repayable on 14 December 2017 (NED12B) (c)	120	10,38% per annum*	**124**	120
US dollar-denominated	(US$m)		**666**	739
Callable notes repayable on 3 March 2022 (EMTN01) (i)	100	Three-month USD LIBOR **	**666**	739
Hybrid subordinated debt			**1 807**	1 766
Rand-denominated	(ZARm)		**1 807**	1 766
Callable notes repayable on 20 November 2018 (NEDH1A) (g)	487	15,05% per annum*	**528**	484
Callable notes repayable on 20 November 2018 (NEDH1B) (g)	1 265	JIBAR + 4,75% per annum**	**1 279**	1 282
Securitised liabilities			**1 154**	1 412
Rand-denominated	(ZARm)		**1 154**	1 412
Callable notes repayable on 18 November 2039 (GRN1A1) (h)	291	JIBAR + 0,25% per annum**	**38**	294
Callable notes repayable on 18 November 2039 (GR1A2A) (h)	1 407	JIBAR + 0,60% per annum**	**991**	993
Callable notes repayable on 18 November 2039 (GRN1B) (h)	98	JIBAR + 0,85% per annum**	**74**	75
Callable notes repayable on 18 November 2039 (GRN1C) (h)	76	JIBAR + 1,1% per annum**	**51**	50
Senior unsecured debt			**12 197**	5 773
Rand-denominated	(ZARm)		**12 197**	5 773
Senior unsecured notes repayable on 9 September 2012 (NBK1B)	1 690	JIBAR + 1,50% per annum**	**1 697**	1 005
Senior unsecured notes repayable on 15 September 2015 (NBK2A)	3 244	10,55% per annum*	**3 347**	2 065
Senior unsecured notes repayable on 15 September 2015 (NBK2B)	1 044	JIBAR + 2,20% per annum**	**1 054**	251
Senior unsecured notes repayable on 9 September 2019 (NBK3A)	762	11,39% per annum*	**788**	414
Senior unsecured notes repayable on 31 March 2013 (NBKI1)	1 750	3,9% real-yield base CPI ref 106,70667 *	**1 859**	1 805
Senior unsecured notes repayable on 28 October 2024 (NBK4)	660	Zero coupon	**164**	136
Senior unsecured notes repayable on 31 March 2013 (NBKI1U)	98	3,8% real-yield base CPI ref 108,68065 *	**102**	97
Senior unsecured notes repayable on 19 April 2013 (NBK5B)	1 552	JIBAR + 1,48% per annum**	**1 575**	
Senior unsecured notes repayable on 19 April 2015 (NBK6A)	478	R157 + 1,75% per annum*	**487**	
Senior unsecured notes repayable on 19 April 2015 (NBK6B)	1 027	JIBAR + 1,75% per annum**	**1 043**	
Senior unsecured notes repayable on 19 April 2020 (NBK7B)	80	JIBAR + 2,15% per annum**	**81**	
Other			**8**	7
Rand-denominated	(ZARm)		**8**	7
Unsecured debentures repayable on 30 November 2029	200	Zero coupon	**8**	7
Total long-term debt instruments in issue			**26 101**	20 082

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 group are unlimited.

* Interest on these notes is payable biannually.

** Interest on these notes is payable quarterly.

+ The debt instrument was redeemed on 30 December 2010.

(a) Callable by Nedbank Limited (previously by 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 Nedbank Limited (previously by 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, 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 converts to a floating three-month USD LIBOR rate, plus a spread of 3,00%.

42 CONTINGENT LIABILITIES AND UNDRAWN FACILITIES

	2010 Rm	2009 Rm
Guarantees on behalf of clients	**29 185**	27 827
Confirmed letters of credit and discounting transactions	**2 114**	1 476
Irrevocable unutilised facilities and other	**76 182**	78 452
	107 481	107 755

** Comparative information has been restated to include all irrevocable undrawn facilities.*

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.

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 South African 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.

43 COMMITMENTS

43.1 Capital expenditure approved by directors

	2010 Rm	2009 Rm
Contracted	**518**	731
Not yet contracted	**520**	608
	1 038	1 339

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.

43.2 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:

	2011	**2012 – 2015**	**Beyond 2015**
	Rm	**Rm**	**Rm**
Land and buildings*	**548**	**1 069**	**300**
Furniture and equipment	**162**	**690**	**195**
	710	**1 759**	**495**

	2009	2011 – 2014	Beyond 2014
	Rm	Rm	Rm
Land and buildings*	882	1 769	2 556
Furniture and equipment	128	606	178
	1 010	2 375	2 734

* *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 must continue 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 0% and 12% per annum. For all major lease agreements entered into, there is no requirement to pay contingent rent or purchase options.

43.3 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).

44 COLLATERAL

44.1 Collateral pledged

The group has pledged government and other securities (note 25) amounting to R14 180 million (2009: R14 936 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 to securities borrowing and lending activities.

44.2 Collateral held

The group segregates collateral received into the following two types:

(i) 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.

(ii) 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 rapidly as the market for the relevant asset permits.

44.3 Collateral taken possession of and recognised in the statement of financial position

During the year under review, the group recognised collateral in the amount of R464 million (2009: R676 million) in the statement of financial position. These amounts have been included in loans and advances (note 26) as properties in possession.

45 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 South African 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 is assigned the highest short-term RSA local-currency credit rating by both Fitch and Moody's, and is listed on the South African Bond Exchange.

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 JSE Limited. The home loans of GreenHouse continue to be recognised in the statement of financial position of Nedbank Limited, in terms of IFRS, due to the significant risks and rewards associated with the home loans not being transferred to the external investors. In January 2010 the arrears levels in GreenHouse breached the Arrear Trigger level. As a result, the Stop Purchase Event remains in effect, resulting in no further home loans (other than servicing redraws – ie access facilities on existing GreenHouse loans) being acquired for as long as the arrears level remains above the Arrear Trigger level. As a consequence all capital repayments were directed to noteholders.

Octane is a securitisation programme of auto loans originated by Imperial Bank. The inaugural transaction entailed the securitisation of R2 billion of motor vehicle loans under Octane Series 1. The commercial paper issued by Octane Series 1 has been assigned credit ratings by Fitch and is listed on JSE Limited. The auto loans of Octane continue to be recognised on the statement of financial position of Nedbank Limited, in terms of IFRS, due to the significant risks and rewards associated with the autoloans not being transferred to the external investors. During 2010 the transaction continued to repay investors in the normal course, as envisaged in the transaction documents.

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:*

Rm	**2010** Carrying amount of assets	**2010** Associated liabilities	2009 Carrying amount of assets	2009 Associated liabilities
Loans and advances to customers				
Residential mortgage loans	**1 699**	**1 760**	1 973	2 019
Motor vehicle financing**	**607**	**800**	1 454	1 594
Other financial assets				
Corporate and bank paper	**1 596**		1 731	
Other securities	**3 358**		4 024	
Commercial paper		**4 979**		5 769
Total	**7 260**	**7 539**	9 182	9 382

This table presents the gross balances within the securitisation schemes and does not reflect any eliminations of intercompany and cash balances held by the various securitisation vehicles.

* *The value of any derivative instruments taken out to hedge any financial asset or liability is adjusted against such instrument in this disclosure.*

** *Comparative information relating to motor vehicle financing has been restated to disclose only auto loans relating to the Octane transaction. This approach ensures consistency with the disclosure provided for GreenHouse and Synthesis. The effect of this restatement is a R218 million decrease in the carrying amount of motor vehicle financing assets.*

46 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:

	2010 Actual	**2010** Average	2009 Actual	2009 Average
United States dollar	**0,1503**	**0,1367**	0,1355	0,1203
Pound sterling	**0,0969**	**0,0887**	0,0840	0,0773
Euro	**0,1125**	**0,1035**	0,0941	0,0868

47 CASHFLOW INFORMATION

47.1 Reconciliation of profit from operations to cash generated by operations

	2010 Rm	2009 Rm
Profit from operations	**4 773**	4 990
Adjusted for:		
– Depreciation (note 15)	**681**	600
– Amortisation: computer software (note 15)	**475**	441
– Movement in impairment of loans and advances	**6 921**	7 094
– Profit on disposal of property and equipment	**(10)**	(19)
– Net income on investment banking assets	**(11)**	(9)
– Effects of exchange rate changes on cash and cash equivalents (excluding foreign borrowings)		172
– Impairment losses on investments, property and equipment, and capitalised development costs (note 17)	**86**	10
– Loss on sale of subsidiaries, investments and property and equipment (note 17)	**27**	22
– Transaction taxes	**387**	402
Cash generated by operations	**13 329**	13 703

47.2 Cash received from clients

	2010 Rm	2009 Rm
Interest and similar income (note 12)	**43 421**	49 332
Commission and fees (note 14)	**8 560**	7 873
Net trading income (note 14)	**1 909**	1 823
Other income	**15**	587
	53 905	59 615

47.3 Cash paid to clients, employees and suppliers

	2010 Rm	2009 Rm
Interest expense and similar charges (note 13)	**(27 556)**	(33 795)
Staff costs (note 15)	**(8 014)**	(7 298)
Other operating expenses	**(5 813)**	(5 473)
	(41 383)	(46 566)

47.4 Increase in operating assets

	2010 Rm	2009 Rm
Other short-term securities	**(7 547)**	(3 997)
Government and other securities	**4 087**	6 080
Advances and other accounts	**(33 133)**	(6 791)
	(36 593)	(4 708)

47.5 Increase in operating liabilities

	2010 Rm	2009 Rm
Current and savings accounts	**2 948**	(1 316)
Other deposits, loan accounts and foreign currency liabilities	**14 267**	(3 763)
Negotiable certificates of deposit	**6 760**	15 986
Deposits received under repurchase agreements	**(756)**	(6 092)
Creditors and other liabilities	**1 669**	(14 125)
	24 888	(9 310)

47.6 Taxation paid

	2010 Rm	2009 Rm
Amounts receivable at the beginning of the year	**418**	197
Statement of comprehensive income charge (excluding deferred taxation)	**(1 187)**	(1 392)
Total indirect taxation (note 16)	**(387)**	(402)
Portion of transaction taxation on property and equipment acquired to be depreciated in future years	**(72)**	38
Amounts receivable at the end of the year	**(364)**	(418)
	(1 592)	(1 977)

47.7 Acquisition of investments in subsidiary companies net of cash

	2010 Rm	2009 Rm
Non-controlling interest	**(1 745)**	
Other reserves	**(108)**	
Consideration paid	**(1 853)**	–

47.8 Dividends paid

	2010 Rm	2009 Rm
Recognised in the group statement of changes in total shareholders' equity	**(996)**	(2 070)

48 MANAGED FUNDS

48.1 Fair value of funds under management – by type

	2010 Rm	2009 Rm
Unit trusts	**55 510**	43 247
	55 510	43 247

48.2 Fair value of funds under management – by geography

	2010 Rm	2009 Rm
South Africa	**55 510**	43 247
	55 510	43 247

48.3 Reconciliation of movement in funds under management – by type

	Unit trusts Rm	Total Rm
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**
Inflows	**29 615**	**29 615**
Outflows	**(21 063)**	**(21 063)**
Mark-to-market value adjustment	**3 711**	**3 711**
Balance at 31 December 2010	**55 510**	**55 510**

48.4 Reconciliation of movement in funds under management – by geography

	South Africa Rm	Total Rm
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**
Inflows	**29 615**	**29 615**
Outflows	**(21 063)**	**(21 063)**
Mark-to-market value adjustment	**3 711**	**3 711**
Balance at 31 December 2010	**55 510**	**55 510**

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.

49 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.

49.1 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 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 (LTIP)	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 is granted at a predetermined exercised 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.
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 were 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.

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
2008 and 2009 grants: Completion of three years' service plus predetermined target for average return on equity, average fully dilutive headline earnings per share growth and average cost-to-income ratio. 2010 grants: Three years' service and achievement of performance targets based on average return on equity and Nedbank share price performance against Financial Index. Where the performance target is not met, 50% will vest, provided that the three years' service has been achieved.	5 years
Three years' service and achievement of Nedbank Group performance targets. Where these performance targets are 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
Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	7 years
Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	7 years
n/a	5 years

49 SHARE-BASED PAYMENTS – continued

49.1 Description of arrangements – continued

Scheme	Trust/SPV	Description
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.

** The Eyethu Broad-Based Employee Scheme shares vested on 27 July 2010 and the expiry date to elect an option to sell or transfer these shares expired on 27 September 2010. All the shares residing in the trust were sold.*

Nedbank Swaziland Sinakekelwe Schemes – BEE and LTIP		
Swaziland Broad- based Employee Scheme	Nedbank Sinakekelwe Trust Broad-based Employee Scheme	Restricted shares were granted to qualifying non-managerial employees who do not participate in any other incentive schemes within the group. The beneficial ownership of the shares lies with the participants, including dividend rights.
Swaziland Management Scheme	Nedbank Sinakekelwe Trust Management Scheme	Restricted shares and share options were granted to key Management personnel as an incentive to remain within the group. Grants are allocated on the basis of job level, performance, potential and skills and competencies portrayed by the employee, entirely at the discretion of the trustees, and are allocated under recommendation of the group's executive management team. The beneficial ownership of the shares lie with the participants, including dividend rights.
Swaziland Trust Long-term Incentive Scheme	Sinakekelwe Trust Long-term Incentive Scheme	Restricted shares and share options to be granted to key management personnel as an incentive to remain within the group. Grants will be allocated on the basis of job level, performance, potential and skills and competencies portrayed by the employee, entirely at the discretion of the group's executive management team. The beneficial ownership of the shares will lie with the participants, including dividend rights. Grants to staff have yet to be made.

No numerical information has been included in either the share-based payment expense or reserve in respect of these schemes, as the cumulative amount is less than R1 million.

Vesting requirements	Maximum term
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
No dealing in these shares during the restricted period of five years.	5 years
Participants must remain in service for three, four and five years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	5 years
Participants must remain in service for three, four and five years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	5 years

49 SHARE-BASED PAYMENTS – continued

49.2 Effect on profit and financial position

	Share-based payments expense		Share-based payments reserve/liability	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
Traditional employee schemes	**120**	13	**193**	238
Nedbank Group (1994) Share Option Scheme	*	*	**1**	19
Nedbank Group (2005) Share Option Scheme	**114**	8	**166**	183
Nedbank Group (2005) Matched Share Scheme	**6**	2	**26**	27
Nedbank UK Long-term Incentive Plan	*	3	*	9
Nedbank Eyethu BEE schemes	**140**	107	**446**	345
Black Business Partner Scheme**	**10**	10		
Retail Scheme	*	6	*	*
Corporate Scheme	**101**	53	**334**	234
Black Executive Scheme	**7**	6	**24**	26
Black Management Scheme	**22**	32	**88**	85
	260	120	**639**	583

* *Represents amounts less than R1 million.*

** *The share-based payments expense relating to the Nedbank Eyethu BEE black business partners relates to the annual performance fee paid to them calculated in terms of the trust deed.*

49.3 Movements in number of instruments

	2010		2009	
	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	**628 280**	**62,17**	1 870 387	63,19
Exercised	**(550 330)**	**61,33**	(1 146 002)	62,16
Expired	**(34 450)**	**60,01**	(96 105)	82,51
Outstanding at the end of the year	**43 500**	**74,40**	628 280	62,17
Exercisable at the end of the year	**43 500**	**74,40**	628 280	62,17
Weighted average share price for options exercised		**132,82**		110,68
Nedbank Group (2005) Share Option Scheme				
Outstanding at the beginning of the year	**17 521 060**	**74,23**	16 452 721	99,02
Granted	**4 358 878**		5 080 170	
Forfeited	**(6 132 658)**	**126,06**	(1 166 407)	64,59
Exercised	**(4 582 881)**	**100,69**	(2 607 550)	86,80
Expired	**(186 717)**	**141,19**	(237 874)	112,52
Outstanding at the end of the year	**10 977 682**	**110,79**	17 521 060	74,23
Exercisable at the end of the year	**708 979**	**110,79**	5 580 177	101,94
Weighted average share price for options exercised		**130,79**		114,77

	2010		2009	
	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	**583 048**		595 170	
Granted	**222 362**		194 248	
Forfeited	**(88 836)**		(143 445)	
Exercised	**(67 127)**		(62 925)	
Outstanding at the end of the year	**649 447**		583 048	–
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average share price for options exercised		**138,67**		85,00
Nedbank UK Long-term Incentive Plan				
Outstanding at the beginning of the year	**124 904**	**24,19**	56 632	126,06
Granted	**44 388**		75 706	
Forfeited			(7 434)	
Outstanding at the end of the year	**169 292**	**17,85**	124 904	24,19
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average share price for options exercised		**–**		–
Retail Scheme				
Outstanding at the beginning of the year	**1 398**		1 106 880	
Exercised	**(1 298)**		(1 079 976)	
Adjusted for anticipated number of shares to be granted	**(73)**		(25 506)	
Outstanding at the end of the year	**27**	**–**	1 398	–
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average share price for options exercised		**122,65**		86,79
Corporate Scheme				
Outstanding at the beginning of the year	**9 930 425**	**108,06**	10 230 707	108,06
Forfeited	**(30 506)**	**107,12**	(300 282)	108,06
Other movements	**373 000**	**101,47**		
Outstanding at the end of the year	**10 272 919**	**101,47**	9 930 425	108,06
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average share price for options exercised		**–**		–

49 SHARE-BASED PAYMENTS – continued

49.3 Movements in number of instruments – continued

	2010 Number of instruments	2010 Weighted average exercise price R	2009 Number of instruments	2009 Weighted average exercise price R
Black Executive Scheme				
Outstanding at the beginning of the year	**1 037 537**	**71,44**	1 179 391	70,73
Granted	**237 340**	**83,81**	125 506	65,94
Forfeited	**(145 452)**	**77,93**	(149 880)	79,66
Exercised	**(261 226)**	**68,67**	(117 480)	47,87
Outstanding at the end of the year	**868 199**	**74,57**	1 037 537	71,44
Exercisable at the end of the year	**37 200**	**102,56**	72 260	96,89
Weighted average share price for options exercised		**133,81**		110,38
Black Management Scheme				
Outstanding at the beginning of the year	**6 495 351**	**89,69**	5 640 899	93,04
Granted	**1 026 544**	**114,68**	2 004 380	75,22
Forfeited	**(1 114 938)**	**93,89**	(688 678)	91,88
Exercised	**(647 271)**	**74,15**	(441 508)	63,71
Expired			(19 742)	81,31
Outstanding at the end of the year	**5 759 686**	**95,08**	6 495 351	89,69
Exercisable at the end of the year	**470 084**	**77,25**	318 531	76,38
Weighted average share price for options exercised		**130,94**		110,80

49.4 Instruments outstanding at the end of the year by exercise price

	2010 Number of instruments	2010 Weighted average exercise price R	2009 Number of instruments	2009 Weighted average exercise price R
Nedbank Group (1994) Share Option Scheme				
45,00				
55,75			120 500	0,6
60,01			377 980	0,4
74,40	**43 500**	**0,3**	129 800	1,3
	43 500	**0,3**	628 280	0,6
Nedbank Group (2005) Share Option Scheme				
0,00	**10 268 703**	**1,4**	6 830 572	1,9
76,79			1 351 596	0,5
84,68			224 200	0,6
107,03	**137 800**	**0,6**	251 400	1,6
110,98	**556 279**	**0,2**	3 659 481	1,1
134,30	**8 900**		605 200	2,4
144,30	**6 000**		4 598 611	2,1
	10 977 682	**1,6**	17 521 060	1,7
Nedbank Group (2005) Matched Share Scheme				
0,00	**649 447**	**1,2**	583 048	1,3
	649 447	**1,2**	583 048	1,3

	2010 Number of instruments	**2010** Weighted average exercise price R	2009 Number of instruments	2009 Weighted average exercise price R
Nedbank UK Long-term Incentive Plan				
0,00	**146 796**	**2,7**	102 404	3,9
134,30	**22 500**	**2,6**	22 500	3,6
	169 296	**2,7**	124 904	3,8
Retail Scheme				
0,00	**27**	**0,2**	1 398	0,2
	27	**0,2**	1 398	0,2
Corporate Scheme				
101,47	**10 272 919**	**0,1**	9 930 425	1,6
	10 272 919	**0,1**	9 930 425	1,6
Black Executive Scheme				
0,00	**274 781**	**2,4**	290 482	2,4
74,75	**93 600**	**1,6**	284 760	2,6
75,74	**57 715**	**5,2**	57 715	6,2
104,51	**89 707**	**4,6**	106 265	5,6
107,03	**25 724**	**2,6**	38 394	3,6
108,45			36 000	6,6
110,98	**8 724**	**2,2**	17 721	2,5
120,62	**65 818**	**4,2**	79 906	5,2
134,30	**48 000**	**3,6**	48 000	2,6
144,30	**50 685**	**3,2**	78 294	4,2
121,08	**153 445**	**6,2**	–	–
	868 199	**3,6**	1 037 537	3,6
Black Management Scheme				
0,00	**471 636**	**2,5**	530 815	2,8
74,75	**925 666**	**1,6**	1 496 339	2,6
75,74	**1 048 445**	**5,2**	1 368 702	6,1
104,51	**650 128**	**4,6**	793 197	5,6
107,03	**171 398**	**2,6**	239 367	3,6
108,45	**262 330**	**5,6**	306 286	6,6
110,98	**141 831**	**2,2**	220 530	3,2
120,62	**583 125**	**4,2**	699 557	5,2
134,30	**369 150**	**3,6**	480 017	4,6
144,30	**282 988**	**3,2**	360 542	4,1
121,08	**445 395**	**6,2**		
132,18	**407 594**	**6,6**		
	5 759 686	**4,0**	6 495 352	4,5

49 SHARE-BASED PAYMENTS – continued

49.5 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 Scheme	Nedbank Group (2005) Matched Share Scheme	Nedbank UK long-term incentive plan	Black Executive Scheme	Black Management Scheme
2010					
Number of instruments granted	**4 358 878**	**222 362**	**44 388**	**237 340**	**1 026 544**
Weighted average fair value per instrument granted (R)	**125,10**	**121,46**	**108,32**	**60,05**	**38,89**
Weighted average share price (R)	**125,10**	**140,00**	**124,85**	**125,00**	**126,42**
Weighted average exercise price (R)				**83,81**	**114,68**
Weighted average expected volatility (%)*	**24,6**	**24,5**	**24,5**	**24,5**	**25,8**
Weighted average life (years)	**3,0**	**3,0**	**3,0**	**5,7**	**5,9**
Weighted average expected dividends (%)**		**4,8**	**4,8**	**3,4**	**4,5**
Weighted average risk-free interest rate (%)	**7,7**	**7,7**	**7,7**	**8,4**	**8,0**
Number of participants	**1 109**	**263**	**10**	**7**	**398**
Weighted average vesting period (years)	**3,0**	**3,0**	**3,0**	**5,0**	**5,0**
Possibility of not vesting (%)	**34**	**7**	**10**	**5**	**12**
Expectation of meeting performance criteria (%)	**66**	**93**	**90**	**95**	**88**
2009					
Number of instruments granted	5 080 170	194 248	75 706	125 506	2 004 380
Weighted average fair value per instrument granted (R)	75,36	67,77	52,17	39,14	27,40
Weighted average share price (R)	75,36	84,50	70,00	84,30	77,28
Weighted average exercise price (R)				65,94	75,22
Weighted average expected volatility (%)*	49,6	52,0	52,0	45,5	48,7
Weighted average life (years)	3,0	3,0	4,0	5,5	5,9
Weighted average expected dividends (%)**		7,6	7,6	5,1	6,6
Weighted average risk-free interest rate (%)	8,0	8,1	8,3	8,5	8,6
Number of participants	1 236	247	17	3	404
Weighted average vesting period (years)	3,0	3,0	3,0	5,0	5,0
Possibility of not vesting (%)	78	7	75	5	12
Expectation of meeting performance criteria (%)	22	93	25	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 the JSE.*

** *The dividend yield used for grants made has been based on forecast dividends.*

50 RELATED PARTIES

50.1 Relationship with parent, ultimate controlling party and investees

The group's parent company is Nedbank Group Limited, which holds 100% (2009: 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 163 and associates and joint ventures of the group are identified on pages 164 and 165.

50.2 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 25 to 28 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:

Rm	Directors	Key management personnel	Total
Compensation			
2010			
Directors' fees	**11**		**11**
Remuneration – paid by subsidiaries	**40**	**72**	**112**
Short-term employee benefits	**28**	**65**	**93**
Gain on exercise of options	**12**	**7**	**19**
	51	**72**	**123**
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
Number of share options and instruments			
2010			
Outstanding at the beginning of the year	**1 601 613**	**2 181 290**	**3 782 903**
Granted	**318 648**	**436 816**	**755 464**
Forfeited	**(4 439)**	**(262 679)**	**(267 118)**
Exercised	**(339 439)**	**(523 939)**	**(863 378)**
Expired	**(152 765)**	**(270 500)**	**(423 265)**
Transferred	**313 744**	**(313 744)**	**–**
Outstanding at the end of the year	**1 737 362**	**1 247 244**	**2 984 606**
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)
Expired			–
Transferred	(5)	555 502	555 497
Outstanding at the end of the year	1 601 613	2 181 290	3 782 903

50 RELATED PARTIES – continued

50.3 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.

(Rm)	Due from/(Owing to)	
Outstanding balances	**2010**	2009
Parent/Ultimate controlling party		
Deposits owing to Old Mutual Life Assurance Company (SA) (Pty) Limited	**(13)**	(600)
Loan due from Old Mutual plc	**1 226**	1 440
Bank balances owing to Old Mutual Life Assurance Company (SA) (Pty) Limited	**(3 587)**	(1 746)
Bank balances owing to Nedbank Group Limited	**(1 680)**	(1 412)
Account payable owing to Old Mutual plc	**(8)**	
Forward exchange rate contracts with Old Mutual plc		1
Fellow subsidiaries		
Loan due from Old Mutual Asset Managers (SA) (Pty) Limited	**704**	
Loans due from Nedgroup Securities (Pty) Limited	**3 552**	1 054
Loans owing to Nedbank Malawi Limited	**(13)**	(36)
Loans (owing to)/due from other fellow subsidiaries	**(7 074)**	9 528
Deposits due from/(owing to) Nedgroup Securities (Pty) Limited	**3 655**	(1 289)
Deposits owing to Old Mutual Asset Managers (SA) (Pty) Limited	**(77)**	(257)
Deposits owing to Syfrets Securities Limited	**(1 382)**	(3 172)
Deposits due from/(owing to) other fellow subsidiaries	**5 784**	(233)
Bank balances owing to Old Mutual Asset Managers (SA) (Pty) Limited	**(15)**	(1)
Bank balances due from Nedgroup Securities (Pty) Limited	**514**	250
Bank balances (owing to)/due from Syfrets Securities Limited	**(48)**	723
Bank balances owing to other fellow subsidiaries	**(9 879)**	(8 575)
Equity derivatives with fellow subsidiaries	**243**	773
Forward exchange rate contracts with various fellow subsidiaries	**3**	19
Interest rate contracts with various fellow subsidiaries	**17**	6
Associates		
Loans due from associates	**675**	608
Deposits owing to associates	**(57)**	(43)
Bank balances owing to associates	**(7)**	(7)
Key management personnel		
Mortgage bonds due from key management personnel	**18**	7
Deposits owing to key management personnel	**(11)**	(12)
Deposits owing to entities under the influence of key management personnel	**(795)**	(1 222)
Bank balances due from key management personnel	**39**	38
Bank balances owing to key management personnel	**(6)**	(5)
Bank balances due from entities under the influence of key management personnel	**20**	13
Bank balances owing to entities under the influence of key management personnel	**(110)**	(81)

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:

Wiphold consortium	**(108)**	(108)
Brimstone consortium	**(107)**	(107)
Aka Capital (Pty) Limited	**(51)**	(37)
Key management personnel – directors	**(51)**	(34)
– other	**(20)**	(27)
Share-based payments reserve	**(337)**	(313)

Rm	Due from/(Owing to)	
Outstanding balances	**2010**	2009
Performance fees are also paid to the Wiphold and Brimstone consortia in terms of the Nedbank Eyethu BEE scheme:		
Wiphold consortium	**(5)**	(4)
Brimstone consortium	**(5)**	(4)
Performance fee liability at year-end	**(10)**	(9)
Long-term employee benefit plans		
Bank balances owing to Nedgroup Medical Aid Fund	**(5)**	(23)
Bank balances owing to Nedgroup Pension Fund	**(86)**	(69)
Bank balances and deposits owing to other funds	**(41)**	(63)

	Income/(Expense)	
Transactions	**2010**	2009
Parent/Ultimate controlling party		
Dividend declared to Nedbank Group Limited	**(996)**	(2 070)
Interest income from Old Mutual Plc	**102**	49
Interest expense to Old Mutual Life Assurance Company (Pty) Limited	**(247)**	(322)
Fellow subsidiaries		
Interest income from Old Mutual Asset Managers (Pty) Limited	**19**	
Interest income from fellow subsidiaries	**1 169**	671
Interest income from Syfrets Securities Limited	**10**	128
Interest income from Nedgroup Securities (Pty) Limited	**117**	111
Interest expense to Syfrets Securities Limited	**(526)**	(677)
Interest expense to other fellow subsidiaries	**(446)**	(130)
Interest expense to Old Mutual Asset Managers (Pty) Limited	**(8)**	(20)
Interest expense to Nedgroup Securities (Pty) Limited	**(211)**	(436)
Management fee income from fellow subsidiaries	**17**	33
Associates		
Interest income from associates	**4**	
Interest expense to associates	**(4)**	(7)
Key management personnel		
Interest income from key management personnel		2
Interest income from entities under the influence of key management personnel	**11**	7
Interest expense to key management personnel	**(4)**	(3)
Interest expense to entities under the influence of key management personnel	**(39)**	(37)
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	**(14)**	(8)
Key management personnel – other	**(1)**	(2)
Share-based payments expense (included in BEE transaction expenses)	**(15)**	(10)
Key management personnel – directors	**(24)**	(3)
– other	**(7)**	(10)
Share-based payments expense (included in staff costs)	**(31)**	(13)

50 RELATED PARTIES – continued

50.3 Related-party transactions – continued

Rm	Income/(Expense)	
Transactions	**2010**	2009
Performance fees are also paid to the Wiphold and Brimstone consortia in terms of the Nedbank Eyethu BEE scheme:		
Wiphold consortium	**(11)**	(12)
Brimstone consortium	**(11)**	(9)
Performance fee expense	**(22)**	(21)
Outstanding balances		
Interest expense to Nedgroup Pension Fund	**(7)**	(6)
Interest expense to Nedgroup Medical Aid Fund	**(1)**	(2)
Interest expense to other funds	**(3)**	(2)
The Nedbank Group Pension Fund 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. The group 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**	806
OMART policy reimbursement right (note 35.1)	**373**	323
Included in long-term employee benefit assets	**1 179**	1 129
Optiplus policy obligation	**(806)**	(806)
Disability obligation	**(289)**	(250)
Included in long-term employee benefit liabilities	**(1 095)**	(1 056)

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

ANALYSIS OF INVESTMENTS IN SUBSIDIARIES

FOR THE YEAR ENDED 31 DECEMBER

	Group			
	Issued capital		Effective holding	
	2010 Rm	2009 Rm	**2010 %**	2009 %
Banking**				
Imperial Bank Limited	**4**	4	**100**	50.1
Nedbank (Lesotho) Limited	**20**	20	**100**	100
Nedbank (Swaziland) Limited	**13**	12	**60.5**	67.2
Peoples Mortgage Limited	**45**	45	**100**	100
Other companies***				
BoE Management Limited	*****	*	**100**	100
Nedgroup Investment 102 Limited	**6**	6	**100**	100
Nedcor Investments Limited	**28**	28	**100**	100
Depfin Investments (Pty) Limited	*****	*	**100**	100
BoE Holdings Limited	**2**	2	**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.

