NEDBANK GROUP

ANNUAL FINANCIAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2009

MAKE THINGS HAPPEN

NEDBANK GROUP

A Member of the OLD MUTUAL Group

RESILIENCE IN THE FACE OF CHALLENGES

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

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

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

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

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

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

Tom Boardman
Chief Executive

Mike Brown
Chief Executive Designate

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- Capital position strengthened – total ratio up from 12,4% to 14,9%
- Diluted headline earnings per share down 29,8% to 983 cents
- Improving credit loss ratio (H1: 1,57% to H2: 1,41%)
- Net asset value per share increased 6,8% to 9 100 cents
- Final dividend per share of 230 cents
- Significant progress on transformation – level-two BBBEE

DOING THINGS DIFFERENTLY HELPS MAKES THINGS HAPPEN

ANNUAL FINANCIAL RESULTS

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Banking environment

The local banking industry experienced an exceptionally tough and volatile year as a result of the impact of the global recession combined with cyclical credit stress in the domestic economy.

Demand for credit slowed dramatically and retail impairments increased significantly as consumers came under severe pressure from falling income, job losses, declining asset prices and record high debt burdens. By the end of 2009 growth in asset-based finance had slowed to 1,0% year-on-year. Interest rates were reduced by 450 basis points to cushion the effects of a rapidly slowing economy and increasing unemployment.

Corporate demand for credit lost momentum due to weak global and local demand, which eroded corporate profits through weaker pricing power, lower commodity prices and a strong rand. Support came from construction projects and increased government spending, boosted primarily by the public sector's infrastructure drive and preparations for the 2010 FIFA World Cup.

Despite the negative economic trends dominating much of 2009, underlying trading conditions showed early signs of improvement around the third quarter. This was led by a rebound in growth in emerging markets, especially China and India, and was followed by initial indications of recovery in most industrialised countries, chiefly brought about by unprecedented government intervention and massive fiscal and monetary stimulation. Improved commodity prices and global demand, brought an element of relief to domestic export manufacturers, lifting South Africa out of 'official' recession in the third quarter. There are early signs that the sharp drop in interest rates is starting to revive household credit demand as house prices showed modest signs of a slow recovery towards the end of the year.

Key to the outlook for 2010 will be employment growth. After job losses of nearly one million during the downturn, employment showed early signs of stabilising in the fourth quarter of 2009. Job creation in the formal sector is likely to be slow, with an overall 2% employment gain for the year being expected. This will support household income and lead to some improvement in consumer finances and therefore spending. The rebound is likely to be slower than in previous cycles given weak consumer and business confidence and tighter lending criteria.

Review of results

Headline earnings decreased by 25,8% from R5 765 million to R4 277 million. Basic earnings reduced by 24,7% to R4 826 million (2008: R6 410 million). [1]

Diluted headline earnings per share (EPS) decreased by 29,8% from 1 401 cents to 983 cents. Diluted EPS declined by 28,8% from 1 558 to 1 109 cents. These results are in line with the guidance given in the third-quarter trading update.[1]

The group's return on average ordinary shareholders' equity (ROE), excluding goodwill, decreased from 20,1% to 13,0%. ROE decreased from 17,7% to 11,5% for the year. These declines were driven primarily by increasing retail impairment levels and the negative impact from lower endowment earnings that reduced the return on assets, together with strengthened capital levels as shareholders' equity growth far exceeded growth in total assets.

Nedbank Retail's credit quality deteriorated in 2009, with impairments worsening significantly, although the rate of new defaults slowed in the second half of the year. Business banking and wholesale banking impairments ended the year at better levels than originally anticipated.

The group's funding and liquidity levels have remained sound as a result of ongoing focus on increasing and strengthening liquidity buffers, lengthening the funding profile, maintaining a low reliance on interbank, foreign and capital markets, as well as robust balance sheet management. A strong, broad-based deposit franchise also provides the group with diverse funding sources.

Nedbank Capital

Nedbank Capital performed well in volatile markets and achieved growth in headline earnings of 6,6% to R1 349 million. Return on risk-adjusted capital (RORAC) increased to 45,3% and economic profit (EP) increased by 18,6% to R955 million.