	2010 Rm	2009 Rm
Headline earnings from subsidiaries (after eliminating intercompany transactions):		
Aggregate earnings	**3 902**	3 881
Aggregate losses	**64**	58

General information required in terms of the 4th Schedule to 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.

ANALYSIS OF INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

FOR THE YEAR ENDED 31 DECEMBER

	Percentage holding				
	2010 %	2009 %	Acquisition date	Year-end	Date to which equity income accounted for
Unlisted					
Associates					
African Spirit Trading 306 (Pty) Limited**		33	Oct 06	Dec	
Ballywood Properties 1 (Pty) Limited	**49**	49	Nov 05	Feb	
Bond Choice (Pty) Limited***	**29**	29	Jun 02	Feb	Dec 10
Capricorn Business and Technology Park (Pty) Limited	**41**	41	Nov 98	Sep	
Century City JV	**50**		Dec 10	Dec	
Clidet No 683 (Pty) Limited	**49**	49	Aug 06	Feb	
Consep Developments (Pty) Limited	**31**	25	Dec 07	Feb	
Emergent Investments (Pty) Limited	**49**	49	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	
Hazeldean Retreat (Pty) Limited	**20**	20	Mar 07	Feb	
Masingita Property Investment Holdings (Pty) Limited	**35**	35	Aug 05	Feb	
Mooirivier Mall (Pty) Limited	**30**	30	Nov 06	Feb	
Nedglen Property Developments (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	
Visigro Investments (Pty) Limited	**30**	30	Jun 06	Feb	
Whirlprops 33 (Pty) Limited***	**49**	49	Sep 06	Feb	Dec 10
XDV Investments (Pty) Limited	**25**	25	Nov 06	Jun	
Other					

These associate companies are all property-related companies. There are no 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.*

** *Disposed of during 2010.*

*** *These associates are equity accounted.*

Equity-accounted earnings		Carrying amount		Market value/ Directors' valuation		Net indebtedness of loans to/(from) associates	
2010 Rm	2009 Rm	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm
			40		40		38
		14	11	**14**	11	**1**	
	(2)	**25**	25	**25**	25		
		11	14	**11**	14	**9**	11
		55		**55**			
		303	274	**303**	274	**166**	166
		16	22	**16**	22	**16**	16
		79	75	**79**	75	**66**	66
		25	20	**25**	20	**5**	5
		23	15	**23**	15	*	2
		16	19	**16**	19	**7**	5
		14	13	**14**	13		
		12	11	**12**	11	**9**	12
		40	30	**40**	30	**12**	12
		13	6	**13**	6	**83**	38
		13	11	**13**	11		
		10	23	**10**	23	**14**	24
		105	114	**105**	114	**34**	32
		27	29	**27**	29	**15**	15
		13	13	**13**	13		
		8	9	**8**	9	**3**	3
		15	15	**15**	15	**18**	18
		83	108	**83**	108	**(20)**	(19)
		*	*	*	*		
		*	20	*	20		(20)
	1	**13**	5	**13**	5	**237**	184
	(1)	**933**	922	**933**	922	**675**	608

NEDBANK LIMITED COMPLIANCE WITH IFRS* – ANNUAL FINANCIAL STATEMENT NOTES

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 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 20, IAS 32, IAS 39, IFRS 7 and IFRS 8
15	Operating expenses	IAS 1, IFRS 2 and IFRS 8
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 and IAS 10
21	Cash and cash equivalents	IAS 1 and IFRS 7
22	Other short-term securities	IAS 1, IFRS 7 and IFRS 8
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, IFRS 7 and IFRS 8
26	Loans and advances	IAS 17, IFRS 7 and IFRS 8
27	Impairment of loans and advances	IAS 39, IFRS 7 and IFRS 8
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	Acquisitions	IFRS 3
38	Share capital	IAS 1
39	Amounts owed to depositors	IAS 1, IFRS 7 and IFRS 8
40	Provisions and other liabilities	IAS 37, IAS 32 and IAS 39
41	Long-term debt instruments	IAS 32, IAS 39 and IFRS 7
42	Contingent liabilities and undrawn facilities	IAS 37 and IAS 10
43	Commitments	IAS 37, IAS 17, IFRS 7 and IAS 10
44	Collateral	IFRS 7
45	Securitisations	IFRS 7 and IFRS 3
46	Foreign currency conversion guide	IAS 21
47	Cashflow information	IAS 7
48	Managed funds	IFRS 7
49	Share-based payments	IFRS 2
50	Related parties	IAS 24
Page 163	Analysis of investments in subsidiaries	IAS 27
Page 164	Analysis of investments in associates and joint ventures	IAS 28 and IAS 31
Page 168	Risk and balance sheet management review	IFRS 7

* *International Financial Reporting Standards.*

** *International Accounting Standards.*

*** *International Financial Reporting Interpretations Committee.*

NOTES

RISK AND BALANCE SHEET MANAGEMENT REVIEW

THE SUSTAINABILITY OF NEDBANK GROUP'S OPERATIONS IS ENSURED BY MEANS OF STRICT ADHERENCE TO COMPETITIVE GOVERNANCE AND COMPLIANCE PRACTICES, WHICH INCLUDE GOOD GOVERNANCE, STRONG ETHICS AND A CULTURE OF COMPLIANCE; EFFECTIVE MANAGEMENT OF SOCIAL, ENVIRONMENTAL AND ETHICAL RISKS; AND A COMMITMENT TO RESPONSIBLE LENDING.

Nedbank Group follows a policy of enterprisewide risk management (ERM), which aligns strategy, policies, charters, people, processes, technology and knowledge in order to evaluate and manage the opportunities, threats and uncertainties the group may face in its ongoing efforts to create shareholder value. ERM also seeks to integrate risk and capital management across the group's entire risk universe, including business units and operating divisions, geographical locations and legal entities.

Against this backdrop, all risks – including those associated with sustainability – are managed according to a 'three lines of defence' model. It is the Nedbank Group's view that a strong risk governance process is the foundation for successful risk management, which is why this model represents the core of the business' Enterprisewide Risk Management Framework (ERMF). The ERMF places emphasis on accountability, responsibility, independence, reporting, communications and transparency, and comprises 17 risk categories that are managed, monitored, measured and reported on by the first, second and third line-of-defence functions.

The responsibilities of each of these lines of defence are as follows:

First line	The board and management of Nedbank Group are responsible for the implementation and management of risk.
Second line	Group Risk and Enterprise Governance and Compliance perform a policy setting and monitoring role to ensure implementation of risk management principles and adherence to regulation and legislation.
Third line	Group Internal Audit, external auditors and independent actuaries provide additional assurance on the effectiveness of risk management in the organisation.

Nedbank Group has also developed individual risk frameworks for the effective management of social, environmental, and transformation risk. These frameworks serve as best-practice guidelines for the management of risks associated with these pillars of sustainability within the organisation, offering clear governance structures (committees, charters and policies) to deal with risks associated with the group's sustainability objectives. The sustainability governance structures and policy framework are detailed on page 95 of the Nedbank Group Limited Integrated Report.

OUTLOOK FOR 2011

To build on the solid foundation established in 2010 the strategic emphasis will be placed on the following:

- Being client-driven – preparations will continue in order to meet the new legislative requirements while providing effective risk leadership and maintaining strong relationships with the board, regulators and stakeholders.
- Managing for value – this will be achieved through c ontinued embedding and enhancing of the –
  - Internal Models Approach (IMA) for market risk capital requirements;
  - Advanced Measurement Approach (AMA) for operational risk; and
  - Advanced Internal Ratings-based (AIRB) Approach for credit risk.
- Primary clients and cross-sell – sound risk principles are to be maintained during a period of focus on non-interest revenue (NIR) growth and assistance will be provided to identify cross selling opportunities, facilitate solutions for new products and services and align these with risk appetite.
- Risk as an enabler – alignment to the business will continue to ensure risk and reward optimisation and achievement and exceeding of key performance objectives.
- Productivity and execution – the focus remains on working smarter, simplifying policies, charters, and procedures, and streamlining internal approval processes.
- Creating a unique and innovative culture – continued emphasis on the importance of the reengineering processes to demonstrate consistent and proactive responses to business needs and offer relevant risk management guidance. In the medium to long term agility and proportionate response to regulation, risk management and strategy will continue to be focus areas.
- Transformation – embedding transformation, achieving transformation targets, and ensuring visible, accessible leadership will continue as high priorities.
- Being a green and caring group – support of the group's carbon-neutral strategy will continue as will ensuring a safe and secure environment for staff and clients and the further integration of social and environmental risk management tools and practices across the group.

HIGHLIGHTS

REGULATORY AND STATUTORY DEVELOPMENTS

- **Basel III**
  - Majority of the proposals are now finalised but some significant aspects are still outstanding.
  - Studies and opinions of the impact of Basel III on the banking industry and economic growth vary.
  - Implementation timelines extended considerably, commencing in 2013 with various phase-ins and transitional arrangements through to 2019.
  - On capital
    - Most heavily impacted are banks with relatively large capital market businesses, particularly trading activities, complex securitisations, over-the-counter derivatives (counterparty credit risk) and securities lending.
    - Nedbank Group has a relatively small capital markets business and the overall impact is manageable.
  - On liquidity
    - Internationally most banks generally fall short of the two new liquidity ratios, with shortfalls in high-quality liquid assets and stable funding presenting significant business model implications. Both ratios remain under observation and banks have several years to meet them.

      In particular, the net stable funding ratio (NSFR), in its current form, seems likely to curtail longer-term lending significantly. This is contrary to the primary role of banks to act as regulated financial intermediaries to convert short-term deposits into long-term lending, which enables economies to grow.
    - For Nedbank Group and generally the entire SA banking industry the impact of these two liquidity ratios would be pervasive if implemented as is, particularly the NSFR. However, a pragmatic approach is likely to be followed by the South African Reserve Bank (SARB).
- **Solvency II**
  - Solvency Assessment and Management (SAM) is expected to be implemented in South Africa from 2014. SAM is South Africa's version of the international Solvency II requirements, which is similar to Basel II but for the insurance industry.
  - Impact on Nedbank Group (in the Nedbank Wealth Cluster only) is relatively small.
- **Companies Act**
  - The Companies Act 71 of 2008 required significant amendment. The Companies Amendment Bill, which is expected to come into force on 1 April 2011, amends almost every section of the original act and the regulations are currently in draft form.
  - For Nedbank Group and the SA banking industry the effect of the unintended consequences of S136(2) was addressed through the Banking Association of South Africa and the proposed revisions should resolve these concerns. Nedbank Group is assessing the full effect that this new act will have on its business.
- **The Consumer Protection Act**
  - SA banks are required to be compliant by 31 March 2011.
  - Nedbank Group awaits the final regulations to complete its compliance programme.
- **Protection of Personal Information Act**
  - It is expected that the Protection of Personal Information Bill will be passed into law during the Parliamentary first quarter of 2011.

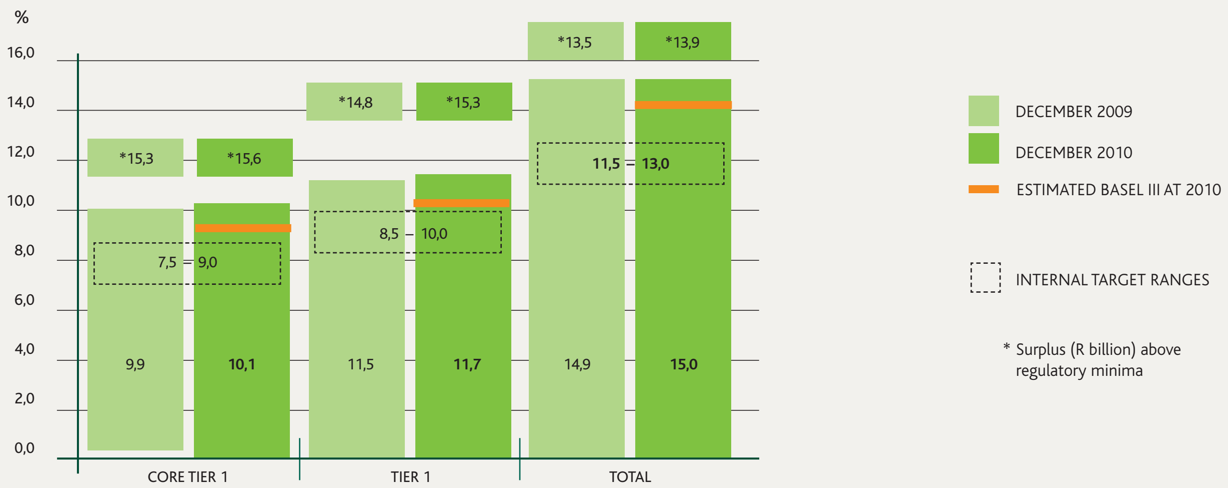
In addition to the above, Nedbank has provided commentary on various energy, water and climate change regulatory developments.

CAPITAL ADEQUACY

- **Regulatory capital**
  - Nedbank Group's capital ratios continued to strengthen year-on-year.+
    - Core Tier 1: 10,1% (2009: 9,9%)
    - Tier 1: 11,7% (2009: 11,5%)
    - Total: 15,0% (2009: 14,9%)
  - This strengthening occurred despite using internal capital resources to buy out the minorities in Imperial Bank, the negative impact on risk-weighted assets (RWA) of its integration into Nedbank Limited, and the impairment as intangible assets, rather than being treated as fixed assets, of capitalised software development costs that was previously only expected from 2013 onwards under the new Basel III requirements. This is reflective of continuing, successful capital and RWA optimisation in Nedbank Group.

+ *Audited.*

CAPITAL ADEQUACY



Nedbank could already absorb the Basel III capital implications, with all capital ratios remaining above the top end of current target ranges.

- Given the predominant focus on the core Tier 1 ratio by Basel III, and new requirements to ensure all classes of capital instruments fully absorb losses at the point of non-viability before taxpayers are exposed to loss, all of which will be phased-in over time, Nedbank Group's focus is firmly on its core Tier 1 ratio.

  In consideration of Nedbank Group's high total capital adequacy ratio of 15,0% the Imperial Bank Tier 2 bond ('IPB2'), amounting to R500 million, was called (without being replaced) and the intention is to do the same with the Nedbank Limited bond ('Ned 5') that is callable in April 2011, subject to SARB approval.

- **Economic capital**
  - Available financial resources: Economic capital ratio 144% (2009: 142%). R12 784 million surplus capital above minimum requirements plus the 10% buffer.
  - During 2010 the group implemented several refinements to the calculation and allocation of economic capital.
- **Internal Capital Adequacy Assessment Process**
  - The annual group Internal Capital Adequacy Assessment Process (ICAAP) was completed and signed off by the board in July 2010. The SARB's Supervisory Review and Evaluation Process (SREP) of Nedbank Group's ICAAP was concluded favourably in H2 2010 with no material issues raised.
  - Best-practice stress and scenario testing framework and process were followed to confirm the robustness of the group's capital adequacy.
- **Leverage ratio**
  - This remains low at 13,8 times (2009: 14,4 times) when compared with international levels.
- **External credit ratings**
  - In July 2010 Moody's Investor Services reaffirmed Nedbank Limited's financial strength rating at C- and its global local currency rating at A2. The outlook for all ratings was also maintained at stable.
  - In July 2010 Fitch Ratings reaffirmed Nedbank Group's long-term foreign and local currency issuer default rating (IDR) at BBB, and national long-term rating at AA-(zaf). The short-term foreign currency IDR was maintained at F2. The outlook for all three ratings was also maintained at stable.

FUNDING AND LIQUIDITY

- Well managed through another difficult and uncertain year in global banking.
- Significantly lengthened the long-term funding ratio to 23% (2009: 18%), including successful issue of R6,2 billion in senior unsecured debt during 2010.
- Matched maturity funds transfer pricing (MMFTP) and liquidity premiums (pricing for liquidity risk) well entrenched across the business.
- Sound loan-to-deposit ratio of 97%.
- Further strengthened the liquidity buffer.
- Well-diversified funding mix (ie retail versus wholesale deposit reliance) and strong retail household deposits positioning maintained.
- Low reliance on interbank and foreign markets.
- Internal Liquidity Adequacy Assessment Process introduced and embedded within the organisation, a similar concept to ICAAP.

MARGIN MANAGEMENT

- Net interest margin (NIM) reduced to 3,35% (2009: 3,39%) mainly due to the impact of endowment (on capital and non-rate-sensitive liabilities) and costs of lengthening the funding profile and holding a higher liquidity buffer.
- However, NIM has performed better than originally forecast due to a strong focus on asset pricing and mix (as per manage-for-value strategy), application of MMFTP, allocation of risk-based capital and liquidity premiums among growth and market share gains across most categories of advances (with the exception of home loans in line with group strategy of focusing on areas with high economic profit potential).

CHANGES TO AND SOUTH AFRICAN RESERVE BANK APPROVAL FOR CERTAIN METHODOLOGIES

- **Advanced Measurement Approach and Internal Model Approach**
  - Received approval from the SARB to use the AMA for operational risk (from 2010) and IMA for market trading risk (from 2011) for regulatory capital purposes for Nedbank Limited.
  - Nedbank Limited now has approval for all three major Pillar 1 risk types for Basel II, having received approval for the AIRB Approach for credit risk on day 1 implementation of Basel II (January 2008).
  - The regulatory capital approaches above now align with those already in use for economic capital (and ICAAP) purposes. This contributes to Nedbank Group's RWA optimisation while representing a more sophisticated measurement of risk.
- **Capital allocation to businesses (as discussed in the June 2010 results)**
  - Increase in quantum of economic capital allocated to businesses for risk-adjusted performance measurement and segmental analysis due to methodology enhancements and alignment with the group's regulatory core Tier 1 capital level, which impacts the return on ordinary shareholders' funds (ROE) calculation.
- **Credit loss ratio (as discussed in the June 2010 results)**
  - Change in calculation from simple average to daily averages and exclusion of trading assets to reflect the ratio more accurately.

RISK MANAGEMENT

- Strong credit risk management.+
  - The credit loss ratio on the banking book improved to 1,36% [2009: 1,52% (restated)].
  - Defaulted advances reduced by 1,04% to R26 765 million (2009: R27 045 million).
  - Maintained a conservative approach and total impairment provisions increased by 14,6% to R11 226 million (2009: R9 798 million).
  - Sound credit growth achieved in current external economic environment under the bank's manage-for-value strategic focus on improving assets quality through active management of the bank's portfolios towards high economic profit areas.
- Group's ERMF continued to be resilient.
- Sound risk governance and compliance prevails, aligned with Basel II.v requirements.
- Effective operational and security risk management, containing impact of crime to reasonable levels.
- Alternative operational risks to sustainability, such as environmental and transformation risks, are well managed by the group.
- Successful reputational risk management, such as the favourable Securities Regulation Panel ruling on the Pinnacle Point litigation.
- Successful Imperial Bank integration into Nedbank Limited.
- Significant steps to enhance risk management in Nedbank Retail and to fix economics in secured lending.
- Prudent risk appetite followed with group metrics cascaded into all business units.
- Risk-based remuneration practices applied since 2008 align in all material respects with recent international requirements.
- Robust capital and liquidity risk management.

For the group's comprehensive disclosure on risk and balance sheet management in line with Regulation 43 of the regulations relating to banks in South Africa please refer to the group's updated Pillar 3 Report that will be released on the group's website at www.nedbankgroup.co.za by 8 April 2011. This summary review primarily focuses on the key financial risks and balance sheet management components.

+ *Audited.*

OVERVIEW 2010

The SA economy had a strong start to the year primarily driven by global demand for commodities and manufacturing production. However, the fragility of the global recovery as a result of high government debt in developed economies was highlighted by fiscal consolidation in European economies during the course of the year. This impacted global demand for SA exports, resulting in the domestic recovery losing momentum despite the boost from the FIFA 2010 World Cup. Against this backdrop the domestic banking environment improved modestly, supported by 30-year-low interest rates that translated to an improved credit environment.

The landscape of banking continues to change following the global financial crisis, although the Euro region remains a major concern, and the significant international regulatory response in particular to what is commonly referred to as Basel III.

BASEL III

Most of the Basel III proposals have recently been finalised, with some significant aspects remaining outstanding, but envisaged to be completed in 2011.

Considerable debate continues on the impact of Basel III on the banking industry and, consequently, economic growth. Particular focus has fallen on the new liquidity ratios and the cumulative impact of the vast array of new Basel III requirements, especially when considering forward growth projections. In South Africa the details of exactly how Basel III will be adopted are still to be advised by the SARB.

SUMMARY OF BASEL III

- **New Basel II.v requirements** (finalised in July 2009)
  - Enhancements to **Pillar 1**
    - Securitisation
    - Trading market risk
  - Enhancements to **Pillar 2** (and hence the ICAAP)
    - 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)
    - Securitisation exposures

  The above are incorporated into the draft changes to the SA banking regulations, effective 1 January 2012.

  In addition, the SARB are proposing to entirely phase out hybrid debt capital (non-core Tier 1), which is contrary to Basel III that allows for existing hybrid debt to remain, and introduce a 1,06 multiplier to credit RWA of AIRB banks (to align with the original Basel II Accord).

- **Basel III requirements** (finalised in December 2010)
  - Raise quality, consistency and transparency of capital base
  - Enhance risk coverage
  - Introduce new leverage ratio
  - Reduce procyclicality and introduce new countercyclical buffers
  - Address systemic risk and interconnectedness
  - Introduce new global liquidity framework [notably the new liquidity coverage ratio (LCR) and NSFR]
  - Basel III timelines
    - Commence 2013 with long phase-ins through to 2019.

  There is no formal indication yet from the SARB on South Africa's adoption, other than 'South African banks will not need to raise additional capital in response to Basel III' and that 'a pragmatic approach will be followed in respect of the new Basel III liquidity ratios'.

- **Basel III requirements (work in progress; to be finalised during 2011)**
  - Capital surcharge for systemically important financial institutions (SIFIs)
  - Loss absorbency requirements for all capital instruments (finalised in January 2011)
  - Counterparty credit risk
  - Trading book review
  - Convergence with International Financial Reporting Standards
- **Observation periods commence in 2011/2012 for:**
  - New liquidity ratios (LCR and NSFR)
  - New leverage ratio

In summary, greater clarity and finalisation have been achieved to date, but significant uncertainty remains.

POTENTIAL IMPACT ON NEDBANK GROUP OF KEY BASEL III COMPONENTS

- **Capital**
  - Overall, considered to be 'manageable' but await finalisation of the outstanding Basel III requirements and details from the SARB for adoption in South Africa.
  - SA banks' regulatory capital rules were already considerably more conservative than the Basel II international rules. The Tier 1 minimum ratio is 7% in South Africa, while the core Tier 1 minimum is 5,25%. In addition, a unique to South Africa, 1,5% Pillar 2a capital buffer is already in force. All the major SA banks are currently operating at capital ratios significantly above the minimum regulatory ratios required.
  - Core Tier 1 capital is the main focus. In view of the new Basel III capital buffers, it is likely that Nedbank Group's target may increase from the current 7,5% – 9,0%. The group expects to meet this via earnings, continuing capital and RWA optimisation, the strategic positioning of products, business mix and our new portfolio tilt strategic focus, integrated with the efforts of enhancing ROE and optimising economic profit.

- Nedbank Group has a strong track record over the past three years of significant capital and RWA optimisation. This is expected to continue.
- The new Basel III regulatory deductions against core Tier 1 qualifying capital resources only commence in January 2014. These deductions are not significant for Nedbank Group.
- Hybrid debt capital (non-core Tier 1) will be phased out by the SARB. The group's Tier 2 debt capital also needs to be addressed (replace and reduce the extent in view of the new Basel III loss absorbency requirements) over the long transitional period.
- All the major SA banks have also completed three comprehensive, annual ICAAPs since 2008. These are required to be signed off by the board of directors of each bank and are then subjected to a detailed SREP by the SARB.

- **Leverage**
  - No challenges are envisaged in terms of compliance with Basel III's new leverage ratio, which includes off-balance-sheet exposure.

- **Risk coverage**
  - The Basel III requirements will impact most significantly on banks with large capital markets businesses. Higher RWA requirements will primarily come from trading books, complex securitisations, securities lending and over-the-counter derivatives.
  - Nedbank Group's trading book is small in relation to its total bank operations, securitisation exposure and activities are very low, and counterparty credit risk, including repurchase transactions and securities financing, is mostly restricted to low-risk, non-complex transactions. Credit derivative activities are also restricted to single-name trades of SA exposures and biased towards providing risk mitigation.

  The group does not envisage a significant overall increase in minimum capital or RWA requirements, subject to the outcome of the Basel III proposals still to be finalised in 2011.

  In particular, the outstanding Basel III proposals on SIFIs and counterparty credit risk do need to be finalised before a conclusion can be reached on this aspect. In South Africa a unique Pillar 2 add-on of 1,5% already exists, additional to the minimum Basel II total ratio requirement of 8%.

- **Remuneration**
  - As regards the emphasis on 'risk-based' remuneration together with additional sound governance practices, Nedbank Group is very well positioned and has only a few minor gaps to close (see the Remuneration Report in volume 2 of the 2010 integrated report).

BASEL III SUMMARY OF DECEMBER 2010 ANNOUNCEMENTS

	SARB*	BASEL II			BASEL III** (= shading indicates transition periods)						
	As is %	As is %	2011 %	2012 %	2013 %	2014 %	2015 %	2016 %	2017 %	2018 %	2019 %
CAPITAL **Core Tier 1 ratio (minimum)**	5,25	2,0			3,5	4,0	4,5	4,5	4,5	4,5	4,5
Capital conservation buffer (CCB1)	N/A	N/A						0,625	1,25	1,875	2,50
Countercyclical capital buffer (CCB2) (is an extension of CCB1 when there is excessive credit growth – from time to time at discretion of local regulator)	N/A	N/A			0 – 2,5	0 – 2,5	0 – 2,5	0 – 2,5	0 – 2,5	0 – 2,5	0 – 2,5
Core Tier 1 ratio plus CCB 1 (minimum)	5,25	2,0			3,5	4,0	4,5	5,125	5,75	6,375	7,0
Total Tier 1 ratio capital (minimum)	7,0	4,0			4,5	5,5	6,0	6,0	6,0	6,0	6,0
Total capital ratio (minimum)	9,5	8,0			8,0	8,0	8,0	8,0	8,0	8,0	8,0
Total capital ratio plus CCB1 (minimum)	9,5	8,0			8,0	8,0	8,0	8,625	9,25	9,875	10,5
Phase-in of new regulatory deductions to qualifying capital						20	40	60	80	100	100
Capital instruments that no longer qualify as non-core Tier 1 capital or Tier 2 capital					Earlier of phaseout over 10-year horizon beginning 2013 or call/ stepup date (only instruments issued pre 12 September 2010 qualify for transition period).						
SIFIs and new issues of capital instruments					Work continues on an integrated approach to SIFIs that could include additional capital surcharges, contingent capital and bail-in debt. In addition, strengthening the loss absorbency of non-core Tier 1 and Tier 2 capital instruments, and a proposal to ensure the loss absorbency at the point of non-viability.						
LIQUIDITY **LCR** The LCR identifies the amount of unencumbered, high-quality liquid assets an institution is required to hold in order to offset the cumulative net cash outflows it would encounter under an acute short-term (30 day) stress scenario. $\frac{\text{Stock of high-quality liquid assets}}{\text{Net cash outflows over a 30-day time period}} \geq 100\%$	N/A	N/A	Observation period begins				Introduce minimum standard				
NSFR The NSFR measures the amount of longer-term, stable funding sources required by an institution given the liquidity profile of its assets and the contingent liquidity risk arising from off-balance-sheet exposures. The standard requires a minimum amount of funding that is expected to be stable over a one-year horizon based on liquidity risk factors assigned to assets and off-balance-sheet exposures. $\frac{\text{Available amount of stable funding}}{\text{Required amount of stable funding}} \geq 100\%$	N/A	N/A		Observation period begins						Introduce minimum standard	
LEVERAGE Leverage ratio Includes on and off-balance-sheet exposure	N/A	N/A	Supervisory monitoring		Parallel run 1 January 2013 – 1 January 2017 Disclosure starts 1 January 2015					Migration to Pillar 1	

* *Uncertain as to what changes, if any, the SARB will now make to the minimum regulatory capital and buffer levels in South Africa.*

** *All dates are as of 1 January.*

- **Liquidity**
  - Although the implementation timelines have been extended considerably, compliance with the two proposed liquidity ratios (especially the NSFR) remains the major concern for SA banks, unless benefits arise from National Treasury's Structural Funding and Liquidity Task Team, which is addressing this issue and the structural issues in the country's financial industry.
  - SA's banking industry has remained structurally sound and weathered the global financial crisis and local recession well due to a number of factors, including:
    - 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 (NCA) 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 those 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.
    - Low reliance on foreign funding/capital markets.
    - Rand liquidity remaining stable, with the interbank market operating normally.
    - The originate-and-sell business model and complex credit derivatives and/or securitisation vehicles, which resulted in excessive leverage in some foreign banks, not being implemented and used in South Africa to the same extent.
    - Charging of liquidity premiums in client borrowings and improved asset pricing.
    - Lessons learned from the 2002/3 SA banking crisis.

    Government support was not required by the SA banking industry at any time during this global financial crisis.

    While always striving to maintain close alignment with Basel III standards, for the factors set out above South Africa would be justified in appropriately modifying the specific requirements of the proposed liquidity ratios in Basel III.
  - Nedbank Group fully subscribes to the principles set out in the Basel III liquidity risk framework and has already embedded these principles into its existing liquidity risk management framework. By way of example, Nedbank Group is compliant with the Principles for Sound Liquidity Risk Management and Supervision that were issued in September 2008.
  - In terms of revising the regulations it is broadly anticipated that the SARB will subscribe to the principles encapsulated in the proposed Basel III liquidity standards.

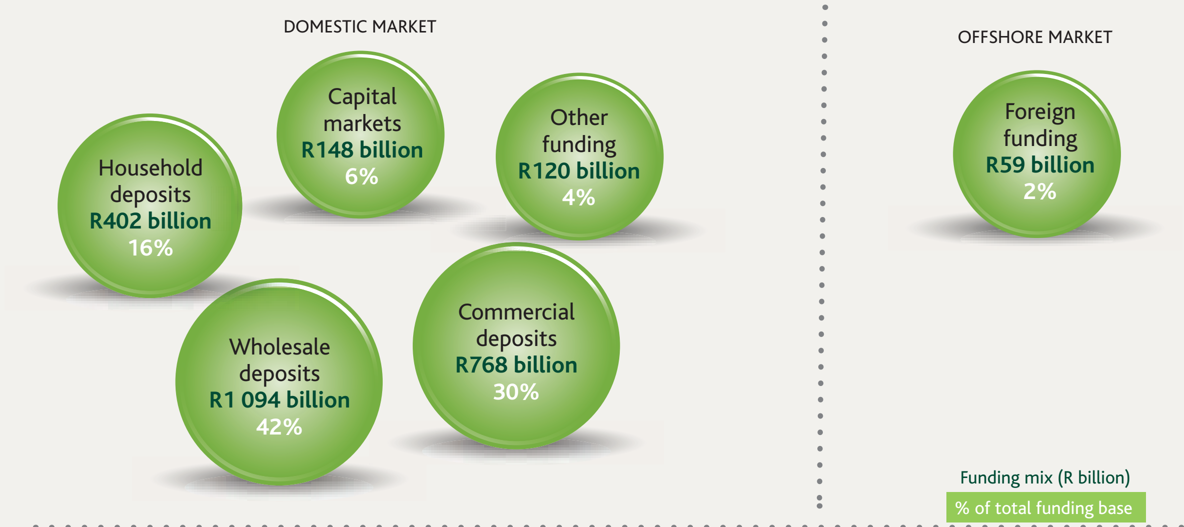
    However, it is also anticipated that, given the structural factors impacting the ability of SA banks to comply with the 'as is' proposed liquidity ratios, the SARB will follow a pragmatic approach in terms of what can be achieved, without creating unintended consequences (eg slower economic growth and higher unemployment).

    'Once finalised in the course of 2010 by the Basel Committee, these requirements related to a stressed liquidity coverage ratio, and a structural liquidity ratio will be considered for incorporation into the regulatory framework. However, ultimately, liquidity in the SA financial sector is mainly a structural matter that is likely to require extensive dialogue between various key roleplayers such as the National Treasury, the central bank, the Financial Services Board and the Department' (2009 Annual Report, Bank Supervision Department, South African Reserve Bank).
  - Compliance with the LCR and the NSFR are not related to issues of principle but rather to specific factors and, in particular, the structural issues, benefits and characteristics of the SA financial system.

    We have graphically depicted below the manner in which SA banks are currently funded, based on the latest industry data.

    We draw the following conclusions of total SA bank funding from this data:
    - Only 16% emanates from household deposits.
    - Capital markets only contribute 6%, with foreign capital markets contributing only 2%.
    - Other funding, which includes deposits from local corporates denominated in foreign currency, only represents 4%.
    - Wholesale and commercial deposits, which attract the most adverse treatment in terms of the proposed Basel III ratios, represent 72%.

TOTAL DOMESTIC BANK FUNDING R2,6 TRILLION (AT 30 NOVEMBER 2010)



On the liability side of the balance sheet, in order to improve both the LCR and NSFR, SA banks would potentially need to do the following:

- Increase the proportion of deposits from households significantly in order to reduce deposits from wholesale and corporate depositors proportionally.
- Lengthen the funding profile through increased capital market issuance, both domestically and internationally.

– However, the structural challenges likely to constrain SA banks, in terms of executing the strategies outlined above, include:

- Low levels of retail savings.
- The small SA capital market.
- Expensive offshore markets being constrained by overall appetite for emerging-market paper.
- Regulations that limit the structural duration of the domestic money market.
- An insufficient pool of liquid assets.

– While the SARB has given no formal indication regarding its approach to adopting and/or modifying the proposed Basel III liquidity ratios, the following possibilities exist:

- Adopt a pragmatic approach on the basis that the Basel III proposed liquidity ratios do not take the following into account:
  - The 'closed' nature of SA's money markets, resulting from exchange controls and the mechanics of the domestic settlement and clearing system, ie rands are more 'sticky' for SA banks (in the rand system) than for euro- or dollar-denominated banks (in their respective systems) whose systems are more 'open'.
  - The fact that the large SA asset managers (of which there are approximately 16) have only five major banks with which to deposit funds. In Europe and the United States there are many more banks, implying that their wholesale funding is less 'sticky' compared with South Africa.
  - Given that liquidity risk is a consequential risk, legislation such as the NCA reduces systemic risk and the need for oversized liquidity buffers. Many developed economies do not yet have the safety net of NCA-type legislation. In South Africa the NCA prohibits the originate-to-distribute model that was at the heart of the US sub-prime crisis. This additional SA safety net should be considered when setting minimum levels of compliance for the ratios.
  - SA banks have proportionally higher core Tier 1 capital levels compared with many of the international banks. The conservative capital structure of SA banks, with more loss-absorbing permanent capital, should also be considered when setting the minimum SA liquidity standards.
  - A strong capital base can help to mitigate liquidity risk both by providing a capital buffer to allow an entity to raise funds and deploy them in liquid positions and by serving to reduce the credit risk taken by providers of funds to the group.
  - Unlike the US, which has not yet embedded Basel II, South Africa has fully embraced the principles of Basel II with robust risk management approaches having been adopted by the domestic banks.
  - The Basel III document requires banks to assume that 100% of wholesale deposits (maturing over the next 30 days) flow out of the bank. Applying a look-through principle to money market funds it could be argued that the underlying depositor is retail in nature. To assume that 100% of these funds would therefore leave the bank over a 30-day time horizon (as per the LCR) may be a material overstatement in the SA market.
  - Basel III distinguishes between small business and 'all other business', which typically includes medium-sized businesses, large businesses and corporate businesses with professional treasuries. All other businesses are

treated equally in that 75% of their deposits are assumed to leave the bank within a 30-day interval (assuming they have a low operational relationship with the bank). We believe that there is considerable scope to differentiate between medium, large and corporate-type commercial clients in the SA environment.

- Broaden the definition of high-quality assets considered to be eligible in terms of the LCR.
  - While addressing the structural issues through National Treasury's Structural Funding and Liquidity Task Team is a longer-term initiative, the SARB could in the short-term consider broadening the definition of high-quality assets. That is, in addition to the Basel III level 1 and 2 liquid assets, the SARB could introduce level 3 and 4 assets (eg other bank debt such as negotiable certificates of deposit, promissory notes and floating-rate notes).
- Allow the creation of 'collateral pools' for inclusion in the stock of high-quality liquid assets.
  - In view of the structural constraints to lengthening the funding profile or replacing wholesale funding with retail deposits, that is limitations in terms of addressing the liability side of the balance sheet, a key consideration is addressing the asset side of the balance sheet by bolstering the stock of liquid assets via converting typically long-dated illiquid assets into high-quality liquid assets.
  - An option for consideration is to allow banks to create 'collateral pools' that meet preagreed SARB requirements (eg maximum loan-to-value, minimum seasoning or payment-to-income ratios) and which may be pledged as security against stress funding. These 'collateral pools' could then be included in the stock of liquid assets making up the LCR.
- Introduction of a national deposit insurance scheme.
  - South Africa is not aligned with many other jurisdictions in terms of deposit insurance schemes. The impact of this needs to be considered as SA banks' liquidity ratios will reflect negatively compared with international jurisdictions with deposit insurance schemes as, in terms of the Basel III ratios and definitions, such a scheme is required in order to classify deposits as 'stable' and thus receive a more favourable treatment.

– Nedbank Group's additional possible courses of action could include:
  - Purchasing further level 1 assets (including government bonds, treasury bills, debentures) assuming this quantum of level 1 assets would be available. This would not have a pervasive impact on projected ROEs.
  - Structuring certain new corporate lending in the form of A- or better corporate bonds rather than as advances (client dependent) in order to increase the market capacity of level two assets.
  - Through Nedbank Group's new portfolio tilt strategic approach, reducing certain long-dated lending.
  - Utilising Nedbank Group's well-diversified funding mix supported by a strong retail and commercial deposit franchise (and a strong market share of household deposits).
  - Utilising the domestic and international capital markets, for example securitisation vehicles, as this market is opening up again and is starting to show signs of improved liquidity.

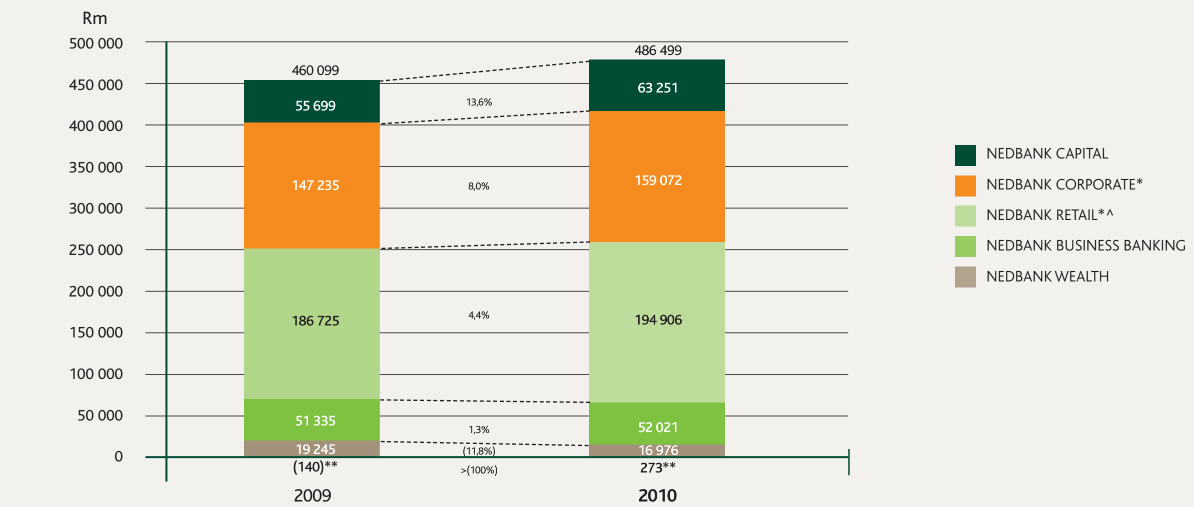
CREDIT RISK

The recovery in the credit cycle has proven to be more modest compared with previous cycles. Household demand for credit was contained by the consumer debt burden remaining relatively high, increased regulatory requirements, policy uncertainty and employment growth only resuming late in the year, resulting in a less broad-based recovery. In the corporate sector excess capacity and uncertainty over the sustainability of the local and global recovery limited spending. Government fixed-investment spending, although continuing to contract, emerged as the main foundation for growth.

Household finances improved in South Africa as debt was slowly reduced and interest rates eased to the lowest levels in 36 years. Against this background, the ratio of household debt to disposable income decreased to 78,2% from just over 80% at the end of 2009. At the same time debt service costs decreased to 7,5%, the lowest level since June 2006, and are now at a level that is more conducive to improving economic growth in the consumer sector.

Nedbank Group gross loans and advances grew ahead of the industry at 5,7% to R486 billion (2009: R460 billion):

GROSS LOANS AND ADVANCES BY BUSINESS CLUSTER+



* *2009 restated to include Imperial Bank loans and advances.*
^ *2009 restated to exclude Nedbank Wealth loans and advances.*
** *These relate to eliminations passed through Central Management.*
\+ *Audited.*

Nedbank Corporate advances grew by 8,0%. Nedbank Business Banking advances ended marginally up with R12 billion of new advances being offset to a large extent by repayments of other loans. The repositioning of Nedbank Retail resulted in home loans decreasing, as planned, by 0,2%, while there was stronger growth in personal loans, cards and vehicle and asset finance of 37,7%, 7,9% and 13,3% respectively. Core banking advances in Nedbank Capital grew by 2,6%, with R10,8 billion of new advances largely offset by repayments. The strength of the rand and the investment in UK treasury bills, compared with previous placements with other banks, led to a decrease in advances in Nedbank Wealth.

The change in loans and advances by business cluster and by product are given in the tables that follow.

NET LOANS AND ADVANCES BY BUSINESS CLUSTER+

Rm	% change	2010	2009 (Restated)*
Nedbank Capital	12,7	**62 328**	55 315
Nedbank Corporate	8,0	**157 703**	146 035
Total Nedbank Retail and Business Banking	3,5	**238 099**	230 000
Nedbank Retail	4,1	**187 334**	179 885
Nedbank Business Banking	1,3	**50 765**	50 115
Nedbank Wealth	(11,6)	**16 869**	19 089
Other	>(100,0)	**274**	(138)
Net loans and advances	5,5	**475 273**	450 301

* *2009 restated to include Imperial Bank loans and advances and disclose Nedbank Wealth separately.*
\+ *Audited.*

SUMMARY OF LOANS AND ADVANCES BY PRODUCT+

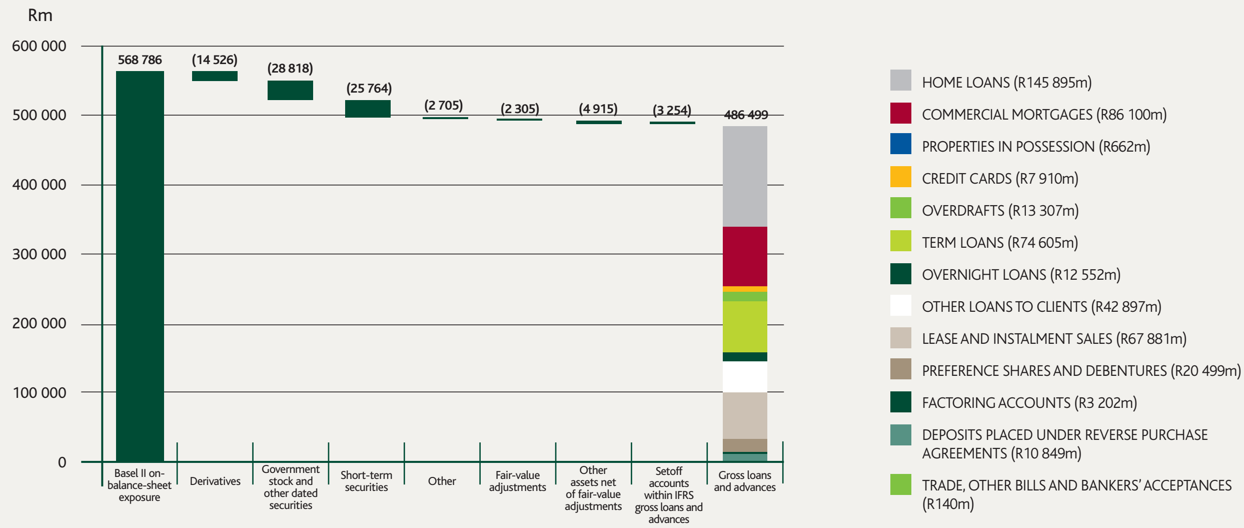
Rm	% change	2010	2009 (Restated)*
Home loans	0,7	**145 895**	144 921
Commercial mortgages	6,7	**86 100**	80 672
Properties in possession	(25,4)	**662**	887
Credit cards	7,9	**7 910**	7 334
Overdrafts	20,0	**13 307**	11 093
Term loans	9,2	**74 605**	68 321
Overnight loans	1,1	**12 552**	12 420
Other loans to clients	(0,7)	**42 897**	43 203
Leases and instalment sales	5,9	**67 881**	64 128
Preference shares and debentures	23,2	**20 499**	16 633
Factoring accounts	46,9	**3 202**	2 179
Deposits placed under reverse repurchase agreements	35,2	**10 849**	8 026
Trade, other bills and bankers' acceptances	(50,4)	**140**	282
Gross loans and advances	5,7	**486 499**	460 099
Impairment of loans and advances	14,6	**(11 226)**	(9 798)
Net loans and advances	5,5	**475 273**	450 301

+ *Audited.*

* *Comparative results have been restated for the integration of Imperial Bank. Mortgage loans as migrated to the Property Finance Division have been reclassified from home loans to commercial mortgages and those to Nedbank Retail have been reclassified from commercial mortgages to home loans in line with the group's reporting. The net result of this reclassification is a R4,2 billion adjustment from home loans to commercial mortgages.*

The Basel II on-balance-sheet exposure at year-end is R569 billion (2009: R542 billion). The reconciliation of the Basel II exposure to the gross loans and advances of R486 billion is shown below.

RECONCILIATION OF ON-BALANCE-SHEET EXPOSURE TO GROSS LOANS AND ADVANCES



BALANCE SHEET CREDIT EXPOSURE** PER BASEL II ASSET CLASS AND BUSINESS CLUSTER

Regulated

Rm	Nedbank Capital*	Nedbank Corporate*	Total Nedbank Retail and Business Banking	Nedbank Retail	Nedbank Business Banking	Nedbank Wealth	Central Management	**2010**	2009 (Restated)
AIRB Approach	**85 103**	**141 570**	**194 785**	**142 536**	**52 249**	**12 237**	**18 071**	**451 766**	431 493
Corporate	**24 125**	**71 123**	**6 403**		**6 403**		**1**	**101 652**	92 400
Specialised lending – high-volatility commercial real estate		**6 740**						**6 740**	7 442
Specialised lending – income-producing real estate		**41 567**	**2 369**		**2 369**			**43 936**	42 209
Specialised lending – object finance									439
Specialised lending – commodities finance	**67**							**67**	55
Specialised lending – project finance	**2 097**							**2 097**	4 811
Small and medium enterprises (SME) – corporate	**631**	**4 066**	**22 879**		**22 879**			**27 576**	23 672
Public sector entities	**6 643**	**10 512**	**3**		**3**			**17 158**	15 997
Local governments and municipalities	**245**	**6 038**	**1 060**		**1 060**			**7 343**	5 623
Sovereign	**13 730**	**54**					**18 070**	**31 854**	26 567
Banks	**36 060**	**1 455**						**37 515**	36 913
Securities firms	**104**	**10**						**114**	906
Retail mortgages	**4**		**113 432**	**108 958**	**4 474**	**11 447**		**124 883**	123 621
Retail revolving credit			**8 802**	**8 802**		**64**		**8 866**	7 028
Retail – other	**749**		**23 328**	**21 552**	**1 776**	**726**		**24 803**	23 241
SME – retail	**91**	**5**	**16 280**	**2 995**	**13 285**			**16 376**	20 340
Securitisation exposure	**557**		**229**	**229**				**786**	229

BALANCE SHEET CREDIT EXPOSURE** PER BASEL II ASSET CLASS AND BUSINESS CLUSTER (continued)

Regulated

Rm	Nedbank Capital*	Nedbank Corporate*	Total Nedbank Retail and Business Banking	Nedbank Retail	Nedbank Business Banking	Nedbank Wealth	Central Management	**2010**	2009 (Restated)
The Standardised Approach (TSA)	–	20 493	48 051	48 051	–	10 912	167	79 623	75 224
Corporate		2 932	159	159			129	3 220	4 368
SME – corporate		10 007	3 047	3 047				13 054	13 634
Public sector entities		32						32	30
Local governments and municipalities		17	4	4				21	2 578
Sovereign		1 450				1 239		2 689	1 198
Banks		1 236	60	60		6 798	38	8 132	8 613
Securities firms		313						313	307
Retail mortgages		2 804	3 483	3 483		2 137		8 424	7 274
Retail – other		1 523	37 710	37 710		738		39 971	33 409
SME – retail		179	3 267	3 267				3 446	3 514
Securitisation exposure			321	321				321	299
Properties in possession	–	5	639	631	8	18	–	662	887
Non-regulated entities	21 096	11 393	4 938	4 530	408	470	(1 162)	36 735	34 473
Balance sheet exposure (Basel II)	106 199	173 461	248 413	195 748	52 665	23 637	17 076	568 786	542 077
Less assets included in Basel II asset classes	(42 948)	(11 515)	(1 106)	(843)	(263)	(6 661)	(16 803)	(79 033)	(78 216)
Derivatives	(14 419)	(34)	(60)	(60)		(1)	(12)	(14 526)	(13 582)
Government stock and other dated securities	(6 849)	(3 899)					(18 070)	(28 818)	(33 903)
Short-term securities	(20 204)	(1 357)				(4 203)		(25 764)	(18 213)
Call money	(1 057)	(74)				(132)		(1 263)	(929)
Deposits with monetary institutions	(909)	(656)					9	(1 556)	(2 424)
Remittances in transit		119	(5)	(9)	4			114	108
Fair-value adjustments	(364)	(1 844)	(97)	(12)	(85)			(2 305)	(1 000)
Other assets net of fair-value adjustments on assets	854	(3 770)	(944)	(762)	(182)	(2 325)	1 270	(4 915)	(8 273)
Setoff of accounts within International Financial Reporting Standards (IFRS) total gross loans and advances	–	(2 873)	(381)	–	(381)	–	–	(3 254)	(3 762)
Gross loans and advances	63 251	159 073	246 926	194 905	52 021	16 976	273	486 499	460 099

* *Nedbank Corporate and Nedbank Capital include London Branch (AIRB Approach).*

** *Balance sheet exposure includes on-balance-sheet, repurchase and resale and derivative exposures.*

ADVANCED INTERNAL RATINGS-BASED APPROACH FOR NEDBANK GROUP

Through Nedbank Limited and London Branch 87% of the total credit extended in Nedbank Group is covered by the Basel II AIRB Approach, with the Imperial Bank, Fairbairn and Nedbank African subsidiaries' credit portfolios on TSA. Nedbank intends to apply to the SARB in 2011 for approval to use the AIRB approach for the legacy Imperial Bank book.

The results shown below include both the Nedbank Limited and London Branch exposure:

SUMMARY OF ADVANCED INTERNAL RATINGS-BASED APPROACH BASEL II CREDIT EXPOSURES BY CLUSTER AND ASSET CLASS

2010 Rm	AIRB on-balance-sheet exposure	AIRB off-balance-sheet exposure	Repurchase and resale exposure	Derivative exposure	Total credit extended*	Exposure at default (EAD)	Downturn expected loss (performing)	Best estimate of expected loss (non-performing)
Nedbank Capital	60 348	6 843	10 829	13 926	91 946	78 604	216	744
Corporate	18 312	522	1 163	4 650	24 647	24 699	189	744
Specialised lending – commodities finance	67				67	69		
Specialised lending – project finance	2 097				2 097	2 161	5	
SME – corporate	241			390	631	710	4	
Public sector entities	4 997		506	1 140	6 643	6 721		
Local governments and municipalities	147			98	245	193		
Sovereign	13 730	12			13 742	13 773		
Banks	19 449	82	9 066	7 545	36 142	23 470	13	
Securities firms	7	614	94	3	718	631	2	
Retail mortgages	4				4	4		
Retail – other	740			9	749	749	2	
SME – retail				91	91	111	1	
Securitisation	557	5 613			6 170	5 313		
Nedbank Corporate	141 570	58 186	–	–	199 756	184 138	444	491
Corporate	71 123	49 485			120 608	106 034	263	25
Specialised lending – high-volatility commercial real estate	6 740	341			7 081	7 082	42	319
Specialised lending – income-producing real estate	41 567	1 805			43 372	44 634	113	67
SME – corporate	4 066	782			4 848	4 776	24	80
Public sector entities	10 512	3 314			13 826	12 999	1	
Local governments and municipalities	6 038	480			6 518	6 545	1	
Sovereign	54				54	55		
Banks	1 455	1 946			3 401	1 970		
Securities firms	10				10	10		
Retail mortgages		3			3			
Retail – other								
SME – retail	5	30			35	33		

SUMMARY OF ADVANCED INTERNAL RATINGS-BASED APPROACH BASEL II CREDIT EXPOSURES BY CLUSTER AND ASSET CLASS

2010 **Rm**	AIRB on-balance-sheet exposure	AIRB off-balance-sheet exposure	Repurchase and resale exposure	Derivative exposure	Total credit extended*	Exposure at default (EAD)	Downturn expected loss (performing)	Best estimate of expected loss (non-performing)
Total Nedbank Retail and Business Banking	194 785	57 023	–	–	251 808	244 405	2 614	6 150
Corporate	6 403	3 162			9 565	8 316	40	60
Specialised lending – income- producing real estate	2 369	219			2 588	2 630	8	6
SME – corporate	22 879	8 845			31 724	31 044	152	362
Public sector entities	3	16			19	13		
Local governments and municipalities	1 060	12			1 072	1 113		
Retail mortgages	113 432	19 402			132 834	136 481	814	2 889
Retail revolving credit	8 802	16 001			24 803	16 907	516	718
Retail – other	23 328	2 020			25 348	23 884	853	1 434
SME – retail	16 280	7 346			23 626	23 788	231	681
Securitisation	229				229	229		
Nedbank Retail	142 536	37 368	–	–	179 904	174 837	2 223	5 146
Corporate		222			222	222	6	
Retail mortgages	108 958	18 050			127 008	130 860	780	2 778
Retail revolving credit	8 802	16 001			24 803	16 907	516	718
Retail – other	21 552	1 885			23 437	22 005	837	1 243
SME – retail	2 995	1 210			4 205	4 614	84	407
Securitisation	229				229	229		
Nedbank Business Banking	52 249	19 655	–	–	71 904	69 568	391	1 004
Corporate	6 403	2 940			9 343	8 094	34	60
Specialised lending – income-producing real estate	2 369	219			2 588	2 630	8	6
SME – corporate	22 879	8 845			31 724	31 044	152	362
Public sector entities	3	16			19	13		
Local governments and municipalities	1 060	12			1 072	1 113		
Retail mortgages	4 474	1 352			5 826	5 621	34	111
Retail – other	1 776	135			1 911	1 879	16	191
SME – retail	13 285	6 136			19 421	19 174	147	274
Nedbank Wealth	12 237	3 094	–	–	15 331	16 988	39	76
Retail mortgages	11 447	2 789			14 236	15 549	31	74
Retail revolving credit	64	221			285	563	3	1
Retail – other	726	84			810	876	5	1
Central Management	18 071	–	–	–	18 071	18 071	–	20
Corporate	1				1	1		20
Sovereign	18 070				18 070	18 070		
Total	427 011	125 146	10 829	13 926	576 912	542 206	3 313	7 481

Downturn expected loss (AIRB Approach)	10 794
IFRS impairment on loans and advances	9 062
Excess of downturn expected loss over eligible provisions	1 732

THE STANDARDISED APPROACH

The exposure under TSA, which consists of the legacy Imperial Bank book, Nedbank Group's African subsidiaries and Fairbairn, is 13% of Nedbank Group total exposure. A breakdown of exposures by asset class is shown in the table below:

** Total credit extended is AIRB on-balance-sheet, repurchase and resale, derivatives and off-balance-sheet exposures (includes unutilised facilities).*

SUMMARY OF THE STANDARDISED APPROACH

BASEL II CREDIT EXPOSURES BY CLUSTER AND ASSET CLASS

2010 Rm	AIRB on-balance-sheet exposure	AIRB off-balance-sheet exposure	Repurchase and resale exposure	Derivative exposure	Total credit extended*
Nedbank Corporate	**20 435**	**210**	**–**	**58**	**20 703**
Corporate	2 904			28	2 932
SME – corporate	10 007	210			10 217
Public sector entities	32				32
Local governments and municipalities	17				17
Sovereign	1 450				1 450
Banks	1 206			30	1 236
Securities firms	313				313
Retail mortgages	2 804				2 804
Retail revolving credit					
Retail – other	1 523				1 523
SME – retail	179				179
Nedbank Retail	**47 991**	**835**	**–**	**60**	**48 886**
Corporate	159	1			160
SME – corporate	3 047	167			3 214
Local governments and municipalities	4				4
Banks				60	60
Retail mortgages	3 483	436			3 919
Retail – other	37 710	166			37 876
SME – retail	3 267	65			3 332
Securitisation exposure	321				321
Nedbank Wealth	**10 911**	**–**	**–**	**1**	**10 912**
Corporate					
Sovereign	1 239				1 239
Banks	6 797			1	6 798
Securities firms					
Retail mortgages	2 137				2 137
Retail revolving credit					
Retail – other	738				738
Central Management	**155**	**–**	**–**	**12**	**167**
Corporate	121			8	129
Banks	34			4	38
Total	**79 492**	**1 045**	**–**	**131**	**80 668**

** Total credit extended is AIRB on-balance-sheet, repurchase and resale, derivatives and off-balance-sheet exposures (includes unutilised facilities).*

IMPAIRMENTS AND DEFAULTED LOANS AND ADVANCES+

The credit loss ratio on the banking book improved to 1,36% for the period [2009: 1,52% (restated)]. The reduction in the impairment charge was driven mostly by Nedbank Retail, particularly in the secured portfolios that had lagged the recovery in the unsecured portfolios. Lower interest rates and the stabilising of job losses contributed to the retail credit loss ratio improving significantly from 3,17% in 2009 to 2,67%. The group further strengthened its provisioning by reducing certain security assumptions in specific impairments and lengthening the emergence periods.