The interest margin benefited from enhanced credit spreads as a result of a focus on EP and deal optimisation that also contributed to non-interest revenue (NIR) growth of 25,4%. This growth in NIR was supported by market volatility, narrowing of credit spreads and increased client flow that lifted trading revenue. Sound investments in the private equity portfolio, together with investment banking fee income, accounted for the remainder of the growth. Adverse markets were mitigated by active risk management, which resulted in a credit loss ratio of 26 basis points.

Treasury experienced exceptionally strong growth and capitalised well on the reduction in interest rates. Despite delays and cancellations of client projects, numerous new opportunities were originated, enabling Investment Banking to achieve good growth. Global Markets continued to develop the client franchise and generate income within acceptable risk parameters.

Ongoing investment in people, risk processes and systems has allowed management to focus on steadily growing diversified earnings streams within a prudent risk appetite.

The cluster increased its visibility winning a number of key industry awards including "Deal of the Year" *(African Banker)* for the Bakwena deal and "ICT/Telecoms Deal of the Year" *(Africa Investor)* for the Neotel deal.

Nedbank Corporate

Nedbank Corporate's headline earnings decreased by 1,9% to R1 534 million and a RORAC of 29,1% was achieved. EP grew by 11,6% to R836 million, driven by optimising and reducing capital.

Core banking headline earnings, excluding property investing activities, increased by 7,8% and, after aligning for the allocated economic capital change to reflect like-on-like core earnings, increased by 16,2%.

The cluster implemented its selective growth strategies, focusing on high-economic-profit business, and prudently managing related risks. Impairments were well-managed with Corporate Banking and Nedbank Africa holding up well, while Property Finance saw an increase to more normalised levels from the low charge in 2008. Total expense growth was successfully managed within income growth levels.

Net interest income (NII) and NIR on the core banking business grew 9,2% and 18,5% respectively. This growth was driven by improved credit margins, maintaining the quality of the book, modest volume increases in transactional banking products and gains in primary banking clients in both the public and private sectors. Property Finance had a 22,6% contraction in NIR, impacted by declining property valuations in the unlisted property investment portfolio. Average advances increased by 15,2%, with growth from all key businesses.

The credit loss ratio of 0,24% remained at the low end of the expected through-the-cycle range.

Corporate Banking had an excellent year with headline earnings up 25,3%, resulting from strong average asset growth, increased credit margins and good NIR growth across all sectors, supported by a number of primary-client gains.

Property Finance earnings declined 31,5% from the normalisation of its impairment charge, lower utilisation of capital and reduced property investment profits, which although lower than in 2008 exceeded expectations in the subdued market conditions.

Nedbank Africa increased headline earnings by 24,5%, with solid performances from all the underlying businesses.

The group continues to make good progress with its alliance with the Pan-African banking group Ecobank. During the year the group launched various banking initiatives aimed at providing clients with a seamless one-bank experience. This included the implementation of systems to enable the opening of accounts across the 33 country footprint as well as the ability to access both Ecobank and Nedbank accounts through a single view. Local knowledge centres were established in major country hubs in East, West, Central and South Africa to provide local information on selected sectors and countries to support clients in growing and expanding their businesses across the African continent.

The year ahead is expected to hold better prospects. However, the property market will remain subdued and the public sector infrastructure investment programme is likely to proceed at a slower pace post the 2010 FIFA World Cup.

Overall, Nedbank Corporate remains well-placed to grow and optimise business opportunities by leveraging its strong and valued client base and providing innovative solutions through skilled teams.

Nedbank Business Banking

Nedbank Business Banking remained highly profitable through a very challenging economic climate, generating a RORAC of 31,4% (2008: 31,5%) and EP of R610 million (2008: R762 million). The cluster produced headline earnings of R1 055 million, down 22,4% as a result of lower endowment income, a slowdown in client business activity and a reduction in advances to clients with single lending products as the cluster focused on supporting its core transactional clients.

Business Banking successfully implemented a capital optimisation programme, which resulted in a capital reduction from R4,3 billion to R3,4 billion. The cluster maintained its focus on quality asset growth from its primary-client base, while proactively risk managing or reducing exposure to high-risk industries and clients, in particular those with only a single Nedbank lending product, resulting in a modest reduction in client assets of 2,9%.