The credit portfolios in Nedbank Corporate, Nedbank Business Banking and Nedbank Wealth are of high quality and credit loss ratios remained within or below the respective clusters' through-the-cycle target levels. Nedbank Capital impairments increased in the higher-risk private equity portfolio.

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 and Pillar 3 Report.

SUMMARY OF IMPAIRMENTS, CREDIT LOSS RATIOS, DEFAULTED LOANS AND ADVANCES AND PROPERTIES IN POSSESSION+

2010 **%**	**Nedbank Capital**	**Nedbank Corporate**	**Nedbank Retail and Business Banking**	**Nedbank Retail**	**Nedbank Business Banking**	**Nedbank Wealth**	**Total**
Impairments to gross loans and advances	**1,45**	**0,86**	**3,58**	**3,88**	**2,42**	**0,63**	**2,30**
Specific impairments	**1,27**	**0,59**	**2,94**	**3,20**	**1,95**	**0,48**	**1,86**
Portfolio impairments	**0,18**	**0,27**	**0,64**	**0,68**	**0,47**	**0,15**	**0,44**
Impairment charge as a % of net interest income (NII)	**44,55**	**9,29**	**45,82**	**55,66**	**8,64**	**6,17**	**37,26**
Credit loss ratio	**1,27**	**0,20**	**2,18**	**2,67**	**0,40**	**0,15**	**1,36**
Credit loss ratio – specific	**1,17**	**0,27**	**2,08**	**2,46**	**0,71**	**0,16**	**1,32**
Credit loss ratio – portfolio	**0,10**	**(0,07)**	**0,10**	**0,21**	**(0,31)**	**(0,01)**	**0,04**
Defaulted loans and advances to gross loans and advances	**2,03**	**2,58**	**8,51**	**9,09**	**6,31**	**2,16**	**5,50**
Properties in possession to gross loans and advances	**–**	**–**	**0,26**	**0,32**	**0,02**	**0,11**	**0,14**

2009 (Restated)* **%**	Nedbank Capital	Nedbank Corporate	Total Nedbank Retail and Business Banking	Nedbank Retail	Nedbank Business Banking	Nedbank Wealth	Total
Impairments to gross loans and advances	0,69	0,82	3,39	3,66	2,38	0,81	2,13
Specific impairments	0,56	0,45	2,83	3,17	1,59	0,67	1,70
Portfolio impairments	0,13	0,37	0,56	0,49	0,79	0,14	0,43
Impairment charge as a % of NII	11,19	11,09	52,10	65,50	10,12	19,43	40,68
Credit loss ratio	0,36	0,25	2,56	3,17	0,52	0,47	1,52**
Credit loss ratio – specific	0,31	0,27	2,69	3,24	0,82	0,40	1,59
Credit loss ratio – portfolio	0,05	(0,02)	(0,13)	(0,07)	(0,30)	0,07	(0,07)
Defaulted loans and advances to gross loans and advances	1,41	2,37	9,39	10,47	5,45	2,15	5,88
Properties in possession to gross loans and advances	–	–	0,37	0,47	0,02	0,03	0,19

+ *Audited.*

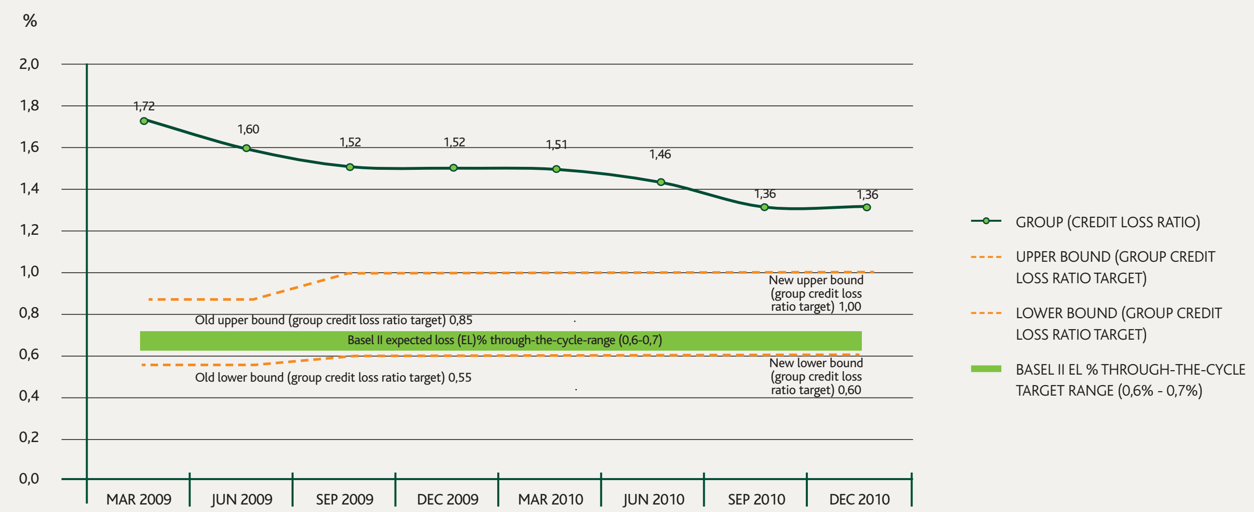
* *2009 restated to include Imperial Bank and disclose Nedbank Wealth separately.*

Nedbank Group updated its methodology for calculating the credit loss ratio in 2010, removing 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 NIR.

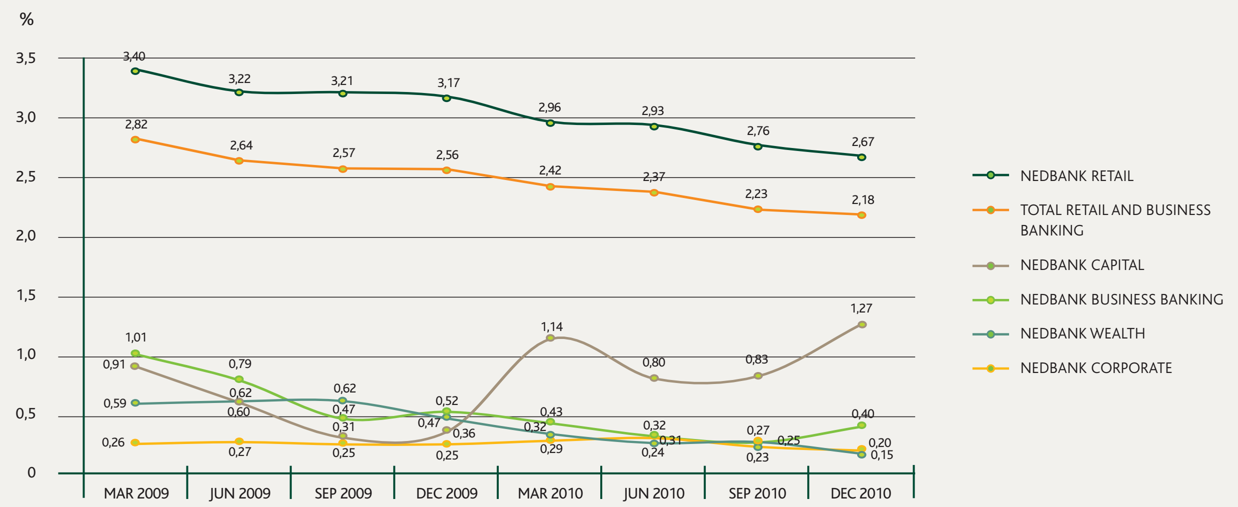
Additionally, Nedbank Group's credit loss ratio is now based on a year-to-date daily average of loans and advances as opposed to a simple average. These changes had a minimal impact on Nedbank Group's credit loss ratio (ie 0,03% – 0,06% over the past two years). The credit loss ratio at December 2009 increased from 1,47% to 1,52% after incorporating these changes**.

In 2009 (with the Retail Cluster following in 2010) Nedbank Group enhanced the consolidation, focus and reporting of key financial risk appetite metrics. Business cluster-specific credit loss ratio targets were formalised for the first time, 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. Nedbank Group's targeted credit loss ratio is 0,60% – 1,00%.

TREND OF CREDIT LOSS RATIO VERSUS TARGET RANGE



BUSINESS CLUSTERS' CREDIT LOSS RATIO TRENDS

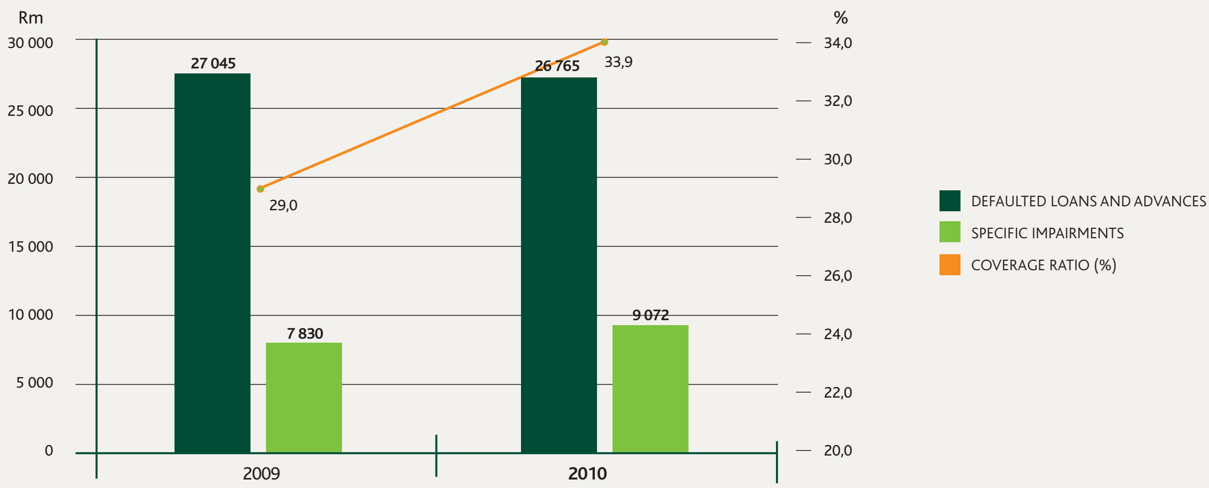


A summary of the impairments movements over the past year is shown below.

RECONCILIATION OF IMPAIRMENTS

Rm	Nedbank Capital	Nedbank Corporate	Total Nedbank Retail and Business Banking	Nedbank Retail	Nedbank Business Banking	Nedbank Wealth	Central Manage-ment	2010	2009
Opening balance	384	1 200	8 060	6 840	1 220	156	(2)	9 798	7 859
Specific impairment	310	656	6 735	5 921	814	129		7 830	5 542
Specific impairment, excluding discounts	306	416	5 839	5 269	570	129		6 690	4 566
Specific impairment for discounted cashflow losses	4	240	896	652	244			1 140	976
Portfolio impairment	74	544	1 325	919	406	27	(2)	1 968	2 317
Income statement impairment charge (net of recoveries)	535	307	5 320	5 110	210	25	1	6 188	6 634
Specific impairment	471	270	5 098	4 697	401	(38)	1	5 802	6 798
Net increase/decrease in impairment for discounted cashflow losses	20	137	(30)	(3)	(27)	65		192	164
Portfolio impairment	44	(100)	252	416	(164)	(2)		194	(328)
Recoveries	167	71	490	458	32	35	–	763	457
Amounts written off/other transfers	(163)	(209)	(5 042)	(4 836)	(206)	(109)	–	(5 523)	(5 152)
Specific impairment	(162)	(202)	(5 042)	(4 836)	(206)	(109)		(5 515)	(5 131)
Portfolio impairment	(1)	(7)						(8)	(21)
Closing balance	923	1 369	8 828	7 572	1 256	107	(1)	11 226	9 798
Specific impairment	806	932	7 251	6 237	1 014	82	1	9 072	7 830
Specific impairment, excluding discounts	782	555	6 385	5 588	797	17	1	7 740	6 690
Specific impairment for discounted cashflow losses	24	377	866	649	217	65		1 332	1 140
Portfolio impairment	117	437	1 577	1 335	242	25	(2)	2 154	1 968
Total loans and advances	63 251	159 072	246 927	194 906	52 021	16 976	273	486 499	460 099
Total average banking book loans and advances	42 113	152 775	243 651	191 212	52 439	17 406	(1 840)	454 105	436 884
Total average loans and advances	64 025	152 775	243 651	191 212	52 439	17 406	(90)	477 767	451 853

DEFAULTED LOANS AND ADVANCES, SPECIFIC IMPAIRMENTS AND COVERAGE RATIO



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.

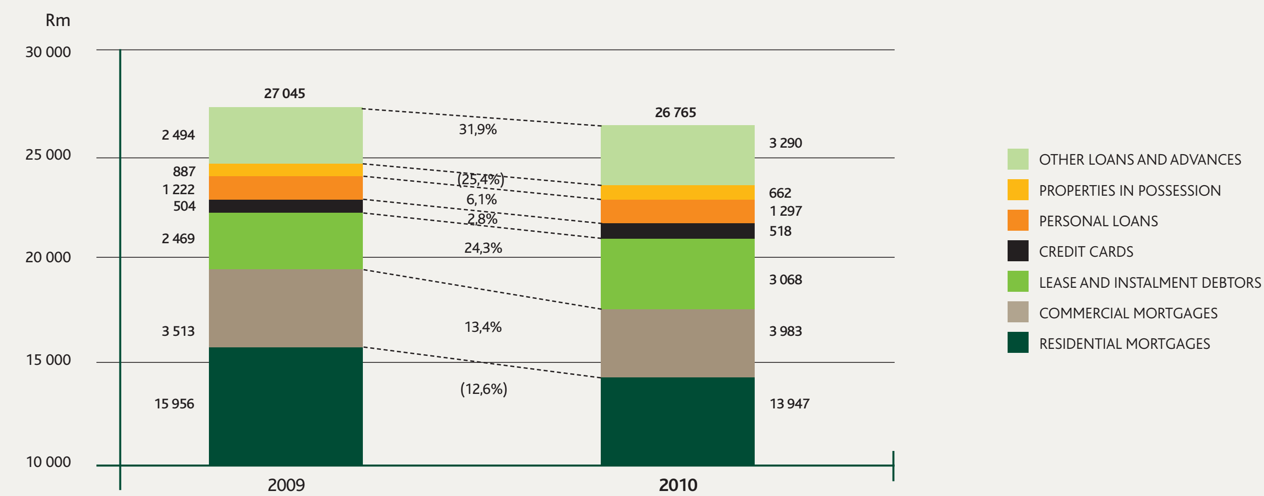
The absolute value of expected recoveries of defaulted accounts (which includes security values) will increase as the number of defaults increase. The expected recovery amount will, in most instances, be less than the total defaulted exposure, as it is seldom the case that 100% of the defaulted loan 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.

Defaulted advances declined by 1,04% to R26 765 million (2009: R27 045 million). Total impairment provisions increased by 14,6% to R11 226 million (2009: R9 798 million), resulting in strengthened coverage ratios. The group's coverage ratio increased to 33,9% (2009: 29,0%) predominantly due to the decrease in residential mortgage defaulted advances. In addition, improved client affordability combined with stabilising house prices has contributed towards the ongoing improvement of early arrears in home loan advances. However, commercial mortgages, lease and instalment debtors, and other loans and advances increased, as illustrated in the following table.

DEFAULTED LOANS AND ADVANCES BY PRODUCT



DEFAULTED LOANS AND ADVANCES AND RELATED SECURITY AND IMPAIRMENTS BY BUSINESS CLUSTER AND ASSET CLASS

Rm	Nedbank Capital	Nedbank Corporate	Total Nedbank Retail and Business Banking	Nedbank Retail	Nedbank Business Banking	Nedbank Wealth	2010	2009
AIRB Approach	1 242	2 340	18 639	15 364	3 275	336	22 557	23 746
Corporate	1 216	52	263		263		1 531	468
Specialised lending – high-volatility commercial real estate		1 664					1 664	1 647
Specialised lending – income-producing real estate		531	43		43		574	962
SME – corporate		93	1 273		1 273		1 366	940
Sovereign	26						26	44
Retail mortgages			12 760	12 205	555	333	13 093	15 137
Retail revolving credit			747	747		2	749	483
Retail – other			2 392	1 942	450	1	2 393	2 638
SME – retail			1 161	470	691		1 161	1 427
TSA	–	1 245	1 725	1 725		13	2 983	1 623
Corporate			7	7			7	42
SME – corporate		1 245	205	205			1 450	595
Retail mortgages			85	85		12	97	65
Retail other			1 277	1 277		1	1 278	789
SME – retail			151	151			151	132
Other regulated entities	–	254	–			–	254	152
Properties in possession	–	5	639	631	8	18	662	887
Non-regulated entities	45	264	–			–	309	637
Total defaulted loans and advances	1 287	4 108	21 003	17 720	3 283	367	26 765	27 045

The coverage ratio and expected recovery ratio by business cluster and by product are shown in detail in the table below.

SUMMARY OF DEFAULTED LOANS AND ADVANCES AND IMPAIRMENTS BY CLUSTER

2010 Rm	Defaulted loans and advances	Defaulted loans and advances as % of total	Expected recoveries	Net uncovered position after discounting	Total specific impairments	Specific impairments on defaulted loans and advances	Specific impairments for discounted cashflow losses	Coverage ratio (%)	Expected recovery ratio (%)
Nedbank Capital	1 287	4,8	481	806	806	782	24	62,6	37,4
Other loans and advances	1 287	4,8	481	806	806	782	24	62,6	37,4
Nedbank Corporate	4 108	15,3	3 176	932	932	555	377	22,7	77,3
Residential mortgages	45	0,2	32	13	13	9	4	28,9	71,1
Commercial mortgages	3 439	12,8	2 700	739	739	413	326	21,5	78,5
Lease and instalment debtors	29	0,1	15	14	14	10	4	48,3	51,7
Personal loans	19	0,1	8	11	11	10	1	57,9	42,1
Properties in possession	5		5						100,0
Other loans and advances	571	2,1	416	155	155	113	42	27,1	72,9
Total Nedbank Retail and Business Banking	21 003	78,5	13 752	7 251	7 251	6 385	866	34,5	65,5
Residential mortgages	13 557	50,7	10 531	3 026	3 026	2 666	360	22,3	77,7
Commercial mortgages	544	2,1	420	124	124	54	70	22,8	77,2
Lease and instalment debtors	3 038	11,4	1 193	1 845	1 845	1 748	97	60,7	39,3
Credit cards	518	1,9	16	502	502	500	2	96,9	3,1
Personal loans	1 278	4,8	490	788	788	495	293	61,7	38,3
Properties in possession	639	2,3	580	59	59	59		9,2	90,8
Other loans and advances	1 429	5,3	522	907	907	863	44	63,5	36,5
Nedbank Retail	17 720	66,3	11 483	6 237	6 237	5 588	649	35,2	64,8
Residential mortgages	12 224	45,7	9 441	2 783	2 783	2 502	281	22,8	77,2
Commercial mortgages	124	0,5	67	57	57	50	7	46,0	54,0
Lease and instalment debtors	2 364	8,9	832	1 532	1 532	1 471	61	64,8	35,2
Credit cards	514	1,9	14	500	500	498	2	97,3	2,7
Personal loans	1 278	4,8	490	788	788	495	293	61,7	38,3
Properties in possession	631	2,3	572	59	59	59		9,4	90,6
Other loans and advances	585	2,2	67	518	518	513	5	88,5	11,5
Nedbank Business Banking	3 283	12,2	2 269	1 014	1 014	797	217	30,9	69,1
Residential mortgages	1 333	5,0	1 090	243	243	164	79	18,2	81,8
Commercial mortgages	420	1,6	353	67	67	4	63	16,0	84,0
Lease and instalment debtors	674	2,5	361	313	313	277	36	46,4	53,6
Credit cards	4		2	2	2	2		50,0	50,0
Properties in possession	8		8						100,0
Other loans and advances	844	3,1	455	389	389	350	39	46,1	53,9
Nedbank Wealth	367	1,4	285	82	82	17	65	22,3	77,7
Residential mortgages	345	1,3	271	74	74	9	65	21,4	78,6
Lease and instalment debtors	1		1						100,0
Properties in possession	18	0,1	13	5	5	5		27,8	72,2
Other loans and advances	3			3	3	3		100,0	
Central Management	–	–	(1)	1	1	1	–	–	100,0
Other loans and advances			(1)	1	1	1			100,0

SUMMARY OF DEFAULTED LOANS AND ADVANCES AND IMPAIRMENTS BY CLUSTER (continued)

2010 Rm	Defaulted loans and advances	Defaulted loans and advances as % of total	Expected recoveries	Net uncovered position after discounting	Total specific impairments	Specific impairments on defaulted loans and advances	Specific impairments for discounted cashflow losses	Coverage ratio (%)	Expected recovery ratio (%)
Group	**26 765**	**100,0**	**17 693**	**9 072**	**9 072**	**7 740**	**1 332**	**33,9**	**66,1**
Residential mortgages	**13 947**	**52,1**	**10 834**	**3 113**	**3 113**	**2 684**	**429**	**22,3**	**77,7**
Commercial mortgages	**3 983**	**14,9**	**3 120**	**863**	**863**	**467**	**396**	**21,7**	**78,3**
Lease and instalment debtors	**3 068**	**11,5**	**1 209**	**1 859**	**1 859**	**1 758**	**101**	**60,6**	**39,4**
Credit cards	**518**	**1,9**	**16**	**502**	**502**	**500**	**2**	**96,9**	**3,1**
Personal loans	**1 297**	**4,8**	**498**	**799**	**799**	**505**	**294**	**61,6**	**38,4**
Properties in possession	**662**	**2,5**	**598**	**64**	**64**	**64**		**9,7**	**90,3**
Other loans and advances	**3 290**	**12,3**	**1 418**	**1 872**	**1 872**	**1 762**	**110**	**56,9**	**43,1**

2009 Rm	Defaulted loans and advances	Defaulted loans and advances as % of total	Expected recoveries	Net uncovered position after discounting	Total specific impairments	Specific impairments on defaulted loans and advances	Specific impairments for discounted cashflow losses	Coverage ratio (%)	Expected recovery ratio (%)
Group	27 045	100,0	19 215	7 830	7 830	6 690	1 140	29,0	71,0
Residential mortgages	15 956	59,0	12 951	3 005	3 005	2 627	378	18,8	81,2
Commercial mortgages	3 513	13,0	2 964	549	549	334	215	15,6	84,4
Lease and instalment debtors	2 469	9,1	915	1 554	1 554	1 423	131	62,9	37,1
Credit cards	504	1,9	1	503	503	499	4	99,8	0,2
Personal loans	1 222	4,5	543	679	679	383	296	55,6	44,4
Properties in possession	887	3,3	719	168	168	168		18,9	81,1
Other loans and advances	2 494	9,2	1 122	1 372	1 372	1 256	116	55,0	45,0

PROPERTIES IN POSSESSION

Rm	Nedbank Capital	Nedbank Corporate	Total Nedbank Retail and Business Banking	Nedbank Retail	Nedbank Business Banking	Nedbank Wealth	Central Management	**2010**	2009
Opening balance	**–**	**2**	**880**	**871**	**9**	**5**	**–**	**887**	791
Disposal/Writedowns/Revaluations	**–**	**(6)**	**(607)**	**(593)**	**(14)**	**(14)**	**–**	**(627)**	(580)
Properties in possession acquired during the period	**–**	**9**	**366**	**353**	**13**	**27**	**–**	**402**	676
Closing balance	**–**	**5**	**639**	**631**	**8**	**18**	**–**	**662**	887
Unsold		**5**	**468**	**462**	**6**	**17**		**490**	565
Sold awaiting transfer			**171**	**169**	**2**	**1**		**172**	322

COUNTERPARTY CREDIT RISK

Nedbank Group applies the Current Exposure Method (CEM) for Basel II counterparty credit risk. Economic capital calculations also currently utilise the CEM results as input in the determination of credit economic capital.

OVER-THE-COUNTER DERIVATIVES FOR NEDBANK LIMITED AND LONDON BRANCH

Over-the-counter (OTC) derivative products Rm	Notional value 2010	Gross positive fair value 2010	Notional value 2009	Gross positive fair value 2009
Credit default swaps	8 338	56	2 272	8
Embedded derivatives	3 720*	2		
Proprietary trading	4 618**	54	2 272	8
Equities	11 740	569	11 005	1 155
Forex and gold	346 824	6 212	189 601	6 437
Interest rates	419 210	7 234	358 738	5 470
Other commodities	4 172	147	45	302
Precious metals except gold	6 487	105	2	56
Total	796 771	14 323	561 663	13 428

* *Credit default swaps embedded in credit-linked notes issued by Nedbank Group whereby credit protection is purchased of R1 078 million or credit-linked notes purchased whereby credit protection is sold of R2 642 million.*

** *Proprietary trading positions through the purchase (R1 877 million) and sale (R2 741 million) of credit protection.*

Rm	Gross positive fair value	Current netting benefits	Netted current credit exposure (before mitigation)	Collateral amount	Netted current credit exposure (after mitigation)	Exposure- at-default value	Risk-weighted exposure
2010	**14 323**	**6 983**	**9 052**	**368**	**8 766**	**11 718**	**4 428**
2009	13 428	7 028	6 963	779	6 443	9 566	3 018

SECURITIES FINANCING TRANSACTIONS FOR NEDBANK LIMITED AND LONDON BRANCH

Rm	Gross positive fair value	Collateral value after haircut	Netted current credit exposure (after mitigation)	Exposure-at-default value	Risk-weighted exposure
2010					
Repurchase agreements	**10 849**	**10 343**	**506**	**506**	**26**
Securities lending	**8 738**	**9 715**	**1 237**	**1 237**	**89**
Total	**19 587**	**20 058**	**1 743**	**1 743**	**115**
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

CREDIT CONCENTRATION RISK

SINGLE-NAME CREDIT CONCENTRATION RISK

Of total group credit economic capital only 3,1% is attributable to the top 20 exposures, excluding banks and government exposure, and 1,4% to the top 20 banks' exposure, highlighting that Nedbank Group does not have undue single-name credit concentration risk.