Proactive risk management practices and the decentralised, accountable business model are fundamental to the way Business Banking operates and ensured that impairments were well-managed. The credit loss ratio of 0,52% (2008: 0,59%) remained within its through-the-cycle range and benefited from portfolio impairment releases of R162 million arising from converting benchmark data to actual loss data.

Despite the overall impact of lower client activity, Business Banking was able to strengthen its business franchise further by:

- improving credit margins on new assets in line with risk-based pricing principles;
- reducing fee leakage through automation of discretionary fee collection;
- prioritising primary-banked client acquisition to drive NIR and deposit growth;
- refining the decentralised business model to differentiate service levels based on client needs/volumes; and
- managing costs effectively while investing in key innovation for the benefit of our people and our clients.

Nedbank Retail

Nedbank Retail had a difficult year and reported a headline loss of R156 million (2008: R1 002 million profit) and an economic loss of R1 448 million for the period (2008: R291 million economic loss). These numbers include Nedbank Bancassurance and Wealth. The tough economic conditions experienced throughout 2009 and high levels of consumer indebtedness tested the effectiveness of lending decisions and risk-based pricing and collection strategies implemented prior to the cycle turning and the results reflect the consequences of these practices, especially in the Home Loans business.

NII was 6,4% lower, primarily as a result of reduced endowment income on capital and non-rate-sensitive deposits, as well as the higher cost of funding.

Impairments increased by 35,7% to R4 925 million, with the credit loss ratio increasing to 3,08% (2008: 2,47%), driven mainly by Home Loans where the defaulted advances increased by 58,5% on 2008. The slower property market and debt counselling processes make it more difficult to cure clients in default. It is therefore taking longer than initially anticipated to rehabilitate clients, notwithstanding the cashflow relief from interest rate reductions.

In response to the challenges experienced in Home Loans a number of steps were taken to improve collection efficiencies, differentiate sales in execution based on value and ease of saleability, and improve the economic profitability of new business written. Greater emphasis was placed on pricing for risk, tightening the loan-to-value (LTV) ratios (which resulted in the weighted average LTV on new business dropping from an average of 82,93% to 79,52% during the year), supporting our existing clients, increasing client rates to reflect higher funding costs and reducing fees paid to originators. Asset margins on new business have widened and the underlying risk quality has improved; however, this will take some time to be evidenced in the margin and advances risk profile, given the low volumes of new business currently being written.

Expense growth has been well-controlled at 9,9% through curtailment of headcount growth in backoffice and support areas. The higher efficiency ratio of 64,9% (2008: 61,1%) arose mainly as a result of lower endowment earnings.

The accountabilities of the Retail executive team were reviewed to improve the effectiveness and focus on people, clients and strategic risk management. Five new members were appointed and the transformation profile of the team was maintained.

More recently the emphasis has been on understanding the current business challenges, ensuring risk exposures are adequately provided for and transitioning Retail into a more client-centred and integrated business focused primarily on growing our primary-client relationships in a holistic way. Key levers include NIR growth, branding, distribution, capital optimisation, managing for value, effective risk management and the Imperial Bank integration, underpinned by the culture of disciplined execution and differentiated client service.

The inherent strengths, opportunities and differentiators of Retail are being evaluated in relation to client segments and their economic profit potential in order to reshape Retail's strategy towards delivering sustainable economic profit through the cycle.

Nedbank Bancassurance and Wealth

Nedbank Group acquired the remaining shares previously held in joint ventures with Old Mutual in BoE Private Clients, Nedgroup Life Assurance Company and Fairbairn Private Bank with effect from 1 June 2009 for an amount of R1,2 billion settled by way of an issue of Nedbank Group shares. Given its strategic importance in the drive to increase NIR, Nedbank Bancassurance and Wealth has been constituted as a new cluster and will be reported on separately from 2010.

The Asset Management Division increased assets by 12,3% to R93,6 billion. While international assets under management declined, the domestic asset management business had strong net inflows of R7,2 billion on the back of good fund performance. Nedgroup Investments was recently awarded third place in the Domestic Management Company of the Year Awards, and received two Raging Bull awards for individual funds.

The Bancassurance Division had a very successful year, despite higher lapses and claims. The short-term insurance gross written premiums totalled R669 million, up 14,5% on 2008. The life assurance business achieved excellent results, with annual premium equivalent growth of 30,0% and value of new-business growth of 54,0%.

The Wealth Management Division was impacted by increased impairments, particularly in BoE Private Clients where the credit loss ratio deteriorated to 0,81% from 0,34% in 2008. In addition, the UK environment of record low interest rates resulted in a reduction of NII in Fairbairn Private Bank from £14 million in 2008 to £7,7 million in 2009. Advice-based sales through Nedbank Financial Planning increased 35,7% year-on-year, mainly into the low-risk and money market funds. BoE Private Clients was rated No1 in Service and Advice in an independent survey by SMRC Marketing Solutions (Pty) Ltd and Fairbairn Private Bank was voted Best International Wealth Manager 2009.

Bancassurance and Wealth is a key focus area in the strategy of driving growth in NIR for the group. Growth opportunities remain positive as a result of the potential to increase penetration of life and short-term products, the refocusing of the Asset Management Division and alignment to a single high-net-worth strategy and business in Wealth Management.

Imperial Bank

Imperial Bank's headline earnings increased by 19,3% to R430,8 million (2008: R361,2 million) as a result of better trading conditions mainly in the second half of 2009. Nedbank Group's share of these earnings increased from R166 million to R201 million. Return on equity of 13,2% and the efficiency ratio of 28,0% were similar to that in the previous year. Loans and advances grew 12,8% to R50,4 billion (2008: R44,7 billion) as Imperial Bank continued to attract good-quality new business. The credit loss ratio of 1,97% (2008: 1,71%) is expected to decrease as recoveries and accounts in arrears continue to improve.

Motor Finance Corporation (MFC) performed well, driven by a continued demand in the used-car market. Appropriate levels of pricing were achieved while maintaining strong risk controls and a lean operating environment. Impairments improved during the second half of the year and this is reflected in a lower credit loss ratio of 2,58% (H1 2009: 3,29% and 2008: 2,47%).

Trading conditions are expected to improve into 2010. However, the economic recovery is fragile and there is continued uncertainty, which could negatively impact on the business and particularly the corporate and commercial businesses.

On 16 September 2009 the group announced that it had entered into a binding agreement to acquire the remaining 49,9% share in Imperial Bank from Imperial Holdings for a purchase consideration of approximately R1 775 million. This is to be settled in cash. During February 2010 final regulatory approvals were received and Nedbank Limited acquired 100% of the ordinary and preference shares in Imperial Bank.

In parallel with this process the section 54 application is being prepared and will be submitted to the Regulator and Minister of Finance to request approval to merge Nedbank Limited and Imperial Bank. This process is anticipated to take at least six months. In the interim Imperial Bank will retain its banking licence and continue operating as a separate bank. There will be no retrenchments from the integration during 2010.

This acquisition allows for greater flexibility to leverage opportunities between Nedbank Limited and Imperial Bank. It will establish Nedbank Limited as the second largest vehicle financier, with an estimated 30% share of the retail vehicle market, and third largest bank by assets in South Africa, allowing for synergies with increased economies of scale. The MFC brand will be retained in the dealer channel.

Since the initial announcements the group has invested significantly in the planning of the integration to ensure a smooth transition in line with our values and guided by legislation and fair employment practices.

Statement of comprehensive income

NII

NII grew 0,8% to R16 306 million.[1]

Following a 450 basis point interest rate cut during 2009 and the resulting effect of lower endowment income, the group's net interest margin decreased in line with expectations to 3,39% from 3,66% in 2008.[1] The primary drivers of margin compression were:

- liability margin compression reflecting the higher cost of term funding;
- lower endowment on capital and non-repricing of transactional deposit accounts that are not rate-sensitive; and
- quicker downward repricing of interest-earning assets compared with interest-earning liabilities.

These were partially offset by the repricing of asset margins in line with the group's risk-based pricing policies.

Impairments charge on loans and advances

The credit loss ratio of 1,47% for 2009 (2008: 1,17%) showed signs of improvement after having peaked at 1,67% at 31 March 2009.[1]

The credit cycle has to date largely impacted consumers and the smaller businesses, as reflected in the continued deterioration of retail credit loss ratios. High levels of unemployment, lower collateral values due to weak housing and vehicle markets, and delays in recoveries resulting from debt counselling have all played a part in the increase in defaulted advances in retail secured loans.