The 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.

GEOGRAPHIC CONCENTRATION RISK

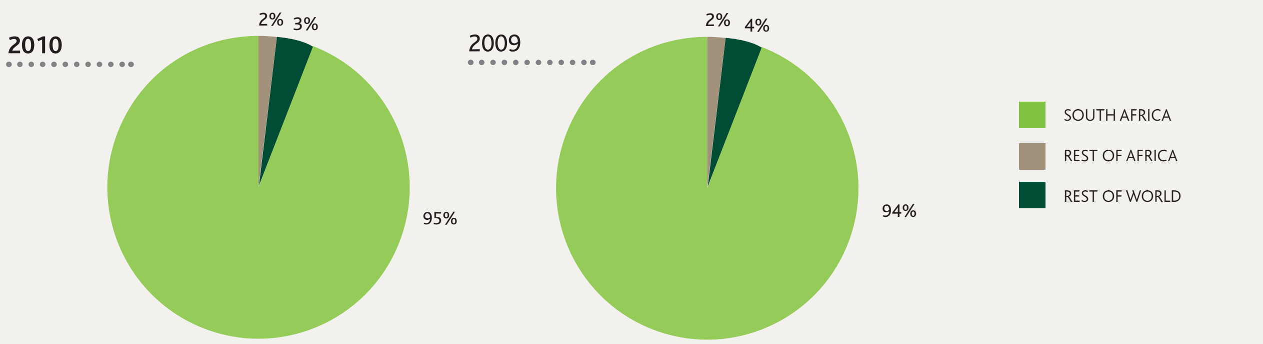
Given that 95% of the group's loans and advances originate in South Africa, geographic exposure risk is high. Practically, however, this concentration has proven positive for Nedbank Group, given the global financial crisis, and reflects its focus on its area of core competence.

The direct exposure of Nedbank Group to the banking sectors of Portugal, Italy, Ireland, Greece and Spain (PIIGS) is monitored on an ongoing basis and is not material. The group holds no sovereign bonds issued by these countries. Direct lines to banks in Italy and Spain are restricted to systemically important banks.

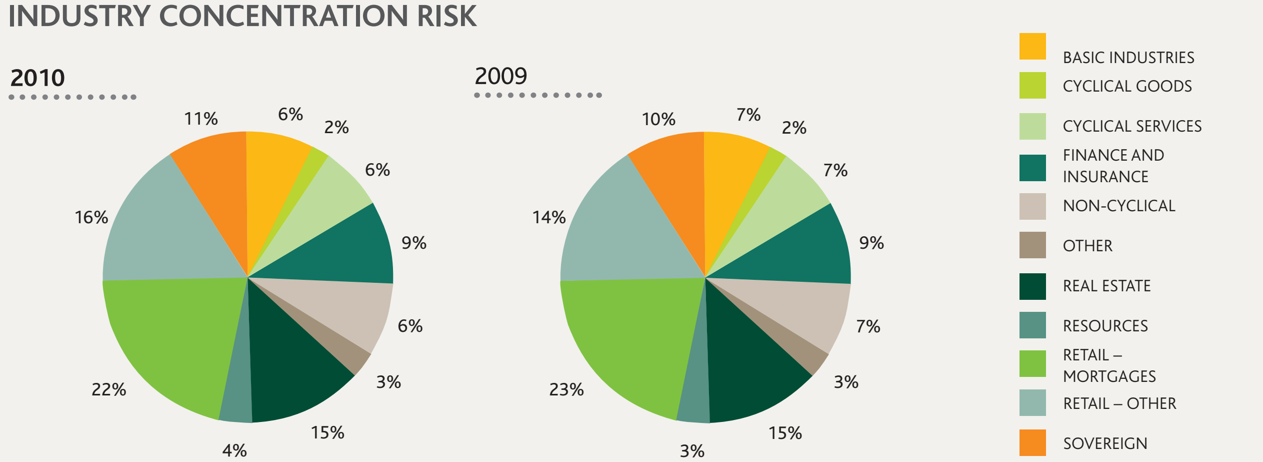
A summary of Nedbank Group's exposure to the PIIGS is provided below:

- Portugal – total exposure amounts to R20,65 million.
- Italy – total exposure amounts to R2,44 billion.
- Ireland – total exposure amounts to R21,22 million.
- Greece – Nedbank Group has no exposure or lines to Greek banks.
- Spain – total exposure amounts to R8,28 million.

GEOGRAPHIC CONCENTRATION RISK+



INDUSTRY CONCENTRATION RISK



Note 1: 2009 restated due to the introduction of the sovereign industry segment in 2010.

Note 2: The figures above represent the industry (%) split of Nedbank Group's total exposure, including on-balance-sheet, off-balance-sheet and derivatives based on the proprietary credit portfolio model used for credit economic capital measurement.

+ *Audited.*

Previously sovereign exposures, including local government exposure, were considered part of the non-cyclical segment. In 2010 this was allocated into a standalone segment and restated for 2009.

We conclude that credit concentration risk is adequately measured, managed, controlled and ultimately capitalised. There is no undue single-name concentration or sector concentrations. While there is a concentration of Nedbank Group's loans and advances in South Africa, this has been positive for Nedbank Group during the global financial crisis.

SECURITISATION RISK

Nedbank Group uses securitisation exclusively as a funding diversification tool and for adding flexibility in mitigating structural liquidity risk. The group currently has three traditional securitisation transactions:

- Synthesis Funding Limited (Synthesis), an asset-backed commercial paper (ABCP) programme launched during 2004.
- Octane ABS 1 (Pty) Limited (Octane), a securitisation of motor vehicle loans launched in July 2007.
- GreenHouse Funding (Pty) Limited, Series 1 (GreenHouse), a residential mortgage-backed securitisation programme launched in December 2007.

Nedbank Group also fulfils a number of secondary roles as liquidity facility provider, swap provider and investor in third-party securitisation transactions. All securitisation transactions entered into thus far have involved the sale of the underlying assets to the special-purpose vehicles. Nedbank Group has not originated or participated in synthetic securitisations.

Nedbank Group complies with International Financial Reporting Standards in recognising and accounting for securitisation transactions. In particular, the assets transferred to the GreenHouse and Octane securitisation vehicles continue to be recognised and consolidated in the balance sheet of the group and the respective securitisation vehicles are consolidated under Nedbank Group for financial reporting purposes. Synthesis is also consolidated into the group for financial reporting purposes.

Securitisations are treated as sales transactions (rather than financing). The assets are sold to the special-purpose vehicles at carrying value and no gains or losses are recognised.

Nedbank Group has not engaged in any new securitisation transactions of its own assets in the period under review.

There have been no downgrades of any of the commercial paper issued in Nedbank Group's securitisation transactions and the performance of the underlying portfolios of assets remains acceptable.

ASSETS SECURITISED AND RETAINED SECURITISATION EXPOSURE

Transaction Rm	Year initiated	Rating agency	Transaction type	Asset type	**Assets securitised 2010**	**Assets outstanding 2010**	**Amount retained/purchased* 2010**	Assets securitised 2009	Assets outstanding 2009	Amount retained/purchased* 2009
GreenHouse	2007	Moody's and Fitch	Traditional securitisation	Retail mortgages	**2 000**	**1 699**	**226**	2 000	1 973	226
Octane	2007	Fitch	Traditional securitisation	Auto loans	**2 000**	**607**	**312**	2 000	1 454	312
Total					**4 000**	**2 306**	**538**	4 000	3 427	538

** This is the nominal amount of exposure and excludes accrued interest.*

LIQUIDITY FACILITIES PROVIDED TO NEDBANK'S ASSET-BACKED COMMERCIAL PAPER PROGRAMME

Transaction Rm	Year initiated	Rating agency	Transaction type	Asset type	Programme size	**Commercial paper outstanding 2010**	**Liquidity facilities 2010**	Commercial paper outstanding 2009	Liquidity facilities 2009
Synthesis	2004	Fitch	ABCP programme	Asset-backed securities, corporate term loans and bonds	15 000	**5 006**	**5 009**	5 820	5 824
Total					15 000	**5 006**	**5 009**	5 820	5 824

TRADING MARKET RISK

Most of Nedbank Group's trading activity is executed in Nedbank Capital. This includes marketmaking and the 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, management uses a number of quantitative measures to manage the exposure to trading market risk. These measures include:

- risk limits based on a portfolio measure of market risk exposures referred to as value at risk (VaR), including expected tail loss; and
- scenario analysis, stress tests and other analytical tools that measure the potential effects on the trading revenue arising in the event of various unexpected market events.

While VaR captures Nedbank Group's exposure under normal market conditions, sensitivity and stress-and-scenario analysis (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. The first table is for the period January to December 2010 and the second table is for the period January to December 2009.

GROUP TRADING BOOK VALUE AT RISK+

Risk categories	Historical VaR (99%, one-day VaR) by risk type			
Rm	Average	Minimum*	Maximum*	Year-end
2010				
Foreign exchange	**2,2**	**0,6**	**6,7**	**3,9**
Interest rate	**9,0**	**3,9**	**14,9**	**6,2**
Equity	**3,6**	**1,4**	**9,3**	**2,8**
Credit	**2,8**	**0,8**	**4,0**	**4,0**
Commodity	**0,7**	**0,0**	**1,5**	**0,2**
Diversification**	**(7,3)**			**(6,2)**
Total VaR exposure	**11,0**	**6,1**	**18,3**	**11,0**
2009				
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	0,0	2,4	1,2
Diversification**	(12,5)			(6,0)
Total VaR exposure	21,3	9,9	33,1	13,3

* *The maximum and minimum VaR values reported for each of the different risk factors do not necessarily occur on the same day. As a result a diversification number for the maximum and minimum values has been omitted from the table.*

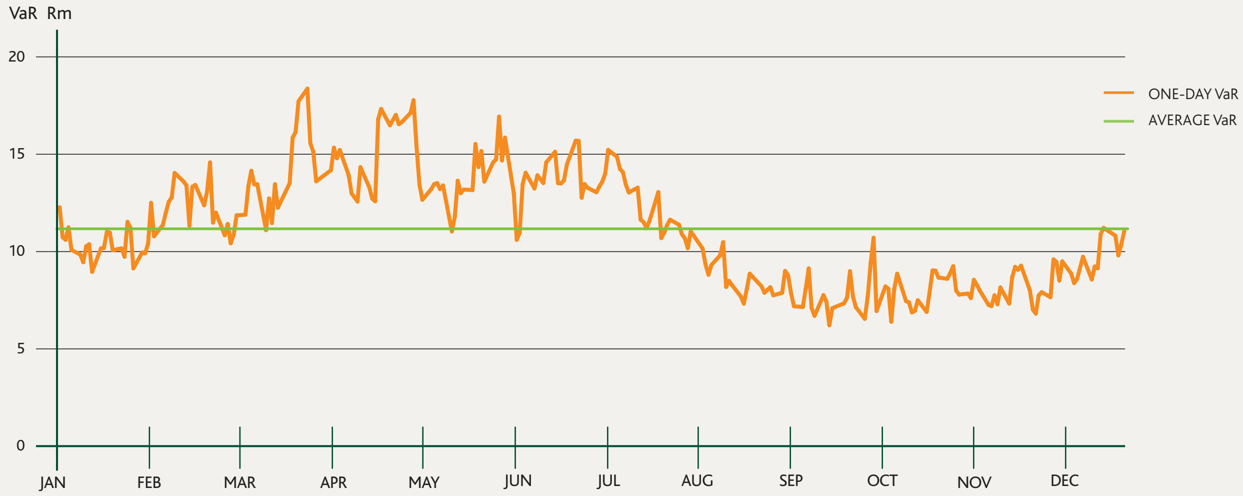
** *Diversification benefit is the difference between the aggregate VaR and the sum of VaRs for the five risk categories. This benefit arises because the simulated 99%/one-day loss for each of the five primary market risk categories occurs on different days.*

+ *Audited.*

Nedbank Group's trading market risk exposure expressed as average daily VaR decreased by 48% from R21,3 million in 2009 to R11 million in 2010. The economic and financial outlook in 2010 has remained uncertain against the backdrop of a fragile global economic recovery and the near sovereign default in the Eurozone. This has negatively impacted the risk appetite in all the market risk categories.

The following graph illustrates the daily VaR for the period January to December 2010. Nedbank Group remained within the approved risk appetite and the VaR limits allocated by the board.

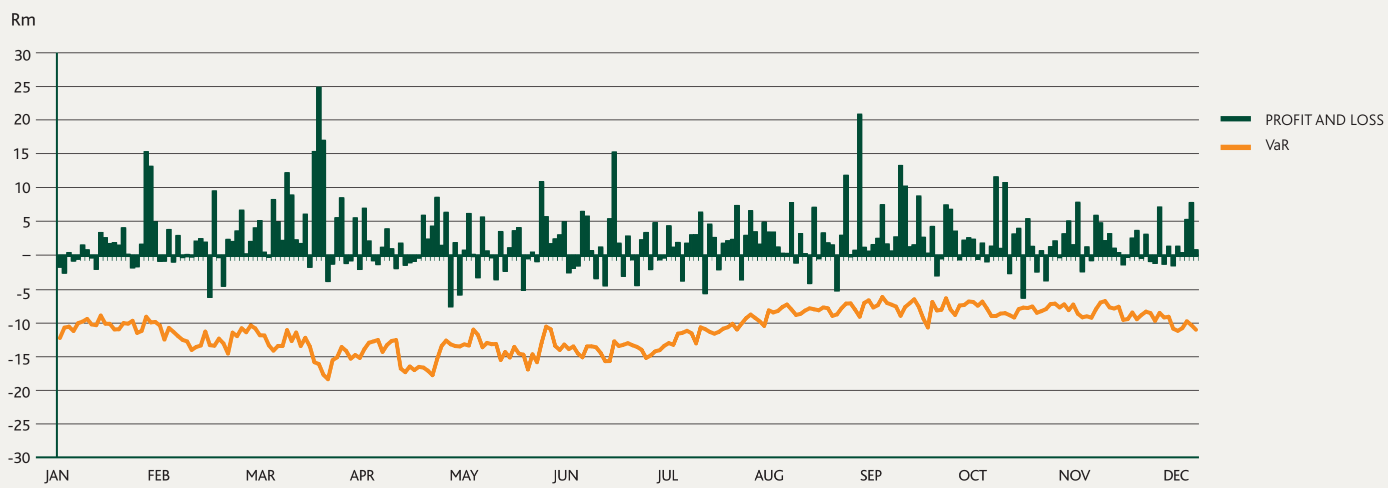
VALUE-AT-RISK UTILISATION FOR 2010 (99%, ONE-DAY VALUE AT RISK)



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, which is simply a historical test of the accuracy of the VaR model. To conduct a backtest the bank reviews the actual daily VaR over a one-year period (on average 250 trading days) and compares the actual daily trading revenue (including net interest but excluding commissions and primary revenue) with the VaR estimate and counts the number of times the trading loss exceeds the VaR estimate.

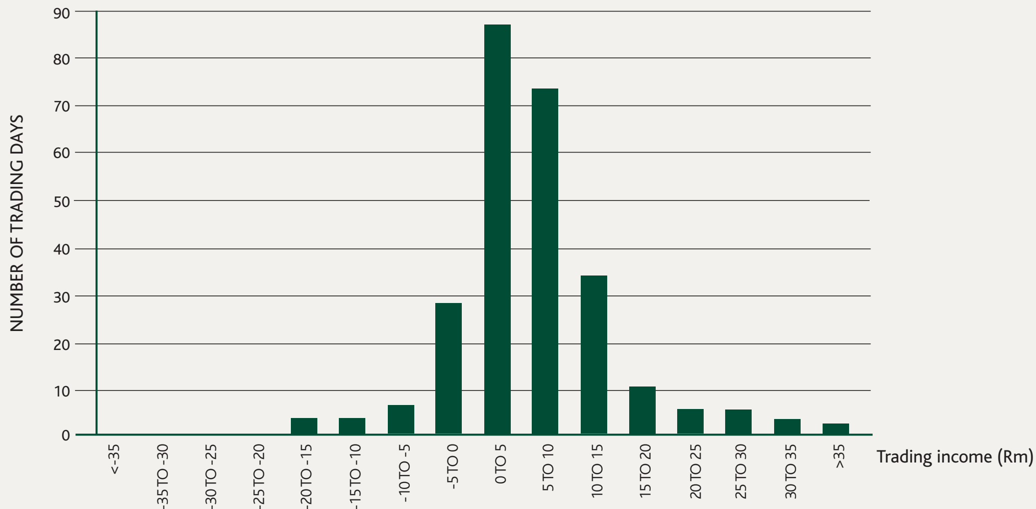
Nedbank Group used a holding period of one day with a confidence level of 99%, and had no backtesting exceptions for 2010.

VALUE-AT-RISK PROFIT AND LOSS FOR 2010



The following histogram illustrates the distribution of daily revenue during 2010 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 215 days out of a total of 251 days in the period. The average daily trading revenue generated was R6,03 million (2009: R6,7 million).

ANALYSIS OF TRADING REVENUE FOR 2010



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 uses 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 following table is the comparison of the VaR using three different calculations at 31 December 2010. The three different calculations are historical VaR, extreme tail loss and stressed VaR. The extreme tail loss measures the expected losses in the tail of the distribution and stressed VaR uses a volatile historical data period. A 99% confidence level and one-day holding period are used for all the calculations.

COMPARISON OF TRADING VALUE AT RISK

2010 Rm	Historical VaR 99% (one-day VaR)	Stressed VaR 99% (one-day VaR)	Extreme tail loss 99% (one-day VaR)
Foreign exchange	3,9	19,5	5,3
Interest rates	6,2	15,7	8,2
Equities	2,8	3,5	3,7
Credit	4,0	4,0	7,0
Commodities	0,2	3,6	1,2
Diversification	(6,2)	(23,9)	(13,3)
Total VaR exposure	10,9	22,4	12,1

EQUITY RISK (INVESTMENT RISK) IN THE BANKING BOOK+

The total equity portfolio for investment risk is R3 919 million (2009: R3 873 million). R2 897 million (2009: R2 947 million) is held for capital gain, while the rest is mainly strategic investments.

Investments	Publicly listed		Privately held		Total	
Rm	**2010**	2009	**2010**	2009	**2010**	2009
Fair value disclosed in balance sheet (excluding associates and joint ventures)	**536**	485	**2 475**	2 491	**3 011**	2 976
Fair value disclosed in balance sheet (including associates and joint ventures)	**536**	485	**3 383**	3 388	**3 919**	3 873

Equity investments held for capital gain are generally classified as fair value through profit and loss, with fair-value gains and losses reported in NIR. Strategic investments are generally classified as available for sale, with fair-value gains and losses recognised directly in equity.

+ Audited.

EQUITY INVESTMENTS HELD FOR CAPITAL GAIN (PRIVATE EQUITY) REPORTED IN NON-INTEREST REVENUE

	Nedbank Group		Nedbank Capital		Nedbank Corporate	
Rm	**2010**	2009	**2010**	2009	**2010**	2009
Securities dealing	**3**	268	**(46)**	251	**49**	17
Investment income – dividends received	**225**	36	**194**	18	**31**	18
Total private equity	**228**	304	**148**	269	**80**	35
Realised	**230**	109	**214**	72	**16**	37
Unrealised	**(2)**	195	**(66)**	197	**64**	(2)
Total private equity	**228**	304	**148**	269	**80**	35

OPERATIONAL RISK

Nedbank Group was granted SARB approval in December 2010 for the use of the AMA, and now calculates its operational risk regulatory capital requirements using partial and hybrid AMA.

The AMA Operational Risk Management Framework was approved by the board's Group Risk and Capital Management Committee. The AMA methodologies contained therein have already been rolled out and embedded in the businesses, including for the purposes of economic capital and the ICAAP.

Nedbank Group Limited was granted approval in December 2010 by the SARB for the use of the AMA to manage operational risk. This approval allowed Nedbank to calculate its operational risk capital requirements using partial and hybrid AMA with effect from 31 December 2010. The Nedbank AMA Operational Risk Management Framework was approved by the board's Group Risk and Capital Management Committee and the AMA methodologies contained therein have been rolled out and are now embedded across the group.

OPERATIONAL RISK STRATEGY, GOVERNANCE AND POLICY

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal, but excludes strategic and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties or punitive damages resulting from supervisory actions, as well as private settlements. Operational risk is not typically taken in pursuit of an expected return, but exists as part of the normal course of business at all levels. The main sources of operational risk include:

FINANCIAL CRIME

Fraud risk management

Nedbank Group follows a multipronged approach in addressing and eradicating financial crime. In 2010 key aspects of this approach included:

- Close cooperation with law enforcement by rendering all possible assistance to see to the successful prosecution of offenders.
- Client and staff education in printed and electronic media.
- A substantial increase in the number of investigators.
- Continued focus on proactive, early detection of financial crime both against the bank and its clients.
- The introduction of new technologies such as biometric client authentication for the prevention of identity theft.
- The creation of a dedicated capacity for the combating of home loans crime to address the increased onslaught.
- Additional measures to combat new types of crime, specifically in the area of online fraud.

Internal fraud and dishonesty

Nedbank Group maintains a policy of zero tolerance of any dishonesty committed by staffmembers. Altogether 234 staff members were dismissed as a result of internal investigations in 2010, which is a decrease of 15,8% compared with 2009.

Assessment of fraud risk

The risk of internal and external fraud is evaluated on several levels:

- Risk control self-assessments are conducted on an ongoing basis to ensure that the appropriate controls are in place and monitored effectively. Where controls are lacking, action plans are formulated and implemented to ensure that the risk of fraud is within the accepted risk appetite of the group.
- Fraud key risk and control indicators have been developed and are monitored, tracked and reported on in accordance with the Operational Risk Management Framework (ORMF).
- Facilitated fraud risk assessments are undertaken as outlined in the International Standards for Auditing 240 (ISA 240).
- New products and all processes related to their use are evaluated to ensure that all aspects of fraud risk, legal risk and regulatory risk (such as the anti-money-laundering requirements) are considered.

Due-diligence investigations

Due-diligence investigations are performed at the outset of any business relationship with clients, partners, vendors, agents/intermediaries and joint ventures. In addition, an ongoing assessment of the commercial, political, social and security environment where business is undertaken or likely to be undertaken is done. Social, economic and governmental changes in a country can create an environment that reduces security and increases the risk to the group's assets: staff, premises and information and, consequently, its ability to continue to do business.

Internal and external whistleblowing reporting lines

Security and fraud incidents can be reported, around the clock, through an internal reporting line, which is supported by an external, independently managed whistleblowing hotline, available to staff and clients. The facility also extends to Nedbank Africa subsidiaries in Namibia, Swaziland, Lesotho, Malawi and Zimbabwe. An ethics panel has been established for the appropriate handling of reports of a sensitive or serious nature.

In 2010 **1 497** anonymous tipoffs were received (2009: 1 114).

Online fraud

During 2010 the group undertook various initiatives to protect its clients from online fraud, including participation in a concerted media campaign with the rest of the banking sector to educate consumers about online safety. Free software to all internet banking clients to protect them from phishing attacks was provided by Nedbank and a sophisticated phishing response infrastructure was created, which led to the successful prevention of 89,6% of all phishing losses.

Cybercrime risk

Nedbank Group has taken note of the current and expected impact of cybercrime on the banking industry and its clients and has established an extensive internal digital forensic capability to deal with this risk effectively. The group also provides training and awareness in digital forensics at tertiary institutions and to the law enforcement community in South Africa.

Security risk

In 2010 a concerted focus on staff and client safety saw a 90% decrease in robbery incidents against 2009 figures. Robberies and burglaries remain a threat and these are mitigated, managed and monitored by highly sophisticated technology in a joint operations centre. Biometric doors at branch entrances, automated roller shutter doors, a well-implemented cash management system and improved response to incidents are critical in the management of security risk. A guard tracking device, digital video recorder live camera streaming and a security analysis management system are all scheduled for implementation in 2011.

Relations with the South African Police Services (SAPS) and National prosecuting authority were strengthened for the banking sector under the facilitation of South African Business Intelligence Centre.

Cooperation with the criminal justice system

In addition to the day-to-day cooperation with law enforcement in the fight against crime, in 2010 Nedbank Group reported 522 suspicions of corruption and/or fraud in excess of R100 000 to the SAPS in terms of section 34 of the Prevention and Combating of Corrupt Activity Act. The group was also able to assist the SAPS in its investigations by responding to 3 163 subpoenas.

Nedbank Group considers financial crime to be a major operational risk that leads to significant losses, and it is for this reason that the group pursues a vigorous policy of mitigating the risk through active risk management

Legal risk

Legal risk arises from the necessity that the group conduct its activities in conformity with the business and contractual legal principles applicable in each of the jurisdictions where the group conducts its business. The possibility of a failure to meet these legal requirements may result in unenforceable contract disputes, litigation, fines, penalties or claims for damages or other adverse consequences.

COMPLIANCE AND REGULATORY RISK

Compliance and Regulatory risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation that the group may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its banking and other activities.

Compliance and regulatory risk has become increasingly significant and there continues to be considerable demand for the group to comply with various new and amended regulatory requirements. However, the group remains committed to the highest regulatory and compliance standards, especially due to the increasing scale and complexity of laws and regulations.

The Enterprise Governance and Compliance function that forms part of the second line of defence risk management model assists the Group in managing compliance and regulatory risk. The objective of compliance and regulatory risk management is to ensure that legal and regulatory requirements to which the business is or will be subject to are identified and complied with.

Further details regarding the Enterprise Governance and Compliance function are contained on page 196 of the Nedbank Group Limited Integrated Report.

MONEY LAUNDERING, TERRORIST FINANCING AND SANCTIONS RISK MANAGEMENT

Nedbank Group does not associate, in any way, with money-laundering activities or terrorist financing. Clearly defined policies and procedures ensure compliance with all statutory requirements and regulatory obligations or, in the absence of these, that agreed standards are met. The group takes a proactive approach by endeavouring to identify any business relationships or applications for business relationships or transactions with individuals, entities and countries targeted in financial sanctions legislation.

The Business Risk Management Forum (BRMF), a Group Executive subcommittee, chaired by the Chief Risk Officer, is mandated to provide strategic direction for, and monitor the effective implementation of, anti-money-laundering (AML), combating the financing of terrorists (CFT) and sanctions compliance initiatives throughout the group. The Executive Steering Committee of the Money Laundering Control Programme, a subcommittee of the BRMF, ensures the internationalisation and operational implementation of AML, CFT and sanctions compliance.

Nedbank Group Risk maintains a close and transparent working relationship with the Financial Intelligence Centre (FIC), attends bimonthly meetings with the FIC, regular meetings with the SARB and JSE Limited and the Financial Services Board to ensure compliance with their requirements and obtain clarification, where necessary.

At 31 December 2010 a total of 4 387 503 client records were reflected on Nedbank Group's Client Information System as having been verified. Of the 123 090 non-verified client records 105 946 have been restricted, with 17 144 records currently being restricted. The number of non-verified, not yet restricted records equates to 0,31% of the total number of records, which compares well with the BRMF-approved risk threshold of 0,5%.

Training for AML and CFT remains a high priority. For the 24 months to 31 December 2010 a total of 21 255 of the selected 29 699 employees completed the awareness training for AML and CFT.

Nedbank Group's e-learning training intervention for CFT and related activities, which was first implemented in 2009, was recognised by the FIC as 'innovative and a first of its kind in South Africa'.

Annual directors' training programmes for money-laundering, terrorist financing and sanctions risk management were developed in 2010 and presented to the Group Risk and Capital Management Committee on 19 October 2010 in compliance with SARB, FIC and international requirements.

INFORMATION AND TECHNOLOGY RISK

Technology risk stems from risks associated with misalignment with business strategy, uncoordinated or an inefficient information technology (IT) strategy, project failure to deliver desired change, data protection, information privacy, effects of physical disasters on information systems, IT outsourcing, IT performance and information systems governance. The Group Technology Cluster manages information and technology risk through the Technology Management Policy.

In addition to the abovementioned existing regulations, Nedbank is providing input into energy, water and climate-change-related regulatory developments, including the Integrated Resource Plan 2010; the National Climate Change Response Green Paper 2010; Reducing Greenhouse Gas Emissions: The Carbon Tax Option; the Strategy for a Developmental Green Economy for Gauteng; the Integrated Energy Plan for the Republic of South Africa; the Long-term Mitigation Scenarios – Technical Report and the Renewable-energy Feed-in Tariff – Phase I and II.

BUSINESS CONTINUITY MANAGEMENT

Business continuity management (BCM) aims at ensuring resilient group business activities emergencies and disasters. The BCM function provides overall guidance and direction, monitors compliance with regulatory and best-practice requirements and facilitates regular review of BCM practices.

PEOPLE RISK

People risk is the risk associated with inadequacies in human capital and the management of human resources, policies and processes resulting in the inability to attract, manage, motivate, develop and retain competent resources, with concomitant negative impact on the achievement of strategic group objectives. The group vigorously manages people risk through Group Human Resources at the central and business clusters.

To minimise the exposure to operational risk that arises as a consequence of the group's financial risk-taking initiatives within credit, market and operating activities, Nedbank Group has implemented and embedded an ORMF, which contains AMA-compliant methodologies, policies and guidelines to facilitate a consistent and worldclass approach to operational risk management.