Wholesale banking credit loss ratios have improved since June 2009 and remained better than anticipated for this part of the economic cycle. On the whole credit quality in the Capital, Corporate and Business Banking books has remained within acceptable levels, although in this volatile economic environment the risk of corporate default remains high.

Credit loss ratio (%)	**2009**	2008
Nedbank Capital	**0,26**	0,06
Nedbank Corporate	**0,24**	0,12
Nedbank Business Banking	**0,52**	0,59
Nedbank Retail	**3,08**	2,47
Imperial Bank	**1,97**	1,71
Nedbank Group	**1,47**	1,17

Defaulted advances increased by 56,3% from R17 301 million to R27 045 million and represent 5,9% of total advances. Total impairment provisions increased by 24,7% from R7 859 million to R9 798 million. Although early arrears have improved for the last seven consecutive months in the year, defaulted advances have continued increasing albeit at a slower rate.

NIR

NIR, including the consolidation of the Bancassurance and Wealth joint ventures, grew by 11,0% to R11 906 million (2008: R10 729 million).[1] Like-for-like NIR increased by 6,1%, driven by good growth in commission and fee income and trading income offset to an extent by fair-value gains, which dropped from R368 million in 2008 to R44 million. The drop in fair-value gains is mainly the result of the group reporting, in 2008, fair-value gains of R207 million from the mark-to-market of its own debt, which we mentioned was unlikely to be repeated and was highlighted as poor-quality income that was not attributed to capital. In 2009 fair-value gains on the group's debt amounted to R6 million.

Commission and fee income was 12,4% higher, largely from volume growth in retail transactional banking and increases in fees charged across the bank.

Trading income increased by 18,6% from R1 553 million in 2008 to R1 841 million in 2009, reflecting robust trading activity in treasury, investment banking and the global market businesses.

Private equity income remained broadly flat for the year. However, underlying contributions were mixed with the recovery in the Nedbank Capital private equity portfolio being offset by the Nedbank Corporate Property private equity portfolio having a lower unrealised gain.

NIR from private equity (Rm)	2009	2008
Nedbank Capital private equity	**269**	127
Nedbank Corporate property private equity	**35**	176
Total NIR from private equity	**304**	303

Bancassurance and Wealth NIR increased by 61,7% to R1 518 million for the year, driven primarily from the consolidation of the joint ventures for seven months and with good performances from the asset management, financial planning and life insurance businesses. On a like-for-like basis NIR for Bancassurance and Wealth increased by 4,7%, with good growth in the SA businesses, but pressure on NIR in the international businesses due to the challenging economic environment.

Expenses[1]

Nedbank Group continued to maintain tight control on discretionary spending while investing in strategic areas of the business. Expenses increased by 9,9% to R15 100 million (2008: R13 741 million). This increase was impacted by the consolidation of the Bancassurance and Wealth joint-venture acquisitions with effect from June 2009.

On a like-for-like basis, excluding the joint-venture acquisitions, expenses increased by 7,7%.

Staff expenses grew by 10,9%, driven by an average salary increase of 10,2% in April 2009 (with lower-paid staff receiving slightly more) and as a result of the inclusion of the abovementioned joint-venture acquisitions from 1 June 2009. Staff headcount and temporary staff decreased by 1,9% and 12,3%, respectively.

- Marketing costs were restricted to an increase of 1,4%.
- Information technology costs increased by 8,3% and related mainly to project-based software development and processing costs.
- Occupation and accommodation costs increased by 12,5% as a result of branch and office rent increases, renovations, lease cancellation costs and office relocations.
- Other expenses, which include the black economic empowerment (BEE) share-based payments charge, decreased from R194 million to R126 million.

Associate and joint venture income[1]

Associate income decreased to R55 million in 2009 (2008: R154 million) as a result of the BoE Private Clients and Nedgroup Life Assurance Company (NedLife) joint-venture acquisitions that were previously accounted for as joint ventures under the equity method.

Taxation[1]

The taxation charge (excluding taxation on non-trading and capital items) decreased by 29,9% from R1 757 million in 2008 to R1 232 million. The effective tax rate decreased from 21,6% in 2008 to 20,2% as a result of

- a reduced secondary tax on companies (STC) charge due to lower dividend declarations in 2009 compared with 2008 and, additionally, the interim dividend in 2008 being a full cash dividend with no scrip offer; and
- the release of tax risk provisions no longer required at December 2009.

Non-trading and capital items[1]

Income after taxation from non-trading and capital items decreased to R549 million for the year (2008: R645 million). The main contribution in 2009 came from the accounting revaluation of the Bancassurance and Wealth joint ventures immediately prior to their acquisition, while in the previous year the main contributor was R622 million after-tax profit from the sale of Visa shares.

Statement of financial position

Total assets

Total assets increased by 0,6% to R571 billion (2008: R567 billion). During the year:

- cash and securities declined by 8,2% mainly from the maturing of R10 billion of additional liquid assets. This was offset by the purchase of replacement government bonds of R4 billion to hedge long-term debt instruments; and
- the group showed lower trading and derivative balances mainly arising from foreign exchange movements.

This was balanced by:

- growth in intangible assets related to the Bancassurance and Wealth joint-venture acquisitions;
- growth in investments from the first-time consolidation of NedLife; and
- an increase in advances.

Advances

Advances increased by 3,7% to R450 billion, reflecting:

- ongoing growth in Nedbank Capital and Imperial Bank;
- slower growth in Nedbank Corporate and Nedbank Retail; and
- reduced advances in Nedbank Business Banking due to a slowdown in client demand for credit and a reduction of single-product loans in line with the drive to reduce higher risk exposures and focus on primary clients.

Growth in advances took place across a number of categories, including personal loans, mortgage loans, preference shares, deposits placed under reverse repurchase agreements and other loans, offset by a decrease in low-margin overnight loans. Overall market share increased by 1,4%.

The group has focused on managing for value and selective asset growth while improving margins, resulting in bank advances growth and lower levels of advances in the trading portfolio. Details of advances growth by division are as follows:

Advances (Rm)	2009	2008	Change (%)
Nedbank Capital	**55 315**	47 686	16,0
Nedbank Corporate	**137 173**	136 222	0,7
Nedbank Business Banking	**50 115**	55 321	(9,4)
Nedbank Retail	**157 500**	150 107	4,9
Imperial Bank	**50 451**	44 734	12,8
Other	**(253)**	163	(>100,0)
Total	**450 301**	434 233	3,7

Deposits[1]

The group retained a strong ratio of advances to deposits of 96%. It grew deposits in line with its requirement to fund the growth in balance sheet assets, with deposits increasing by 0,5% to R469,4 billion (2008: R466,9 billion). In the retail deposit market current and savings account balances remain at low levels as consumers reduce debt levels. In the wholesale deposit market current and savings accounts as well as fixed deposits have increased, partially offset by a reduction in other term deposits.

Optimising and diversifying the funding mix and lengthening the profile continued to be a key management focus. Despite intense competition in the local deposit market, the group has maintained its strong deposit franchise and continues to hold the second largest share of household deposits at 24,2%. During the year a number of innovative retail deposit products were successfully introduced, including Nedbank's Equity-linked Deposit, EasyAccess Deposit and Platinum Park-It.

Capital

Nedbank Group remains focused on optimising and strengthening its capital ratios. During 2009 these ratios have increased significantly and continue to be maintained above the group's target ratios. The group holds a surplus of R13,5 billion above its minimum total regulatory capital adequacy requirements.

Capital adequacy	2009 ratio	2008 ratio	Target range	Regulatory minimum
Core Tier 1 ratio	**9,9%**	8,2%	7,5% to 9,0%	5,25%
Tier 1 ratio	**11,5%**	9,6%	8,5% to 10,0%	7,00%
Total capital ratio	**14,9%**	12,4%	11,5% to 13,0%	9,75%

** Capital adequacy ratios include unappropriated profit at the year-end.*

Regulatory capital adequacy ratios increased mainly due to the retention of earnings and a key focus on the optimisation of capital and risk-weighted assets, enabled by enhancing data quality and more selective asset growth using our economic-profit-based 'managing for value' philosophy. This resulted in risk-weighted assets decreasing by 8,1%, which is well below overall balance sheet growth of 0,6%. The group was also able to maintain its dividend cover at 2,309 times while increasing capital.