Personnel integrity management

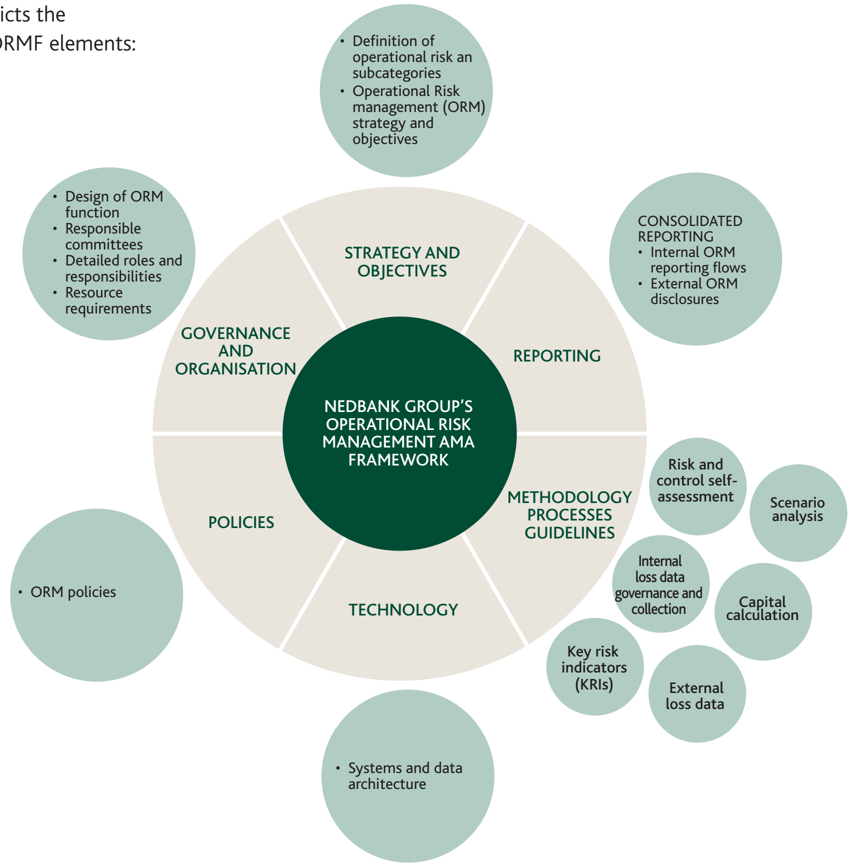
Nedbank Group minimises people risk by ensuring that controls are incorporated into the recruitment and selection processes of all employees, including contractors, temporary employees and consultants. This process aims to minimise the group's vulnerability to fraud, embezzlement, theft, corruption and mismanagement of job responsibilities. It also cultivates a culture of business ethics and integrity in keeping with Nedbank Group's values and endorses the Code of Good Banking Practice that states that 'Banks will conduct their business with uncompromising integrity and fairness so as to promote complete trust and confidence in the banking industry'.

The Financial Advisory and Intermediary Services Act, 37 of 2002, determines the 'fit and proper' requirements that are applicable to all financial service providers, key individuals, representatives and compliance officers. Nedbank ensures screening of these persons every 24 months to ensure the highest level of honesty and integrity. All new appointments of directors or executive directors, as required by the Banks Act, 94 of 1990, are screened to comply with the requirements of honesty and integrity. This also reduces the potential for conflicts of interest.

Business clusters act as the first line of defence and are responsible for the identification, management, monitoring and reporting of operational risk. Operational risk is reported and monitored through the divisional and cluster enterprisewide risk committees and overseen by the Group Operational Risk Committee (GORC) and the board's Group Risk and Capital Management Committee. The Group Operational Risk Management (GORM) Division, within the Group Risk Cluster, acts as the second line of defence in the Nedbank enterprise risk management framework.

The primary responsibilities of GORM are to develop, maintain and champion the Group Operational Risk Management Framework, policies and enablers to support ORM in the business as well as the implementation of the Basel II and regulatory requirements and international best practice for ORM.

The diagram below depicts the Nedbank Group AMA ORMF elements:



Specialist functions in Group Risk, for example Forensic Services, Business Continuity Planning, Group Legal and Corporate Insurance, also assist businesses with specialist advice, policies and standard setting. Pervasive operational risk trends are monitored and reported on to the enterprisewide risk committees and, where appropriate, to GORC and to the Board Risk and Capital Management Committee.

Group Internal Audit, being the third line of defence, provides assurance to GORC.

OPERATIONAL RISK MEASUREMENT, PROCESSES AND REPORTING SYSTEMS

The primary operational risk measurement processes in the group are risk and control self-assessments, internal loss data collection processes and governance, the tracking of KRIs, external loss data, scenario analysis and capital calculation, which are designed to function in an integrated and mutually reinforcing manner.

INTERNAL LOSS DATA COLLECTION AND KEY RISK INDICATOR TRACKING

The internal loss data collection process and KRI tracking are backward-looking and enable the monitoring of trends and the analysing of the root causes of loss events. Operational risk losses are reported on in the Nedbank Internal Loss Data Collection System. KRIs are designed to be both forward- and backward-looking in the sense that they function not only as early-warning indicators, but also as escalation triggers where set risk tolerance levels have been exceeded.

BOUNDARY EVENTS

Boundary events are those losses and near misses that manifest themselves in other risk types, such as credit and market risk, but have relevance to operational risk because they emanate from operational breakdowns or failures. Boundary events are often identified by credit and market risk management, and are included in credit risk loss databases and operational risk capital calculations respectively.

Material credit risk events caused by operational failures in the credit processes are flagged separately in the Internal Loss Data Collection System. In line with the Banks Act and Basel II requirements, holding of capital related to these events remains in Credit Risk. These events are included as part of the ORMF to assist in the monitoring, reporting and management of the control weaknesses and causal factors within the credit process.

Material market risk events caused by operational failures in the market risk processes are also flagged separately in the Internal Loss Data Collection System. The capital holding thereof is included in operational risk capital.

EXTERNAL LOSS DATA

The purpose of using external data is to incorporate infrequent yet relevant and potentially severe operational risk exposures into the measurement model. The group currently incorporates the effects of external data in the operational risk capital calculation model indirectly in conjunction with the scenario analysis process.

SCENARIO ANALYSIS

Scenario analysis is also a required element of AMA and is defined in the ORMF as one of the data sources for operational risk modelling and measurement, and serves as the main input for unexpected loss estimation. Scenario analysis is conducted in a disciplined and structured way using expert judgement to estimate the operational risk exposure of the group. Scenario analysis focuses on solvency and aims to identify the major operational risks that can negatively affect the solvency of the group.

BUSINESS ENVIRONMENT AND INTERNAL CONTROL FACTORS

The group takes into account business environment and internal control factors during the conduct of risk and control self-assessments. Consideration of business environment and internal control factors enables the group to take into account any changes in the external and internal business environment, consider inherent risks as a result of any changes in the business environment and then design appropriate controls.

REPORTING

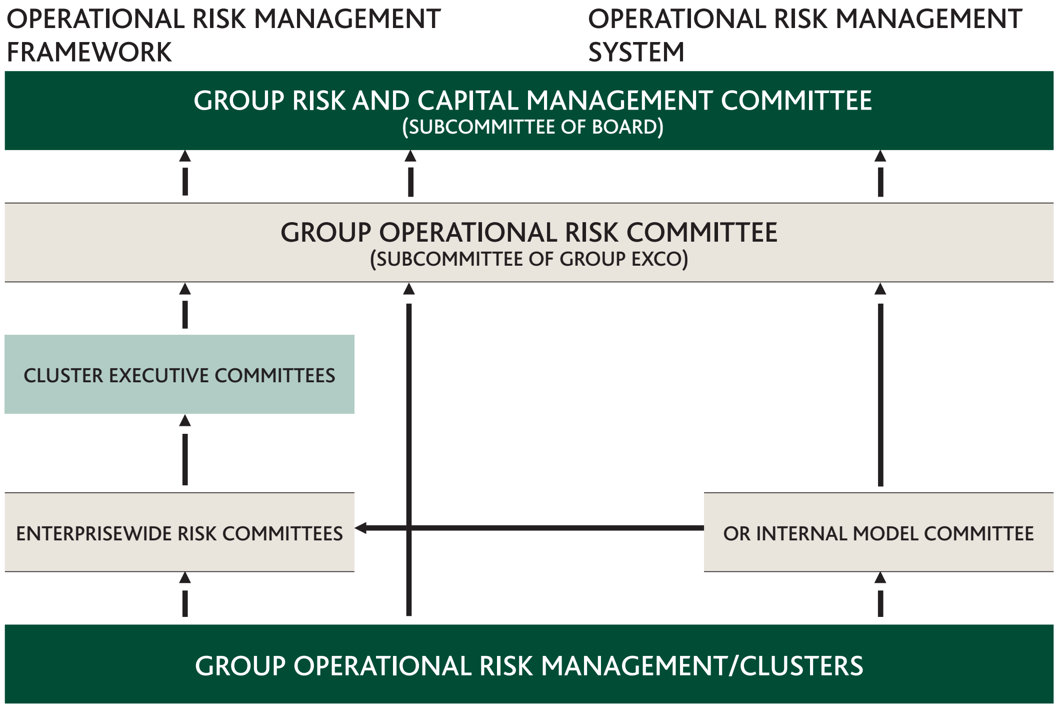
A well-defined and embedded reporting process is in place. Risk profiles, loss trends and risk mitigation actions are reported to and monitored by the risk governance structures of the group.

INSURANCE OBTAINED TO MITIGATE THE BANK'S EXPOSURE TO OPERATIONAL RISK

The group has a well-structured insurance programme for its financial and non-financial risks to mitigate its operational and fraud exposures. The group has an insurance operation that reports to the Group Chief Risk Officer and is responsible for the design and management of the principle insurance programmes addressing the group operational risk exposures. This function is responsible for ensuring that the cover purchased for the group is up to date with the best coverage available within the insurance markets and relevant to the group operating environment. The Group Insurance Division also ensures that cover is purchased where required to meet any statutory or regulatory requirements. The primary insurance policies that cover exposures to operational risk include comprehensive crime and professional indemnity.

OPERATIONAL RISK GOVERNANCE STRUCTURE

The diagram below depicts the operational risk governance structure:



OPERATIONAL RISK-WEIGHTED ASSETS

Below is a summary of operational RWA at 31 December 2010:

	RWA (TSA) Rm	RWA (AMA) Rm
Nedbank DI entity	41 961	35 667
Nedbank entity – including foreign subsidiaries	42 658	36 259
Nedbank Limited local subsidiaries, foreign branches and foreign subsidiaries	4 797	4 077
Nedbank Limited consolidated	46 758	39 744
Nedbank Group Limited local subsidiairies and foreign subsidiaries	4 287	3 644
Nedbank Group Limited consolidated	51 045	43 388*

** Operational risk includes an insignificant portion of the group that utilised TSA.*

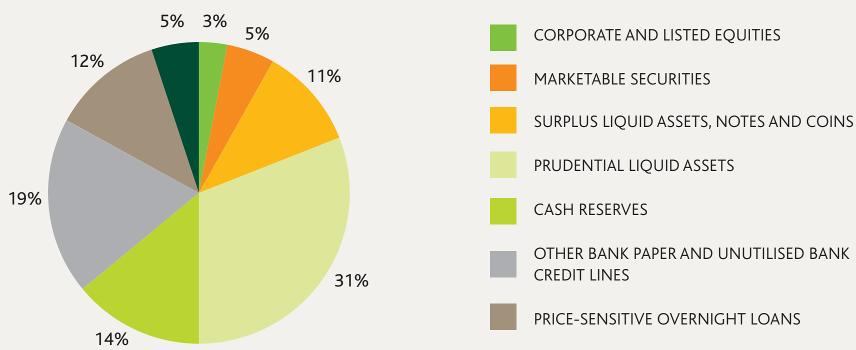
ASSET AND LIABILITY MANAGEMENT

LIQUIDITY RISK

A portfolio of marketable and highly liquid assets, which could be liquidated to meet unforeseen or unexpected funding requirements, is maintained. The market liquidity by asset type (and for a continuum of plausible stress scenarios) is considered as part of the internal stress testing and scenario analysis process.

The quantum of unencumbered assets available as collateral for stress funding is measured and monitored on an ongoing basis. Nedbank Group's sources of quick liquidity available for stress funding requirements amounted to R78,6 billion at year-end. The following table reflects the composition of this portfolio.

NEDBANK GROUP'S 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+

2010 Rm	<3 months	>3 months <6 months	>6 months <1 year	>1 year <5 years	>5 years	Non-determined	Total
Cash and cash equivalents (including mandatory reserve deposits with central bank)	19 272					473	19 745
Other securities	19 377	2 763	3 128	1 776			27 044
Derivative financial instruments	3 682	1 117	1 361	4 877	2 845		13 882
Government and other securities	352	1 260	5 655	18 335	6 222		31 824
Loans and advances	87 925	18 266	30 134	177 962	160 986		475 273
Other assets	5 911					35 039	40 950
Assets	136 519	23 406	40 278	202 950	170 053	35 512	608 718
Total equity						47 814	47 814
Derivative financial instruments	1 288	582	1 032	4 886	4 264		12 052
Amounts owed to depositors	342 941	49 403	56 765	39 102	2 229		490 440
Other liabilities	9 262					23 046	32 308
Long-term debt instruments	289	1 674		18 102	6 039		26 104
Liabilities and equity	353 780	51 659	57 797	62 090	12 532	70 860	608 718
Net liquidity gap	(217 261)	(28 253)	(17 519)	140 860	157 521	(35 348)	–

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.

+ *Audited.*

NEDBANK GROUP BUSINESS-AS-USUAL LIQUIDITY GAP AT YEAR-END

2010 Rm	<3 months	>3 months <6 months	>6 months <1 year	>1 year <5 years	>5 years	Non-determined	Total
Cash and cash equivalents (including mandatory reserve deposits with central bank)					19 745		19 745
Other securities	19 377	2 763	3 128	1 776			27 044
Derivative financial instruments	3 682	1 117	1 361	4 877	2 845		13 882
Government and other securities					31 824		31 824
Loans and advances	40 178	26 135	47 971	316 853	44 136		475 273
Other assets						40 950	40 950
Assets	63 237	30 015	52 460	323 506	98 550	40 950	608 718
Total equity						47 814	47 814
Derivative financial instruments	1 288	582	1 032	4 886	4 264		12 052
Amounts owed to depositors	84 383	58 945	76 375	269 565	1 172		490 440
Other liabilities						32 308	32 308
Long-term debt instruments	289	1 674		18 003	6 138		26 104
Liabilities and equity	85 960	61 201	77 407	292 454	11 574	80 122	608 718
Net liquidity gap	(22 723)	(31 186)	(24 947)	31 052	86 976	(39 172)	–

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 82% of the total deposit base is stable.

NEDBANK LIMITED CONTRACTUAL BALANCE SHEET MISMATCH AT YEAR-END

2010 Rm	Total	Next day	2 to 7 days	8 days to 1 month	More than 1 month to 2 months
Contractual maturity of assets	549 968	52 542	6 485	34 856	15 858
Loans and advances	423 576	33 601	1 256	17 609	7 657
Trading, hedging and other investment instruments	72 145	2 991	5 144	13 098	5 275
Other assets	54 247	15 950	85	4 149	2 926
Contractual maturity of liabilities	549 968	203 926	17 540	44 889	27 072
Stable deposits	372 076	175 277	8 306	30 060	21 020
Volatile deposits	83 365	21 921	1 663	6 375	5 229
Trading and hedging instruments	54 035	6 728	7 571	8 454	823
Other liabilities	40 492				
On-balance-sheet contractual mismatch	–	(151 384)	(11 055)	(10 033)	(11 214)
Cumulative on-balance-sheet contractual mismatch	–	(151 384)	(162 439)	(172 472)	(183 686)

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 BUSINESS-AS-USUAL BALANCE SHEET MISMATCH AT YEAR-END

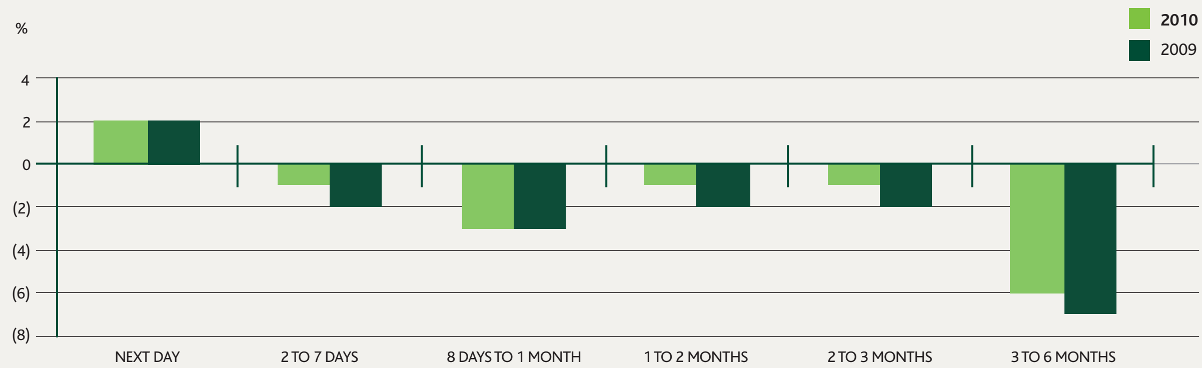
2010 Rm	Total	Next day	2 to 7 days	8 days to 1 month	More than 1 month to 2 months
BaU maturity of assets	549 968	28 093	4 223	14 413	11 286
Loans and advances	423 576	8 400	2 302	11 985	8 533
Trading, hedging and other investment instruments	72 145	19 693	1 921	2 428	2 753
Other assets	54 247				
BaU maturity of liabilities	549 968	18 258	10 906	28 946	14 981
Stable deposits	372 076	1 042	1 627	5 577	10 832
Volatile deposits	83 365	1 881	5 133	18 629	3 326
Trading and hedging instruments	54 035	15 335	4 146	4 740	823
Other liabilities	40 492				
On-balance-sheet BaU mismatch	–	9 835	(6 683)	(14 533)	(3 695)
Cumulative on-balance-sheet BaU mismatch	–	9 835	3 152	(11 381)	(15 076)

As per the table above Nedbank Limited's BaU inflows exceed outflows in the overnight-to-one-week time bucket, taking into account behavioural assumptions, including rollover assumptions associated with term deals, but excluding BaU management actions.

As illustrated on the following page the BaU maturity mismatch has improved during 2010. In other words, under BaU conditions Nedbank Group's liquidity position was stronger in 2010 than in 2009. This has been achieved through a strategy of lengthening the funding profile and managing the asset/liability composition from a behavioural perspective.

In terms of lengthening the funding profile the long-term funding ratio increased to 23% in 2010, compared with 18% in 2009. Nedbank Group's capital market issues of R6,2 billion, with 3-, 5- and 10-year instruments having been issued, contributed to the increase in the long-term funding ratio.

NEDBANK LIMITED BEHAVIOURAL LIQUIDITY MISMATCH AT YEAR-END*



** Expressed on total assets and based on maturity assumptions before rollovers and risk management.*

INTEREST RATE RISK IN THE BANKING BOOK

Nedbank Group is exposed to interest rate risk in the banking book (IRRBB) primarily because of the following:

- The bank writes a large quantum of prime-linked advances.
- Funding is prudently raised across the curve at fixed-term deposit rates that reprice only on maturity.
- Three-month Johannesburg Interbank Agreed Rate (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.
- The bank has a mismatch in net non-rate-sensitive balances, including shareholders' funds that do not reprice for interest rate changes.

IRRBB comprises:

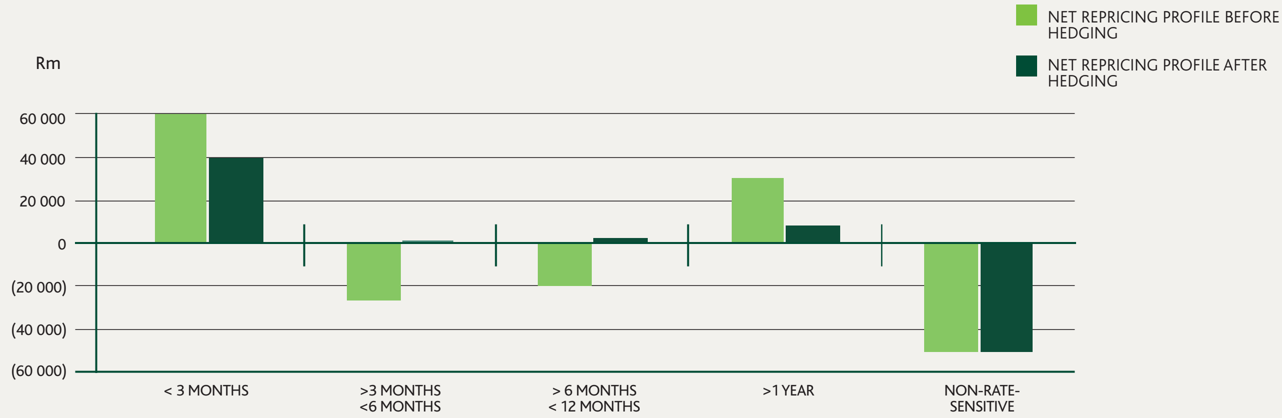
- Repricing risk (mismatch risk) – timing difference in the maturity (for fixed rate) and repricing (for floating rate) of bank assets, liabilities and off-balance-sheet positions.
- Reset or basis risk – imperfect correlation in the adjustment of the rates earned and paid on different instruments with 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 GAP AT YEAR-END+

2010 Rm	< 3 months	>3 months <6 months	> 6 months <12 months	> 1 year	Non-rate- sensitive
Net repricing profile before hedging	67 201	(26 844)	(19 982)	29 879	(50 254)
Net repricing profile after hedging	39 376	746	1 952	8 180	(50 254)
Cumulative repricing profile after hedging	39 376	40 122	42 074	50 254	–

+ *Audited.*

NEDBANK GROUP INTEREST RATE REPRICING PROFILE AT YEAR-END+



At year-end the earnings-at-risk sensitivity of the group's banking book for a 1% parallel reduction in interest rates was 1,38% of total group equity (2009: 1,30%), well within the approved risk limit of 2,5%. This exposes the group to a decrease in NII of approximately R660 million should interest rates fall by 1%, measured over a 12-month period.

+ *Audited.*

The level of interest rate sensitivity is managed in conjunction with credit impairment sensitivity and the group's interest rate view, 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 R441 million at year-end (2009: loss of R225 million).

The table below highlights the group's and bank's exposure to interest rate risk measured for normal and stressed interest rate changes:

EXPOSURE TO INTEREST RATE RISK

2010 Rm	Note	Nedbank Limited	Other group companies	Nedbank Group
NII sensitivity	1			
1% instantaneous decline in interest rates		(562)	(98)	(660)
2% instantaneous decline in interest rates		(1 119)	(200)	(1 319)
Linear path space	2			
Lognormal interest rate sensitivity		(259)	n/a*	n/a*
Absolute-return interest rate sensitivity**		(1 315)	n/a*	n/a*
Basis interest rate risk sensitivity	3			
0,25% narrowing of prime/call differential		(215)	(2)	(217)
Economic value of equity sensitivity	4			
1% instantaneous decline in interest rates		(441)	n/a*	n/a*
2% instantaneous decline in interest rates		(909)	n/a*	n/a*
NII sensitivity				
Instantaneous stress shock**	5	(3 447)	n/a*	n/a*
Instantaneous stress shock modelled as a ramp**	6	(3 166)	n/a*	n/a*

* *n/a: not modelled.*
** *Stressed interest rate changes.*

Notes
1 ***NII sensitivity,*** *as currently modelled, exhibits very little convexity.*
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. 1st and 99th percentile observed interest rate changes over a five-year period with a one-year holding period have been used.*
6 *The* ***instantaneous stress shock modelled as a ramp*** *uses the same interest rate shock as the instantaneous stress shock described above, but the rate shock is phased in over a nine-month period.*

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 rands for domestic reporting purposes, recording a profit where the rand exchange rate has deteriorated and a loss where the rand exchange rate has strengthened between periods.

Foreign currency translation risk remains relatively low and is currently aligned with an appropriate offshore capital structure. Risk limits are based on the expected level of currency-sensitive foreign capital. The exposure was approximately USD267 million at year-end (2009: USD241 million).

OFFSHORE CAPITAL SPLIT BY FUNCTIONAL CURRENCY

	US dollar equivalent ($m)			**2010**	2009
$m	Equity	Forex-sensitive	Non-forex-sensitive	**Total**	Total
US dollar	121	121		**121**	108
Pound sterling	122	122		**122**	113
Swiss franc	16	16		**16**	13
Malawi kwatcha	8	8		**8**	7
Other			543	**543**	436
Total	267	267	543	**810**	677

FOREX-SENSITIVE PORTION OF OFFSHORE CAPITAL

$m	**2010**	2009
Forex-sensitive portion of offshore capital	**267**	241
Limit	**325**	250

The total RWA for foreign entities (R7,6 billion) relative to that for Nedbank Group (R323 billion) is 2,3% at year-end. The effective average capitalisation rate of the foreign-denominated business is 27% (2009: 26%). Any foreign exchange rate movement will therefore have a limited effect on Nedbank Group's capital adequacy ratio (eg a 10% appreciation in the rand will decrease the capital adequacy ratio only by 0,02%).

INSURANCE RISK

Within Nedbank Group insurance risk encompasses underwriting and product design risk.

Actuarial and statistical methodologies are used to price insurance risk (eg morbidity, mortality, theft). Underwriters align clients with this pricing basis and respond to any anti-selection by placing clients in substandard-risk pools, pricing this risk with an additional risk premium, excluding certain claim events or causes, or excluding clients from entering pools at all.

The failure to reinsure with acceptable-quality reinsurers (beyond the level of risk appetite mandated by the board of directors) for risks underwritten by the short-term insurance and/or life assurance activities of the group, and also including catastrophe insurance (ie more than one insurance claim on the group arising from the same event), could lead to disproportionate losses (reinsurance risk).

Insurance underwriting activities are predominantly undertaken by Nedgroup Life Assurance Company Limited (Nedgroup Life) and Nedgroup Insurance Company Limited (Nedgroup Insurance) within the Nedbank Wealth Cluster.

Nedgroup Insurance is a short-term insurer that focuses predominantly on homeowner's insurance and limited vehicle-related value-add products for the retail market.

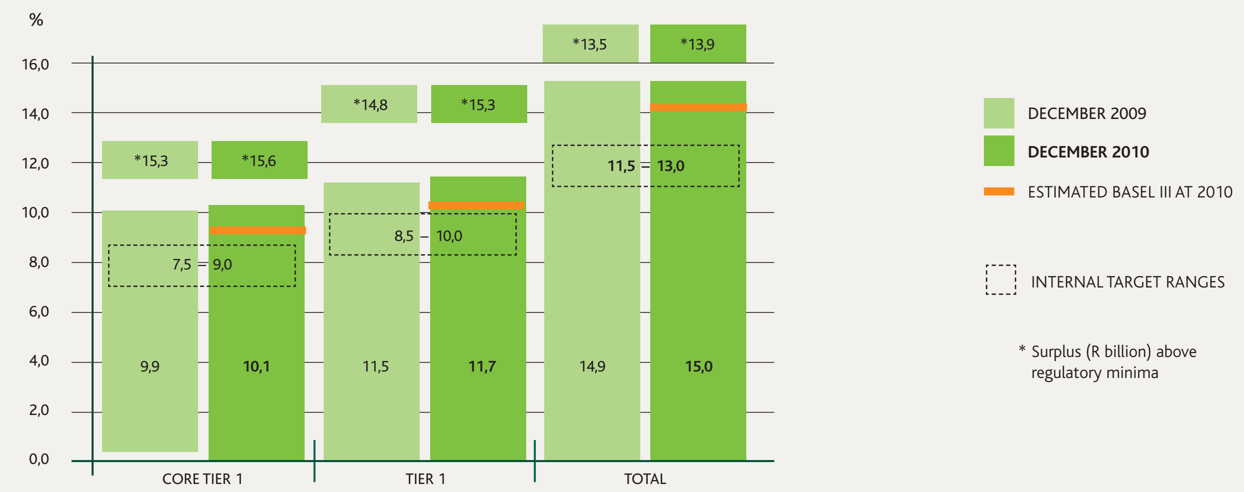
Nedgroup Life offers credit life, simple-risk and savings solutions, as well as a set of differentiated underwritten individual risk life products supported by a wellness programme. A large part of the book is derived from the provision of life cover linked to Nedbank Group's lending activities.

The group's risk appetite for insurance risk is currently low, reflected by its consumption of only 0,7% of total minimum required group economic capital (refer page 216). The solvency ratios are set out on page 214.