To increase conservatism the group increased its target debt rating (solvency standard) from A- to A for internal economic capital requirements in line with the higher target ratios for regulatory capital announced early in 2009. A more conservative definition of available financial resources to cover the economic capital requirements was also introduced.

The group currently holds a surplus of R11,8 billion against its economic capital requirements. This is calibrated to the new A debt rating including a 10% buffer, which is assessed against comprehensive stress and scenario testing.

The group's leverage ratio (total assets to ordinary shareholders equity) at 14,4 times (2008: 16,2 times) is conservative by international standards and in line with the local peer group.

In response to the global financial crisis the Basel Committee on Banking Supervision has released far-reaching new requirements and proposals related to capital, liquidity, risk management and accounting provisioning aimed at creating a more resilient global banking sector. Currently these have a targeted implementation date of the end of 2012. The impact on capital is, at this early stage, anticipated to be moderate for the major SA banks, but remains subject to a comprehensive quantitative impact study in the first half of 2010 and finalisation of the proposals by the end of 2010. The impact of the liquidity proposals would be significant on SA banks if implemented as is, but we anticipate modifications and changes appropriate for South Africa. No liquidity issues were experienced in South Africa during the global financial crisis.

Funding and liquidity

The group's liquidity position remains sound, with a loan-to-deposit ratio of 95,9%. Management continues to focus on diversifying the funding base, lengthening the funding profile and further strengthening and increasing the liquidity buffers.

COMMENTARY

CONTINUED

In addition to the strong deposit franchise across Nedbank Retail, Nedbank Business Banking and Nedbank Corporate providing a diverse funding mix, the group successfully increased the size of its liquidity buffer in 2009 and lengthened the overall funding profile in order to achieved improved asset-to-liability matching. Increased focus on capital market issuance under the domestic medium-term note programme, the introduction of innovative fixed-deposit products for retail clients and a broader offering of money market products were the primary drivers behind the lengthening of the funding profile.

During the year the following programmes were undertaken to diversify the funding base and lengthen the bank's existing funding profile:

- the issuing of R5,6 billion of senior unsecured debt, which was five times oversubscribed;[1]
- the raising of R153 million in perpetual preference shares;[1]
- obtaining a $100 million credit line from a foreign development bank; and [1]
- focusing on the retail deposit base through innovative products.[1]

Nedbank Group maintains a low reliance on interbank, capital market and foreign funding. The group's small proportion of foreign funding at just over 1,0% is driven by the group's regional focus where 91,4% of the group's asset base is in South Africa. Low historic reliance in the abovementioned markets creates diversification opportunities subject to pricing.

Nedbank Group continues to adopt a strategy of applying best international practice, with the Basel principles on sound liquidity management having been further embedded during this financial period.

Transformation

Transformation remains a key strategic differentiator and the group continues to seek opportunities to realise its ambition of becoming a truly southern African group. There have been clear measurable shifts in attitude, culture and diversity, and this progress has raised morale in the organisation. The group was ranked as the most empowered financial institution in South Africa and the third most empowered company out of the JSE top 200 companies. Our progress is reflected in the group having been verified as a level-two BEE contributor (2008: level three) in terms of the Department of Trade and Industries (dti) Codes scorecard.

Outlook, targets and prospects

The group currently anticipates gross domestic product (GDP) growth of around 2,2% in 2010, indicating slightly better prospects for the banking sector. The global environment and the 2010 FIFA World Cup are primary factors influencing domestic recovery, although the global recovery remains fragile and reliant on continued government support.

Locally retail trading conditions are expected to improve as disposable income stabilises, retrenchments ease, general labour conditions start improving, debt burdens moderate and house prices start to recover. Interest rates are likely to remain steady at current levels and lead to lower impairment levels. The 2010 FIFA World Cup is expected to lift confidence and encourage an increase in household credit demand and transactional banking volumes.

Fixed-investment activity is expected to remain modest as a result of excess capacity in the private sector and some loss of momentum in the government's infrastructure spending programme as several large projects around the hosting of the FIFA World Cup are completed. These developments are likely to contain corporate demand for credit, while strong competition will place pressure on margins.