CAPITAL MANAGEMENT

REGULATORY CAPITAL ADEQUACY

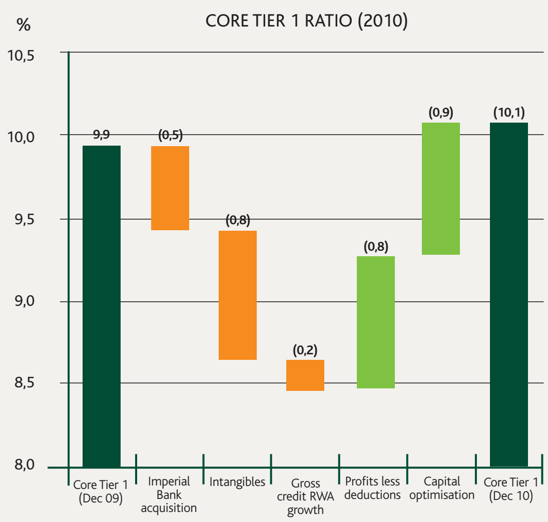
CAPITAL ADEQUACY

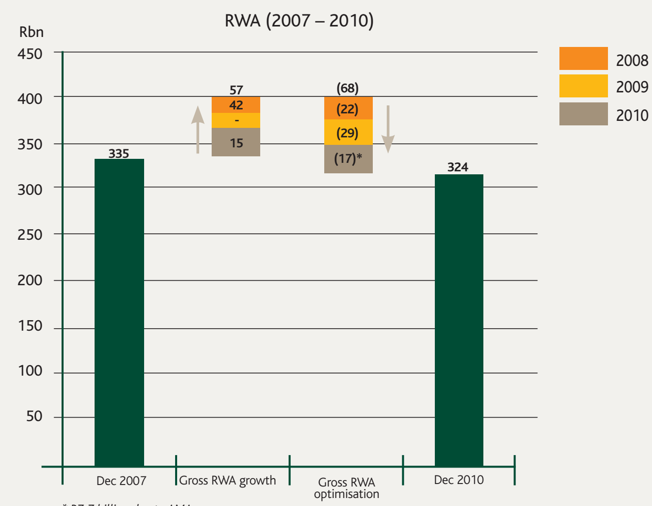


Ongoing balance sheet management has further strengthened the group's capital ratios, well above the group's internal targets in preparation for Basel III, to 10,1% (core Tier 1), 11,7% (Tier 1) and 15,0% (total) from 9,9%, 11,5% and 14,9% in 2009.

In the first quarter of 2010 the acquisition of the minority shareholding in Imperial Bank was settled in cash and, together with the negative impact of its integration into Nedbank Limited in Q4 2010 on RWA, and the impairment as intangible assets, rather than being treated as fixed assets, of capitalised software development costs (previously only expected from 2013 onwards under the new Basel III requirements), resulted in an approximate 1,3% decrease in the group's capital adequacy ratios. However, this was offset by continuing capital and RWA optimisation, Nedbank Group's manage-for-value strategic focus, retained earnings and a 0,3% increase in capital from higher levels of takeup under the scrip dividend alternative in the second quarter.

RISK-WEIGHTED ASSETS AND CAPITAL OPTIMISATION





** R7,7 billion due to AMA.*

Strong track record of RWA and capital optimisation

In the light of the predominant focus on the core Tier 1 ratio by Basel III and its future new requirements to ensure all classes of capital instruments fully absorb losses at the point of non-viability before taxpayers are exposed to loss, all to be phased-in over time, Nedbank Group's focus is firmly on its core Tier 1 ratio.

Due to the high total ratio of 15,0%, the group called the Imperial Bank Tier 2 bond ('IPB2') amounting to R500 million (without replacing it) in December 2010 and the intention is likewise with the R1,5 billion Nedbank Limited bond ('Ned 5') that is callable in April 2011, subject to SARB approval.

The annual group ICAAP was completed and signed off by the board in July 2010. SARB's SREP of Nedbank Group's ICAAP concluded favourably in H2 2010, with no material issues raised.

Nedbank Limited's regulatory capital ratios decreased year-on-year, but still remain well above the internal target ranges, due to the Imperial Bank acquisition and impact on RWA of its integration, and impairment of capitalised software development costs, which in aggregate had an impact of decreasing the bank's capital ratios by 2,4%, offset to a large degree by retained earnings, and capital and RWA optimisation. Nedbank Limited's capital ratios are core Tier 1: 9,3% (2009: 9,6%), Tier 1: 11,1% (2009: 11,7%) and total: 14,9% (2009: 15,6%).

All capital adequacy ratios remain well above the group's target ranges. This is deemed prudent in the light of the uncertainty that still remains with regard to Basel III. They include unappropriated profits for the year to the extent that these are not expected to be reversed and are expected to be appropriated subsequent to the year-end.

The group's leverage ratio is low at 13,8 times (2009: 14,4 times), compared with international levels. 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 approximately R1 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 material factors. These restrictions mainly relate to those entities that operate in countries other than South Africa where there are exchange control restrictions in place.

SUMMARY OF RISK-WEIGHTED ASSETS (BY RISK TYPE AND BUSINESS CLUSTER)

	2010	**Mix**	2009 (Restated)**	Mix
	Rm	**%**	Rm	%
Credit risk	**246 793**	**76,3**	246 099	75,4
Nedbank Capital	**28 632**	**8,9**	25 389	7,7
Nedbank Corporate	**76 794**	**23,7**	76 569	23,5
Nedbank Business Banking	**37 005**	**11,4**	33 616	10,3
Nedbank Retail	**97 483**	**30,1**	102 468	31,4
Nedbank Wealth	**6 031**	**1,9**	7 051	2,2
Central Management	**848**	**0,3**	1 006	0,3
Equity risk	**13 273**	**4,1**	13 396	4,1
Market risk	**7 339**	**2,3**	5 718	1,8
Operational risk*	**43 415**	**13,4**	47 222	14,4
Other assets	**12 861**	**3,9**	14 031	4,3
Total RWA	**323 681**	**100,0**	326 466	100,0

* *2009 based on TSA, 2010 based on AMA.*

** *Restated to reflect full integration of Imperial Bank into Nedbank Limited.*

Nedbank Group's total RWA are marginally lower year-on-year. This is mainly due to credit RWA remaining flat on the back of low levels of growth and capital-related optimisation, and the decrease in operational-risk RWA following the adoption of the AMA given SARB approval in 2010.

Risk methodologies and capital allocation

Nedbank Group received approval from SARB to use the AMA for operational risk (from 2010) and IMA for market trading risk (from 2011) for regulatory capital purposes, and now has approval for all the three major Pillar 1 risk types for Basel II, having received approval for the AIRB Approach for credit risk on day-one implementation of Basel II in January 2008.

The regulatory capital approaches above now align with those already in use for economic capital and ICAAP.

SUMMARY OF RISK-WEIGHTED ASSETS AND CAPITAL ADEQUACY POSITION

Risk type	Nedbank Group		Nedbank Limited***	
Rm	**2010**	2009	**2010**	2009
Credit risk	**246 793**	246 099	**225 719**	184 472
Credit portfolios subject to AIRB Approach	**188 610**	192 842	**176 680**	180 968
Corporate, sovereign, bank, SME	**106 312**	105 669	**95 545**	95 274
Residential mortgages	**46 305**	51 023	**45 141**	49 543
Qualifying revolving retail	**8 489**	7 385	**8 490**	7 386
Other retail	**27 504**	28 765	**27 504**	28 765
Credit portfolios subject to TSA	**52 771**	49 344	**43 694**	
Corporate, sovereign, bank	**17 645**	19 534	**12 111**	
Retail exposures	**35 126**	29 810	**31 583**	
Counterparty credit risk (CEM)	**4 543**	3 057	**4 476**	2 908
Securitisation risk (IRB Approach)	**869**	856	**869**	596
Equity risk (Market-based Simple Risk Weight Approach)	**13 273**	13 396	**10 829**	10 781
– Listed (300% risk weighting)	**1 605**	1 447	**1 596**	1 447
– Unlisted (400% risk weighting)	**11 668**	11 949	**9 233**	9 334
Market risk (TSA****)	**7 339**	5 718	**6 373**	4 455
Operational risk (2010: AMA; 2009: TSA)	**43 415**	47 222	**35 693**	39 025
Other assets (100% risk weighting)	**12 861**	14 031	**9 721**	10 429
Total risk-weighted assets	**323 681**	326 466	**288 335**	249 162
Total minimum regulatory capital requirements*	**34 481**	35 097	**31 034**	27 560
Total qualifying capital and reserves**	**48 419**	48 584	**42 860**	38 939
Total surplus capital over minimum requirements	**13 938**	13 487	**11 826**	11 379
Analysis of total surplus capital**				
Core Tier 1	**15 603**	15 296	**11 571**	10 816
Tier 1	**15 250**	14 820	**11 838**	11 691
Total	**13 938**	13 487	**11 826**	11 379

* *Includes Basel II capital floor requirements.*
** *Includes unappropriated profits.*
*** *Nedbank Limited refers to the SA reporting entity in terms of Regulation 38 (BA700) of the SA banking regulations.*
**** *SARB approval received to change to IMA from 2011.*

The integration of Imperial Bank increased Nedbank Limited's RWA by R49 billion year-on-year, mainly in credit RWA. The introduction of AMA resulted in lower operational risk RWA.

SUMMARY OF QUALIFYING CAPITAL AND RESERVES

Excluding unappropriated profits

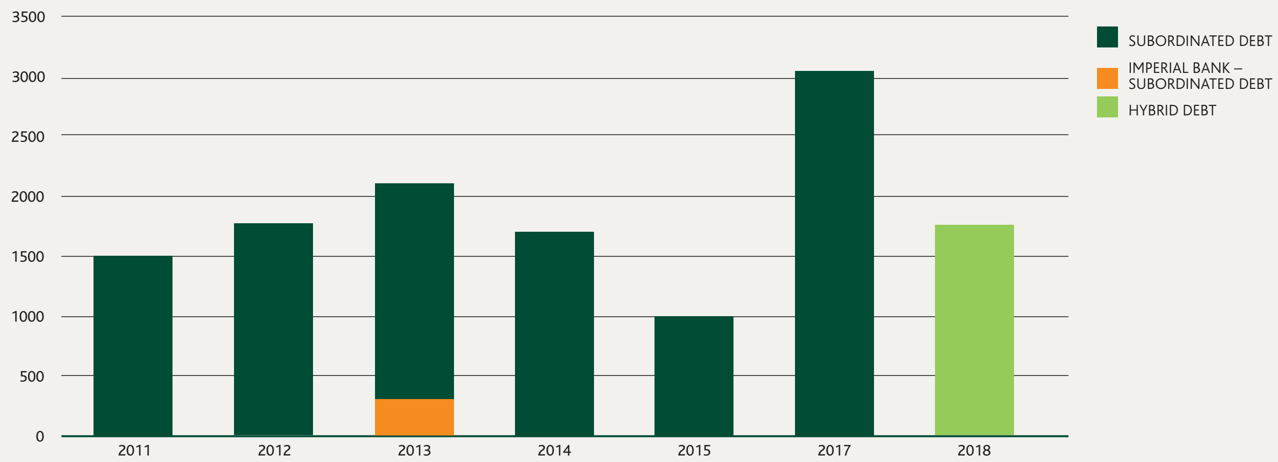
Rm	Nedbank Group 2010	Nedbank Group 2009	Nedbank Limited 2010	Nedbank Limited 2009
Tier 1 capital (primary)	**36 861**	36 627	**31 249**	28 600
Core Tier 1 capital	**31 549**	31 389	**25 937**	23 365
Ordinary share capital	**449**	436	**27**	27
Ordinary share premium	**15 522**	13 728	**14 434**	14 434
Reserves	**28 130**	25 485	**17 605**	15 610
Minority interest: ordinary shareholders	**153**	1 849		
Deductions	**(12 705)**	(10 109)	**(6 129)**	(6 706)
Impairments	**(10)**	(8)	**(720)**	(3 430)
Goodwill	**(4 945)**	(4 981)	**(1 410)**	(1 126)
*Capitalised software development costs**	**(1 998)**		**(1 936)**	
Other intangibles	**(544)**			
Excess of expected loss over eligible provisions (50%)	**(866)**	(780)	**(869)**	(861)
Unappropriated profits	**(1 217)**	(1 312)	**(942)**	(798)
FCT reserves	**20**	(223)	**(9)**	(9)
SBP reserves	**(949)**	(875)	**557**	206
Property revaluation reserves	**(1 146)**	(1 002)	**(747)**	(666)
AFS reserves	**(98)**	(76)	**(9)**	(9)
Capital held in insurance and financial entities (50%)	**(562)**	(489)		
Other regulatory differences	**(390)**	(363)	**(44)**	(13)
Non-core Tier 1 capital	**5 312**	5 238	**5 312**	5 235
Preference share capital and premium	**3 560**	3 486	**3 560**	3 483
Hybrid debt capital instruments	**1 752**	1 752	**1 752**	1 752
Tier 2 capital (secondary)	**10 511**	10 911	**10 839**	9 807
Long-term debt instruments	**11 000**	11 500	**10 998**	10 848
Revaluation reserves (50%)	**573**	501	**374**	333
Deductions	**(1 062)**	(1 090)	**(533)**	(1 374)
Capital held in insurance and financial entities (50%)	**(562)**	(489)		
Excess of expected loss over eligible provisions (50%)	**(866)**	(780)	**(869)**	(861)
General allowance for credit impairment	**410**	212	**380**	
Other regulatory differences	**(44)**	(33)	**(44)**	(513)
Total	**47 372**	47 538	**42 088**	38 407

** Treated as an impairment rather than as fixed assets.*

Including unappropriated profits

Rm	Nedbank Group 2010	Nedbank Group 2009	Nedbank Limited 2010	Nedbank Limited 2009
Core Tier 1 capital	**32 596**	32 435	**26 709**	23 897
Tier 1 capital (primary)	**37 908**	37 673	**32 021**	29 132
Total capital	**48 419**	48 584	**42 860**	38 939

NEDBANK'S SUBORDINATED DEBT AND NON-CORE TIER 1 MATURITY PROFILE



DIVIDEND COVER

The group has a dividend cover policy range of 2,25 to 2,75 covered by headline earnings per share, with dividends per share for 2010 at 2,3 times. Historically the effective cover has been higher as a result of takeup under the scrip dividend alternative and the reinvestment of dividend proceeds by black economic empowerment (BEE) shareholder trusts.

SUMMARY OF REGULATORY CAPITAL ADEQUACY OF ALL BANKING SUBSIDIARIES

A summary of all the group's banking subsidiaries' Basel II regulatory capital positions is provided below:

	2010		2009	
Bank	**RWA Rm**	**Total capital ratio %**	RWA Rm	Total capital ratio %
Nedbank Limited (including unappropriated profits)	**288 335**	**14,9**	249 162	15,6
Nedbank Limited (excluding unappropriated profits)	**288 335**	**14,6**	249 162	15,4
Imperial Bank Limited			43 887	11,2
Nedbank (Namibia) Limited	**5 067**	**13,5**	3 864	14,6
Fairbairn Private Bank (IOM) Limited	**1 729**	**18,2**	2 327	15,9
Fairbairn Private Bank Limited	**1 400**	**14,7**	1 697	14,2
Nedbank (Swaziland) Limited	**1 290**	**20,2**	1 374	15,7
Nedbank (Lesotho) Limited	**984**	**20,6**	905	18,8
MBCA Bank Limited	**761**	**15,3**	571	15,2
Nedbank (Malawi) Limited	**232**	**22,8**	98	50,1

In October 2010 Imperial Bank ceased to be a registered banking entity. It was integrated into Nedbank Limited by year-end. This largely explains the significant increase in Nedbank Limited in RWA year-on-year.

The capitalisation of all these banking entities is deemed adequate; all have conservative risk profiles and are managed and monitored within the group's Enterprisewide Risk Management Framework and ICAAP.

SUMMARY OF SOLVENCY OF INSURANCE SUBSIDIARIES

In South Africa the regulators currently require the insurers to hold capital at a minimum of one times cover. The new SAM requirements (South Africa's version of Solvency II) are expected to be implemented in 2014 with revised measurements, similar to Basel II.

SOLVENCY RATIOS

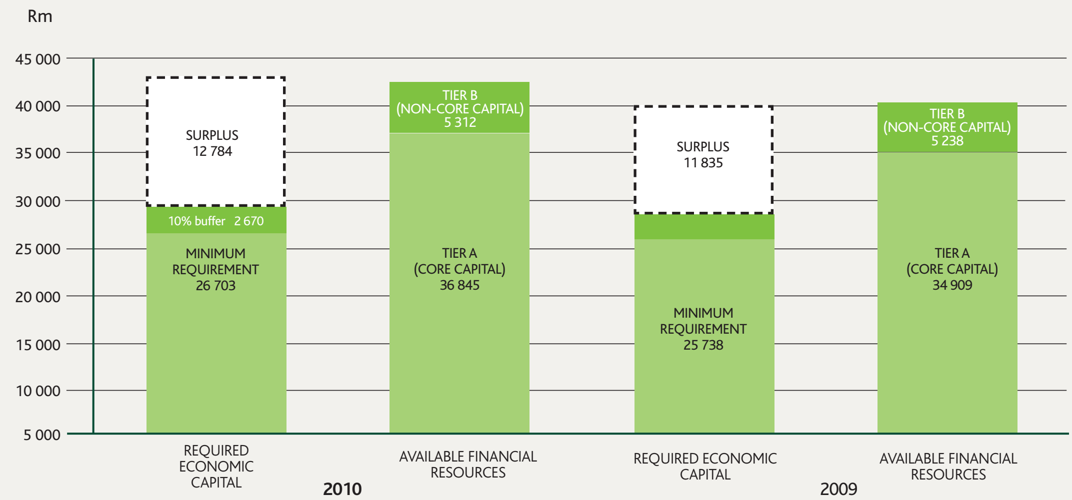
	Minimum	**2010**	2009
Long-term insurance (Nedgroup Life)	1,00 x	**4,00 x**	3,60 x
Short-term insurance (Nedgroup Insurance Company)	1,25 x	**1,38 x***	1,56 x*

** The decrease in the solvency ratio is the result of the timing of a dividend payment made of R140 million during October 2010 (2009: R30 million).*

ECONOMIC CAPITAL ADEQUACY AND ICAAP

Nedbank Group's economic capital methodology is contained in the group's Pillar 3 Report. Set out below is a summary of the group's economic capital adequacy and ICAAP position.

GROUP ECONOMIC CAPITAL ADEQUACY



All risk and balance sheet methodologies and models are reviewed regularly to ensure they remain in line with best industry practice and regulatory developments.

As previously advised, enhancements relating to capital allocation to business clusters were implemented in 2010. One major effect of these adjustments has been to allocate most of the surplus capital held at group to the business clusters. This has been done and the comparative results for the business clusters restated.

The key capital allocation enhancements implemented in 2010 were:

- Increase of the group's internal target solvency standard from 99,9% (or A-) to 99,93% (or A) (implemented in 2009).
- Update of the credit portfolio modelling correlations and revision of the credit economic capital allocation methodology, taking into account recent global developments and experience, current best practice and Basel III.
- Change in internal measurement of operational risk for economic capital purposes using AMA.
- Incorporation of 100% of Imperial Bank.
- Implementing refined parameters used in the business risk methodology based on more recent data.
- Adding a new risk type for insurance risk.
- Increasing the aggregate amount allocated to business clusters using bottomup calculated economic capital via the allocation of a capital buffer and thus aligning the clusters' aggregated allocated capital closely with group regulatory capital levels (limited to an effective 10% core Tier 1 regulatory ratio level for the group), on which its ROE is based.

The above had no impact on the group's overall capital level, but significantly increased the quantum of capital allocated to each business cluster and impacted the ROE recorded by the clusters on a steady-state basis.

Nedbank Group's ICAAP confirms that the group is capitalised above its current A or 99,93% target debt rating (solvency standard) in terms of its proprietary economic capital methodology. This includes a 10% capital buffer, the incorporation of the group's risk appetite as approved by the board and the application of comprehensive stress and scenario testing.

ECONOMIC CAPITAL REQUIREMENTS (BY RISK TYPE) AND AVAILABLE FINANCIAL RESOURCES

Rm	2010	2009*
Credit risk	**15 488**	15 414
Securitisation risk	**18**	26
Transfer risk	**89**	146
Market risk	**3 340**	3 255
Trading risk	**424**	442
IRRBB risk	**27**	39
Property risk	**1 436**	1 161
Investment risk	**1 421**	1 580
Forex translation risk	**32**	33
Business risk	**4 715**	4 157
Operational risk	**1 997**	1 968
Other assets risk	**864**	622
Insurance risk	**192**	150
Minimum economic capital requirement	**26 703**	25 738
+ Capital buffer (10%)**	**2 670**	2 574
= TOTAL economic capital requirement	**29 373**	28 312
vs Available financial resources	**42 157**	40 147
Tier A capital (shareholders' equity)	**36 845**	34 909
Tier B capital (non-core Tier 1-type capital)	**5 312**	5 238
= Surplus available after capital buffer	**12 784**	11 835

* *Imperial Bank is included at 100% ownership for economic capital purposes retrospectively to 2009. Results shown incorporate the enhancements made to the economic capital model for 2010.*

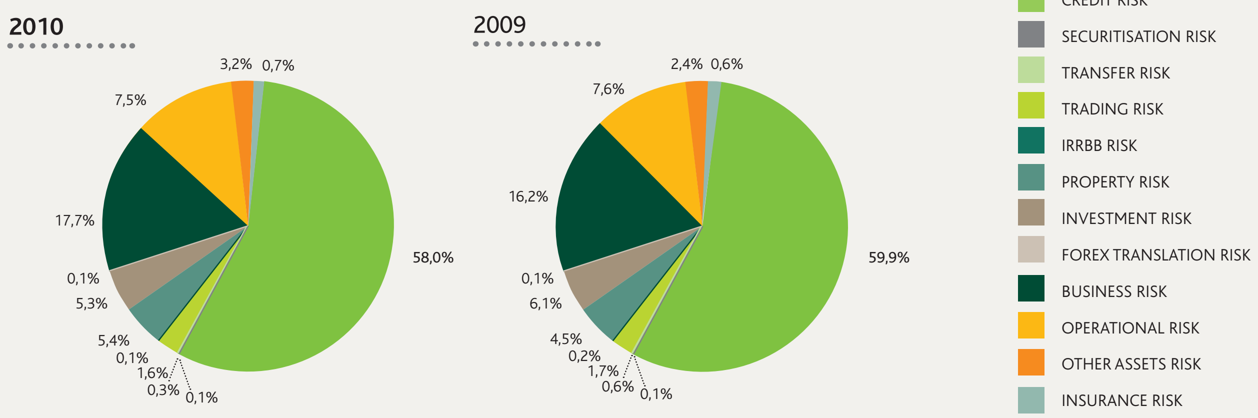
** *Includes goodwill and other intangible assets.*

AVAILABLE FINANCIAL RESOURCES

Rm	2010	2009
Tier A capital	**36 845**	34 909
Ordinary share capital and premium	**15 971**	14 164
Minority interest: ordinary shareholders	**153**	1 849
Reserves	**28 130**	25 485
Retained income	**16 924**	14 130
Unappropriated profits	**1 217**	1 309
Distributable reserves	**7 692**	7 697
Non-distributable reserves	**124**	173
FCT reserves	**(20)**	223
SBP reserves	**949**	875
AFS reserves	**98**	76
Property revaluation reserves	**1 146**	1 002
Deductions	**(9 225)**	(7 827)
Impairments	**(10)**	(8)
Capitalised software development costs	**(1 998)**	
Other intangibles	**(544)**	
Goodwill	**(4 945)**	(4 981)
Subordinated-debt portion of unappropriated profits	**(170)**	(266)
*First loss credit enhancement in respect of securitisation scheme (100%)**	**(88)**	(33)
*Capital held in insurance and financial entities (100%)**	**(1 124)**	(489)
Other adjustments	**(346)**	(2 050)
Excess of IFRS provisions over expected loss (100%)	**1 816**	1 238
Tier B capital	**5 312**	5 238
Preference shares	**3 560**	3 486
Hybrid debt capital instruments	**1 752**	1 752
Total Available Financial Resources	**42 157**	40 147

** 100% deduction in 2010 to align with Basel III changes.*

ECONOMIC CAPITAL REQUIREMENTS (BY RISK TYPE)



The total economic capital (including a 10% buffer) increased by R1,1 billion from R28,3 billion in 2009 (restated) to R29,4 billion in 2010, largely due to an increase in business risk economic capital. The introduction of an economic risk type for insurance risk had a small impact on total economic capital of R192 million (2009: R150 million), which is reflective of the low risk appetite in this business sector.

The decrease in other adjustments for available financial resources is largely due to the purchase of Imperial Bank (minority interest).

In conclusion, Nedbank Group's economic capital adequacy is strong at its A (99,93%) target debt rating (solvency standard), with a surplus at group level of R12,8 billion. This is after the implementation of the enhancements previously mentioned and providing for a 10% economic capital buffer, the adequacy of which is confirmed by sophisticated stress testing.

RISK-BASED CAPITAL ALLOCATION TO BUSINESS CLUSTERS

Risk-based economic capital allocation to the business clusters has been in place since 2008 for risk-adjusted performance measurement and remuneration purposes. It is a fundamental component in the measurement of the businesses' contribution to economic profit, return on risk-adjusted capital and risk-adjusted return on capital.

As discussed on page 214, further enhancements have been made in 2010 to the group's methodology for allocating capital to its businesses. Overall this resulted in additional capital being allocated to each cluster, the main component of which was the introduction of a capital buffer, aligning total allocated capital more closely with total equity upon which the group is measured.

Further refinements to the 2011 allocation methodology have been finalised as part of the 2011-to-2013 business planning process, and will be communicated with the 2011 half-year results.

A summary of the economic capital allocation at 2010 by business cluster is presented below. The key movements in 2010 were the allocation of higher economic capital buffers and an increase in business risk economic capital requirements.

SUMMARY OF MINIMUM ECONOMIC CAPITAL REQUIREMENT AT 2010 (BY BUSINESS CLUSTER)

At 31 December 2010 Rm	Nedbank Group	Nedbank Capital	Nedbank Corporate	Nedbank Business Banking and Retail	Nedbank Retail	Nedbank Business Banking	Nedbank Wealth	Central Management
Credit risk	15 488	1 239	3 194	10 552	8 961	1 591	492	11
Securitisation risk	18	18						
Transfer risk	89	66	23					
Market risk	3 340	1 161	532	235	229	6	83	1 329
Trading risk	424	424						
IRRBB risk	27	2	6	18	15	3	1	
Property risk	1 436		38	212	209	3	10	1 176
Investment risk	1 421	721	483	5	5		61	151
Forex translation risk	32	14	5				11	2
Business risk	4 715	711	835	2 910	2 412	498	259	
Operational risk	1 997	546	504	799	596	203	85	63
Other assets risk	864	32	93	191	184	7	57	491
Insurance risk	192						192	
Minimum economic capital requirement	26 703	3 773	5 181	14 687	12 382	2 305	1 168	1 894
Capital buffer*	17 398	1 342	2 109	6 683	5 715	968	314	6 950**
Total capital allocated (IFRS)	44 101	5 115	7 290	21 370	18 097	3 273	1 482	8 844

* *Unallocated buffer included in Central Management.*

** *Includes goodwill and intangibles.*

SUMMARY OF MINIMUM ECONOMIC CAPITAL REQUIREMENT AT 2009 (BY BUSINESS CLUSTER)

At 31 December 2009 Rm	Nedbank Group	Nedbank Capital	Nedbank Corporate	Nedbank Business Banking and Retail	Nedbank Retail	Nedbank Business Banking	Nedbank Wealth	Central Manage-ment
Credit risk	15 414	1 051	3 544	10 240	8 556	1 684	549	30
Securitisation risk	26	21	–	5	5	–	–	–
Transfer risk	146	103	43	–	–	–	–	–
Market risk	3 255	1 299	613	298	290	8	90	955
Trading risk	442	442						
IRRBB risk	39	3	11	23	18	5	2	
Property risk	1 161		37	270	267	3	1	853
Investment risk	1 580	842	561	5	5		72	100
Forex translation risk	33	12	4				15	2
Business risk	4 157	663	793	2 502	1 821	681	181	18
Operational risk	1 968	535	506	801	603	198	56	70
Other assets risk	622	19	52	193	190	3	26	332
Insurance risk	150	–	–	–	–	–	150	–
Minimum economic capital requirement	**25 738**	**3 691**	**5 551**	**14 039**	**11 465**	**2 574**	**1 052**	**1 405**
Capital buffer*	13 911	1 065	1 814	5 361	4 602	759	315	5 356
Total capital allocated	**39 649**	**4 756**	**7 365**	**19 400**	**16 067**	**3 333**	**1 367**	**6 761**

** Unallocated buffer included in Central Management buffer.*

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 to 13,00% at the beginning of 2011 (2010: 14,15%). The risk-free rate applied was the primary driver of this change with the 10-year point of the SA sovereign yield curve declining to 8,16% (2009: 9,17%) at 31 December 2010. The cost of equity is revised and updated on an annual basis but also reviewed quarterly.

EXTERNAL CREDIT RATINGS

MOODY'S INVESTORS SERVICE

Moody's Investors Service (Moody's) has reaffirmed the ratings of Nedbank Limited, the 100%-owned subsidiary of Nedbank Group Limited (Nedbank Group) in July 2010:

MOODY'S INVESTORS SERVICE	NEDBANK LIMITED July 2010
Bank financial-strength rating	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 currency 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

FITCH RATINGS

Fitch Ratings (Fitch) affirmed its ratings for Nedbank Group and Nedbank Limited. Below is the ratings-related outlook at July 2010.

FITCH RATINGS	NEDBANK GROUP July 2010	NEDBANK LIMITED July 2010
Individual	C	C
Support	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)
Long-term	AA- (zaf)	AA- (zaf)
Long-term rating outlook	Stable	Stable

BOARD OF DIRECTORS
AT 1 JANUARY 2011

Dr Reuel Jethro Khoza (61)
Non-executive Chairman

Appointed August 2005 as a director and May 2006 as non-executive Chairman.

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 was appointed the non-executive Chairman of the group in May 2006. He is also Chairman of Aka Capital, 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. Reuel is also the Chancellor of the University of Limpopo.

Committees Group Directors' Affairs Committee (Chairman).

Shares

Nedbank Group Limited ordinary shares:	*1 374 beneficial indirect.*
Nedbank Limited preference shares:	*0.*

Christopher John Watkins Ball (71)
Non-executive Director

Appointed November 2002 as a director/February 2007 as a senior independent director of Nedbank Group Limited.

Dip Iuris, MA.

Nationality South African.

Chris was appointed independent non-executive director of Nedbank Limited and Nedbank Group Limited during November 2002 and senior independent director in February 2007. He was previously a non-executive director of BoE Limited and five of its subsidiary companies.

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, Group Information Technology (IT) Committee.

Shares

Nedbank Group Limited ordinary shares:	*10 000 beneficial direct.*
Nedbank Limited preference shares:	*144 300 beneficial direct.*

Thomas Andrew Boardman (61)
Non-executive Director

Appointed November 2002 as a director and March 2010 as a non-executive director.

BCom, CA (SA).

Nationality South African.

Tom was Chief Executive of Nedbank Group Limited from December 2003 to February 2010. He was previously Chief Executive and an executive director of BoE Limited. He was the founding shareholder and Managing Director of retail housewares chain Boardmans, which was sold to Pick n Pay in 2006. Prior to this he was Managing Director of Sam Newman Limited and worked for the Anglo American Corporation for three years. He is a non-executive director of Nedbank Group, Vodacom Limited, Woolworths Holdings and Mutual and Federal Insurance Company Limited. He is a director of the World Wide Fund for Nature South Africa and The Peace Parks Foundation and Chairman of the David Rattray Foundation, and serves as a trustee on a number of other charitable foundations.

Committees Group Information Technology (IT) Committee, Group Credit Committee.

Shares

Nedbank Group Limited ordinary shares:	*65 662 beneficial direct and 251 715 beneficial indirect.*
Nedbank Limited preference shares:	*85 000 beneficial indirect.*

Michael William Thomas Brown (44)
Chief Executive

Appointed June 2004 as director and March 2010 as Chief Executive.

BCom, Dip Acc, CA (SA), AMP (Harvard Business School, USA).

Nationality South African.

Mike was previously the Chief Financial Officer of the group. Prior to this he was an executive director of BoE Limited and, after the merger between Nedbank Limited, BoE Limited, Nedcor Investment Bank Limited and Cape of Good Hope Bank Limited, was appointed Head of Property Finance at Nedbank Limited.

Committees

Shares

Nedbank Group Limited ordinary shares:	*54 379 beneficial direct and 327 430 beneficial indirect.*
Nedbank Limited preference shares:	*0.*

Thenjiwe Claudia Pamela Chikane (45)
Non-executive Director

Appointed November 2006.

Chartered Accountant.

Nationality South African.

Thenjiwe was previously the Chief Executive of MGO Consulting and the Head of the Gauteng Department of Finance and Economic Affairs. She is a boardmember of Datacentrix Limited and of the Institute of Directors 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.

Committees **Group Transformation and Sustainability Committee (Chairman), Group Audit Committee, Group Information Technology (IT) Committee, Group Directors' Affairs Committee.**

Shares

Nedbank Group Limited ordinary shares:	*95 319 beneficial indirect.*
Nedbank Limited preference shares:	*0.*

Graham Wayne Dempster (55)
Chief Operating Officer

Appointed August 2009.

BCom, CTA, CA (SA), AMP (Harvard Business School, USA).

Nationality South African.

Graham joined the group in 1980 in the Corporate Finance Division of UAL Merchant Bank Limited. He was appointed General Manager in 1987 and Joint Head of the International Division. He assumed responsibility for the Corporate Banking Division in 1999 and was appointed Managing Director of Nedbank Corporate in 2003. Graham was appointed as the Chief Operating Officer of Nedbank Group Limited in August 2009.

Committees

Shares

Nedbank Group Limited ordinary shares:	*11 881 beneficial direct and 215 229 beneficial indirect.*
Nedbank Limited preference shares:	*0.*

Mustaq Ahmed Enus-Brey (56)
Non-executive Director

Appointed August 2005.

BCompt(Hons), CA (SA).

Nationality South African.

Mustaq was appointed as director in August 2005. He is also a director of Brimstone Investment Corporation Limited and Oceana Group Limited.

Committees **Group Risk and Capital Management Committee (Chairman), Group Directors' Affairs Committee, Group Credit Committee, Executive Credit Committee, Group Finance and Oversight Committee.**

Shares

Nedbank Group Limited ordinary shares:	*2 113 beneficial indirect.*
Nedbank Limited preference shares:	*0.*

Prof Brian De Lacy Figaji (66)
Non-executive Director

Appointed November 2002.

BSc(Eng), Dip Tertiary Edu Med, DEd (Coventry, UK), DLitt(hc) (California, USA).

Nationality South African.

Brian 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 Cape Lime (Pty) Limited and the Development Fund of the Development Bank of Southern Africa. He became a Nedbank Group director in November 2002.

Committees **Group Remuneration Committee (Chairman), Group Credit Committee, Group Directors' Affairs Committee, Group Transformation and Sustainability Committee, Group Audit Committee.**

Shares

Nedbank Group Limited ordinary shares:	*125 933 beneficial indirect and 1 530 non-beneficial indirect.*
Nedbank Limited preference shares:	*0.*

Donald Ian Hope (54)
Non-executive Director

Appointed December 2009.
Member of the Association of Corporate Treasurers 1989.

Nationality New Zealand.

Don 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. Don is Chairman of Old Mutual (Bermuda) Limited.

Committees **Group Risk and Capital Management Committee, Group Remuneration Committee, Group Finance and Oversight Committee.**

Shares
Nedbank Group Limited ordinary shares: *0.*
Nedbank Limited preference shares: *0.*

Alan De Villiers Charles Knott-Craig (58)
Non-executive Director

Appointed January 2009.
BSc(Eng) (Elec), MBL, DBL(hc), DBA(hc).

Nationality South African.

Alan served as Managing Director of 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 and 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.

Committees **Group Information Technology (IT) Committee (Chairman), Group Finance and Oversight Committee, Group Risk and Capital Management Committee, Group Directors' Affairs Committee.**

Shares
Nedbank Group Limited ordinary shares: *0.*
Nedbank Limited preference shares: *0.*

Wendy Elizabeth Lucas-Bull (57)
Non-executive Director

Appointed August 2009.
BSc.

Nationality South African.

Wendy is a member 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, the Development Bank of Southern Africa, BSA, Anglo Platinum and Dimension Data plc. Wendy is also a member of the President's Advisory Council on Black Economic Empowerment.

Committees **Group Credit Committee (Chairman), Executive Credit Committee (Chairman), Group Risk and Capital Management Committee, Group Director's Affairs Committee, Group Finance and Oversight Committee.**

Shares
Nedbank Group Limited ordinary shares: *0.*
Nedbank Limited preference shares: *0.*

Nomavuso Patience Mnxasana (54)
Non-executive Director

Appointed October 2008.
BCompt(Hons), CA (SA).

Nationality South African.

Nomavuso is a director at Winhold Group, Optimum Coal Limited and Land Bank Limited. She was a senior partner and member of the executive committee of SizweNtsaluba before serving as Group Audit and Risk Executive at Imperial Holdings Limited.

Committees **Group Audit Committee, Group Remuneration Committee, Group Risk and Capital Management Committee.**

Shares
Nedbank Group Limited ordinary shares: *51 242 beneficial indirect.*
Nedbank Limited preference shares: *0.*

Raisibe Kgomaraga Morathi (41)
Chief Financial Officer

Appointed September 2009.
BCompt(Hons), CA (SA), H Dip Tax, AMP (Insead).

Nationality South African.

Raisibe has held senior positions in banking and insurance. Prior to joining Nedbank Limited she was an executive director of Sanlam Limited and a non-executive director of Santam Limited. She previously held several executive positions at the Industrial Development Corporation of South Africa Limited, the last position being Chief Operating Officer.

Committees

Shares
Nedbank Group Limited ordinary shares: *91 472 beneficial direct.*
Nedbank Limited preference shares: *0.*

Joel Khathutshelo Netshitenzhe (54)
Non-executive Director

Appointed August 2010.
MSc (University of London, UK).

Nationality South African.

Joel is an executive director of the Mapungubwe Institute (MISTRA) and a member of the National Planning Commission. He has been a member of the National Executive Committee of the African National Congress (ANC) since 1991, and is a member of the ANC's Economic Transformation and Political Education Subcommittees. He served as Head of Policy Coordination and Advisory Services in the Presidency from 2001 to December 2009. He was previously Chief Executive of the Government Communication and Information System and also served as Head of Communication in the President's Office. He was appointed to the board of Life Healthcare Group Holdings Limited as non-executive director with effect from 30 November 2010.

Committees **Group Risk and Capital Management Committee.**

Shares

Nedbank Group Limited ordinary shares:	*0.*
Nedbank Limited preference shares:	*0.*

Julian Victor Frow Roberts (53)
Non-executive Director

Appointed December 2009.
Fellow of Institute of Chartered Accountants, member of Association of Corporate Treasurers, Accountancy and Business Law (University of Stirling, Scotland).

Nationality British.

Julian was appointed Group Chief Executive of Old Mutual plc in September 2008. Prior to this he was Chief Executive of the group's Skandia business. Julian 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.

Committees **Group Directors' Affairs Committee.**

Shares

Nedbank Group Limited ordinary shares:	*0.*
Nedbank Limited preference shares:	*0.*

Gloria Tomatoe Serobe (51)
Non-executive Director

Appointed August 2005.
BCom (Unitra), MBA (Rutgers, USA).

Nationality South African.

Gloria is the Chief Executive of Wipcapital Limited and also the founder and an executive director of Wiphold Limited. She was previously the Executive Director, Finance, at Transnet. Gloria serves on several boards, including that of JSE Limited. She is also a non-executive director of Old Mutual Life Assurance Company (SA) Limited.

Committees **Group Transformation and Sustainability Committee and Group Credit Committee.**

Shares

Nedbank Group Limited ordinary shares:	*1 296 beneficial indirect and 1 296 non-beneficial indirect.*
Nedbank Limited preference shares:	*0.*

Malcolm Ian Wyman (64)
Non-executive Director

Appointed August 2009.
CA (SA) AMP (Harvard Business School, USA).

Nationality British.

Malcolm 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, planning and development.

Committees **Group Audit Committee, Group Remuneration Committee.**

Shares

Nedbank Group Limited 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 sent to holders of Nedbank Limited non-redeemable non-cumulative non-participating 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 will 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; and**
- **a resolution of the company is proposed (in which event the preference shareholders will 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 Executive Boardroom, Ground Floor, Block A, Nedbank Sandton, 135 Rivonia Road, Sandown, Sandton, on Thursday, 5 May 2011, at 15:00.

AGENDA

1 To receive and adopt the annual financial statements of the company for the financial year ended 31 December 2010.

2 To note and confirm the dividends of R995 000 000 declared and paid to the members holding ordinary shares for the period 1 January 2010 to 31 December 2010.

3 To note and confirm preference dividend number 15 of 38,05479 cents per preference share for the period 1 January to 30 June 2010 and paid on Monday, 30 August 2010, and preference dividend number 16 of 36,20548 cents per preference share declared for the period 1 July to 31 December 2010 and paid on Monday, 28 March 2011.

4 To reelect as directors of the company

4.1 Mr MWT Brown,
4.2 Mr MA Enus-Brey,
4.3 Prof B de L Figaji and
4.4 Mr A de VC Knott-Craig,

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 218 to 221 of the annual report.)

5 To elect

5.1 Mr JK Netshitenzhe and
5.2 Mr TA Boardman

as directors of the company. During the year the board of directors appointed the abovenamed persons as directors of the company. They retire in terms of the company's articles of association and, being eligible, they make themselves available for election. (Biographical details of the directors are set out on pages 218 to 221 of the annual report.)

6 To approve the non-executive directors' fees.

7 To approve the remuneration paid to executive directors.

8 To reappoint Deloitte & Touche (with the designated auditor currently being Mr D Shipp) and KPMG Inc (with the designated auditor currently being Ms H Berrange) as joint auditors, pursuant to the authority obtained from the Group Audit Committee, to hold office from the conclusion of this annual general meeting till the next annual general meeting of Nedbank.

9 To authorise the Nedbank Group Audit Committee to determine the remuneration of the company's auditors and the auditors' terms of engagement.

10 To consider and, if deemed fit, pass with or without modification the following resolutions:

ORDINARY RESOLUTION 1

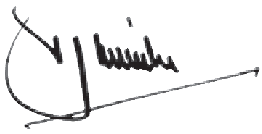
CONTROL OF AUTHORISED, BUT UNISSUED, SHARES

'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 Act), the Banks Act, 94 of 1990, as amended (the Banks Act), and the JSE Limited (JSE) Listings Requirements.'

VOTING BY PROXY

The members entitled to attend, speak and vote at the meeting may appoint a proxy or proxies to attend, speak and vote in their 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
25 February 2011

Transfer secretaries in South Africa:
Computershare Investor Services (Pty) 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

Nedbank Limited
(Incorporated in the Republic of South Africa)
(Reg No 1951/000009/06)
('the company')

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 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 in the Executive Boardroom, Ground Floor, Block A, Nedbank Sandton, 135 Rivonia Road, Sandown, Sandton, on Thursday, 5 May 2011, at 15:00, for the purpose of considering and, if deemed fit, passing with or without modification as ordinary resolutions of the company the 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 (on a show of hands, one vote) (on a poll, each member will be entitled to that proportion of the total votes in the company which the aggregate amount of the nominal value of the shares held bears to the aggregate amount of nominal value of all shares issued and voting)		
		For	Against	Abstain
Resolutions		Number of shares	Number of shares	Number of shares
1	To receive and adopt the annual financial statements for the year ended 31 December 2010			
2	To note and confirm dividends of R995 000 000,00 declared and paid to the members holding ordinary shares for the period 1 January 2010 to 31 December 2010			
3	To note and confirm the dividends paid on preference shares			
4	To reelect the following directors of the company:			
	4.1 Mr MWT Brown			
	4.2 Mr MA Enus-Brey			
	4.3 Prof B de L Figaji			
	4.4 Mr A de VC Knott-Craig			
5	To elect:			
	5.1 Mr JK Netshitenzhe as director			
	5.2 Mr TA Boardman as director			
6	To approve the non-executive directors' fees			
7	To approve the remuneration paid to executive directors			
8	To reappoint Deloitte & Touche and KPMG Inc as joint auditors and nominate and appoint D Shipp and H Berrange respectively as the designated auditing partners			
9	To authorise the Nedbank Group Audit Committee to determine the remuneration of the company's auditors and the auditors' terms of engagement			
10	To consider and, if deemed fit, pass ordinary resolution 1 – placing the authorised, but unissued, share capital under the control of the directors			

Signed at (place) ________________ on (date) ________________ 2011

Signature ________________________________

Assisted by me ________________________________
(where applicable)

Please see the notes on the reverse side hereof

NOTES TO FORM OF PROXY

A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy (who need not be a member of the company) to attend, speak and vote in his/her stead. On a show of hands the members holding ordinary shares in the company will have only one vote. On a poll a member who is present in person or represented by proxy will be entitled to that proportion of the total votes in the company which the aggregate amount of the nominal value of shares held by him bears to the aggregate amount of the nominal value of all the shares issued by the company and carrying the right to vote.

NB

1 The date has to be filled in on this form of proxy when it is signed.

2 This proxy has to be received by:

The Company Secretary, Mr GS Nienaber, c/o Group Secretariat, Ground Floor, Block A, Nedbank Sandton, 135 Rivonia Road, Sandown, Sandton, 2196; PO Box 1144, Johannesburg, 2000 no later than 24 hours before the commencement of the meeting (excluding Saturdays, Sundays and public holidays).

The members holding non-redeemable non-cumulative non-participating preference shares will not be entitled to vote at the meeting. They may nominate and appoint authorised agents and representatives to attend on their behalf, but such attendees will have neither the right to speak nor the right to vote at the meeting.

DEFINITIONS

ADVANCED INTERNAL RATINGS-BASED APPROACH

Advanced Internal Ratings-Based Approach (AIRB), which is subject to supervisory approval where a bank may use its internal developed credit risk measurement systems to calculate the capital requirements for credit risk.

ADVANCED MEASUREMENT APPROACH

The Advanced Measurement Approach (AMA) allows a bank to calculate its regulatory capital charge (using internal models) based on internal risk variables and profiles. This is the only risk-sensitive approach for operational risk allowed in Basel II.

ASSETS UNDER MANAGEMENT

Assets managed by Nedbank Group, which are beneficially owned by clients and are therefore not reported on the consolidated balance sheet. Advances that have either been fully or partially utilised by a borrower.

AUTOMATED TELLER MACHINE

Automated teller machine (ATM) is 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 CAPITAL ACCORD

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.

BASEL ASSET CLASSES (AS CATEGORISED IN THE BA 200 RETURN)

CORPORATE EXPOSURES

CORPORATE

Corporate exposures are defined as a debt obligation of a corporation, partnership or proprietorship. Banks are permitted to distinguish separately exposures to small and medium-sized enterprises.

SPECIALISED LENDING HIGH-VOLATILITY COMMERCIAL REAL ESTATE

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, rolling stock, 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, for example power plants, chemical-processing plants, mines, etc.

SMALL AND MEDIUM ENTERPRISES CORPORATE

This asset class covers all exposures to small and medium enterprises (SME) that are classified as corporate, based on criteria prescribed by the Regulator.

PURCHASED RECEIVABLES CORPORATE

This asset class covers all receivables classified as corporate exposures which are purchased for inclusion in asset-backed securitisation structures, but banks may also use this approach, with the approval of national supervisors, for appropriate on-balance-sheet exposures that share the same features.

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.

LOCAL GOVERNMENTS AND MUNICIPALITIES

This asset class covers all exposures to metropolitan councils, district councils and municipalities.

SOVEREIGN (INCLUDING CENTRAL GOVERNMENT AND CENTRAL BANK)

This asset class covers all exposures to counterparties treated as central government.

SECURITIES FIRMS

This asset class covers all exposures to enterprises regulated by a recognised authority, and which trades in securities.

RETAIL EXPOSURES

RETAIL MORTGAGES (INCLUDING HOME EQUITY LINE OF CREDIT)

This asset class covers all mortgage advances or credit lines to individuals, which are fully secured by a mortgage over residential property.

RETAIL REVOLVING CREDIT

Exposures to individuals that is revolving unsecured, and committed (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.

SMALL AND MEDIUM ENTERPRISES RETAIL

This asset class covers all exposures to small and medium enterprises (SME) that are classified as retail, based on criteria prescribed by the Regulator.

PURCHASED RECEIVABLES – RETAIL

This asset class covers all receivables classified as retail exposures, which are purchased for inclusion in asset-backed securitisation structures, but banks may also use this approach, with the approval of national supervisors, for appropriate on-balance-sheet exposures that share the same features.

BLACK ECONOMIC EMPOWERMENT TRANSACTION

Nedbank Group's black economic empowerment (BEE) transaction, which focused primarily on the issuing of shares to BEE partners for the purposes of broad-based black economic empowerment (BBBEE), 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.

BORROWING GROUP

A group of clients and their underlying loans and advances according to the per person definition of the 'Regulations Related to Banks'.

CAPITAL ADEQUACY RATIO

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 per 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, 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.

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.

CREDIT LOSS RATIO

Credit loss ratio is the impairments charge as a percentage of average advances.

DEFAULTED ADVANCE

Any advance or group of advances that has triggered relevant definition of default criteria for that portfolio that is in line with the amended Banks Act 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 in the event of any transaction within a borrowing group defaulting, then all transactions within the borrowing group would be defaulted.

DEFINITION OF 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.

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 taxation (CGT) and secondary taxation 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 prior year and the interim dividend paid/capitalisation award issued for the year under consideration, expressed in cents.

DIVIDEND YIELD

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

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), establishes the rules, targets and stipulations for the measurement of broad-based black economic empowerment (BBBEE) within South Africa based on three scorecard classifications for organisations: emerging microenterprise (EME), qualifying small enterprise (QSE), or generic enterprise. Nedbank is scored as a generic enterprise under the published codes.

EARNINGS PER SHARE

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

Economic capital (ECAP) 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 still remaining solvent.

ECONOMIC PROFIT OR LOSS

Headline earnings after adjusting for cost of capital.

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

EXPOSURE AT DEFAULT

Exposure at default (EAD) is an estimation of the extent to which a bank may be exposed to a counterparty in the event of, and at the time of, that counterparty's default.

EXPECTED LOSS

Expected loss (EL) is the expected value of portfolio losses due to default over a specified time horizon.

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.

HEADLINE EARNINGS

Headline earnings is not a measure of maintainable earnings. For purposes of the definition and calculation, the guidance given on headline earnings, as issued by the South African Institute of Chartered Accountants in circular 07/02 of December 2002, has been used. Headline earnings consist of the earnings attributable to ordinary shareholders excluding non-trading and capital items.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

International Financial Reporting Standards (IFRS), 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.

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.

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.

INDIRECT TAXATION

Value-added taxation (VAT) and other taxes, levies and duties paid to government, excluding direct taxation.

'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

The Johannesburg Interbank Agreement Rate (JIBAR) is the rate that SA banks charge each other for wholesale money.

KING II (THE CODE)

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

KING III

The revised King Code and Report on Corporate Governance for South Africa 2009, which sets out revised principles of good corporate governance for SA companies.

LONDON INTERBANK OFFERED RATE

London Interbank Offered Rate (LIBOR) is the rate that banks participating in the London money market offer each other for short-term deposits.

MARKET CAPITALISATION

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

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.

NON-INTEREST REVENUE TO TOTAL EXPENSES

Non-interest revenue as a percentage of total expenses from normal operations.

NON-INTEREST REVENUE TO TOTAL INCOME

Non-interest revenue as a percentage of total income from normal operations.

NON-TRADING AND CAPITAL ITEMS

These comprise the following:

- 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 having 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.

OFF-BALANCE-SHEET ASSETS

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

PRICE/EARNINGS RATIO

The closing price of ordinary shares divided by headline earnings (for the previous 12 months) per share.

PROPERTIES IN POSSESSION

Properties in possession (PIPS) acquired through payment defaults on loans secured by properties.

RETURN ON ORDINARY SHAREHOLDERS' EQUITY

Return on ordinary shareholders' equity (ROE) is headline earnings expressed as a percentage of average equity attributable to equity holders of the parent.

RETURN ON ORDINARY SHAREHOLDERS' EQUITY EXCLUDING GOODWILL

Return on ordinary shareholders' equity (ROE) excluding goodwill is headline earnings expressed as a percentage of average equity attributable to equity holders of the parent less goodwill.

RETURN ON TOTAL ASSETS

Return on total assets (ROA) is headline earnings expressed as a percentage of average total assets.

RISK-WEIGHTED ASSETS

Risk-weighted assets (RWA) 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.

SOUTH AFRICAN RESERVE BANK REGULATIONS RELATED TO BANKS AND THE BA RETURNS*

The regulations relating to banks were amended with effect from 01/01/2008, 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.

** The new Banks Act regulatory returns.*

SEGMENTAL REPORTING

OPERATIONAL SEGMENT

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

GEOGRAPHICAL SEGMENT

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

SECURITISATION EXPOSURES

This asset class covers all exposures to tradable, interest-bearing commercial paper, which is secured by an underlying asset, eg mortgage loans.

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 black economic empowerment transaction.

SELF-SERVICE TERMINAL

A self-service terminal (SST) is similar to an ATM, but is designed for non-cash transactions.

THE STANDARDISED APPROACH

The standardised approach (TSA) is an approach to calculate regulatory credit risk requirements that sets out specific risk weights specified by the regulator in lieu of the AIRB Approach.

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.

TOTAL COLLATERAL

The total monetary value of all collateral held by a bank as security for an advance(s), limited to exposure.

TOTAL CREDIT EXTENDED

The total of all advances extended by a bank, including unutilised facilities and other off-balance-sheet exposures.

TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Ordinary share capital, share premium and reserves.

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.

ABBREVIATIONS, ACRONYMS AND INITIALISMS

While acronyms and abbreviations are tools for communicating effectively and concisely, this is only true for those who have a prior understanding of them. It is therefore better to refrain from using them or to give the explanation/definition before using them.

By nature this list is not exhaustive.

ABCP	asset-backed commercial paper
AFS	available for sale
AIRB	Advanced Internal Ratings-based
ALCO	Asset and Liability Committee
AMA	Advanced Measurement Approach
AML	anti-money-laundering
BA	Banks Act
BaU	business as usual
BCM	business continuity management
BEE	black economic empowerment
BRMF	Business Risk Management Forum
CCB1	capital conservation buffer
CCB2	countercyclical capital buffer
CEM	Current Exposure Method
CE	chief executive
CFT	combating the financing of terrorists
CGT	capital gains tax
CGU	cash-generating unit
COE	cost of equity
CPI	consumer price index
DSTI	deferred short-term incentive
dti	Department of Trade and Industry
Ecap	economic capital
EAD	exposure at default
EL	expected loss
EP	economic profit
EPS	earnings per share
ERMF	Enterprisewide Risk Management Framework
EVP	employee value proposition
Exco	Executive Committee
FCT	foreign currency translation
FIC	Financial Intelligence Centre
GORC	Group Operational Risk Committee
GORM	Group Operational Risk Management
GORMF	Group Operational Risk Management Framework
GP	guaranteed package
HVCRE	high-volatility commercial real estate
IAS	International Accounting Standard(s)
IASB	International Accounting Standards Board
ICAAP	Internal Capital Adequacy Assessment Process
IDR	issuer default rating
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IMA	Internal Model Approach
IPRE	income-producing real estate
IRRBB	interest rate risk in the banking book
ISA	International Standards for Auditing
IT	information technology
JIBAR	Johannesburg Interbank Agreed Rate
JSE, the	JSE Limited
KRI	key risk indicator
LCR	liquidity coverage ratio
LGD	loss given default
LIBOR	London Interbank Offered Rate
LTI	long-term incentive
LTIP	Long-term Incentive Plan
MFC	Motor Finance Corporation
MMFTP	matched maturity funds transfer pricing
NCA	National Credit Act
NGR	Nedbank Group Rating
NII	net interest income
NIM	net interest margin
NSFR	net stable funding ratio
OF	object finance
ORM	operational risk management
ORMF	Operational Risk Management Framework
OTC	over the counter
PD	probability of default
PF	project finance
PGN	Professional Guidance Note
PIIGS	Portugal, Italy, Ireland, Greece and Spain
PIP	property in possession
ROA	return on (total) assets
ROE	return on equity/return on ordinary shareholders' funds
RSP	Restricted Share Plan
RWA	risk-weighted asset(s)
SAM	solvency assessment and management
SAPS	South African Police Service
SAR	share appreciation right
SARB	South African Reserve Bank
SARS	South African Revenue Service
SBP	share-based payments
SIFI	systematically important financial institution
SME	small and medium enterprise(s)
SPE	special-purpose entity
SPV	special-purpose vehicle
SREP	Supervisory Review and Evaluation Process
SST	self-service terminal
STT	securities transfer tax
STC	secondary tax on companies
STI	short-term incentive
TSA	The Standardised Approach
VaR	value at risk

CONTACT DETAILS

NEDBANK LIMITED

Incorporated in the Republic of South Africa
Reg No 1951/000009/06

BUSINESS ADDRESS AND REGISTERED OFFICE

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South Africa
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Fax: +27 (0)11 294 6540
Website: www.nedbankgroup.co.za

NEDBANK LIMITED 2010 ANNUAL REPORT

Should you require an additional copy of the Nedbank Limited 2010 Annual Report, please email your address details to Nedbank Group Investor Relations at nedbankgroupir@nedbank.co.za or send a fax to +27 (0)11 294 6549. It is also available on the enclosed CD or online at www.nedbankgroup.co.za.

INVESTOR RELATIONS

The investor relations and financial media functions at Nedbank Group are outsourced. For investor-related information please contact:

TIER 1 INVESTOR RELATIONS

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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

TRANSFER SECRETARIES

SOUTH AFRICA

COMPUTERSHARE INVESTOR SERVICES (PTY) LIMITED

Business address
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Postal address
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South Africa
Tel: +27 (0)11 370 5000
Fax: +27 (0)11 688 5228

NAMIBIA

TRANSFER SECRETARIES (PTY) LIMITED

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Shop 8, Kaiserkrone Centre
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KPMG INC

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Fax: +27 (0)11 647 8000

DISCLAIMER

Nedbank 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 US 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 Standards 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.

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