Interest rate cuts from the previous year will continue to have a negative endowment effect on banking interest margins, but should be partially offset by a gradual decrease in impairments as recoveries and arrears levels improve. The reversal of provisions in the balance sheet is expected to take longer as defaulted advances continue to increase, albeit at a slower rate. The group remains cautious about impairments as, although corporate impairments have been benign, there can be large once-off charges that are difficult to predict, and it is uncertain how the current economic challenges could further impact consumers.

Nedbank Group's performance in 2010 is likely to reflect:

- advances growth in the mid-single digits;
- pressure on interest margins remaining as a result of a continued negative endowment effect and anticipated to be compressed by a further 10 to 20 basis points;
- continued improvement of the group credit loss ratio, but remaining above our target range;
- mid double-digit NIR growth, the increase being impacted by the consolidation of the Bancassurance and Wealth joint-venture acquisitions for the full period in 2010, compared with the seven months in 2009;
- lower double-digit expense growth. The increase being impacted by the consolidation of the Bancassurance and Wealth joint-venture acquisitions;
- a further strengthening of capital adequacy ratios and focus on funding and liquidity; and
- a focus on extracting value from acquisitions made in 2009.

The economic environment remains fragile, presenting forecast risk. The short-term outlook for 2010 assumes that interest rates will remain unchanged for the year.

	Medium-to-long-term targets	2010 outlook
ROE (excluding goodwill)	5% above monthly weighted average cost of ordinary shareholders' equity	Improving, but below target.
Efficiency ratio	< 50,0%	Worsening, remaining above target.
NIR-to-expenses	> 85%	Improving, but below target.
Growth in diluted headline EPS	At least consumer price index + GDP growth + 5%	Improving, forecast to exceed target.
Impairment charge (credit loss ratio)	Between 0,6% and 1,0% of average advances	Improving, but above target.
Basel II core Tier 1 capital adequacy ratio	7,5% to 9,0%	Improving, above top end of target.
Basel II Tier 1 capital adequacy ratio	8,5% to 10,0%	Improving, above top end of the range.
Basel II total capital adequacy ratio	11,5% to 13,0%	Improving, above top end of the range.
Economic capital	Capitalised to 99,93% confidence interval on economic capital basis (target debt rating A including 10% buffer)	A including 10% buffer.
Dividend cover policy	2,25 to 2,75 times	2,25 to 2,75 times.

Shareholders are advised that these forecasts, objectives and targets have not been reviewed or reported on by the group's auditors.

Group Executive Committee

During 2009 the group announced a new management structure. The new executive appointments were mostly internal and, with the exception of two of the appointments, all were previously in a senior management role in the same business area, ensuring a smooth transition.

- Tom Boardman, Chief Executive (CE), retires with effect from 28 February 2010, and will be succeeded by Mike Brown who has been appointed CE with effect from 1 March 2010. Mike was Chief Financial Officer (CFO) until 31 August 2009 when he was appointed CE Designate.
- Graham Dempster, Chief Operating Officer (COO) and executive director, has overall responsibility for Group Finance, Balance Sheet Management, Information Technology, Human Resources, Marketing and Corporate Affairs, and Strategic Planning.
- Raisibe Morathi, CFO and Executive Director.
- Brian Kennedy, Managing Executive: Nedbank Capital.
- Mfundo Nkuhlu, Managing Executive: Nedbank Corporate.
- Ingrid Johnson, Managing Executive: Retail and Business Banking and with overall responsibility for Business Banking and Nedbank Retail.
- Sandile Shabalala, Managing Executive: Business Banking.
- Saks Ntombela, Managing Executive: Nedbank Retail.
- David Macready, Managing Executive: Bancassurance and Wealth.
- Trevor Adams, Group Executive: Balance Sheet Management.
- Ciko Thomas, Group Executive: Marketing and Corporate Affairs.
- John Bestbier, Group Executive: Strategic Planning.

Nedbank Group would like to thank Tom Boardman for his significant contribution during his tenure as CEO. Tom implemented and successfully led the group through its turnaround. During this period, with Tom's focus on staff, the group saw a dramatic improvement in staff morale and an alignment of values. His comprehensive focus on sustainability issues saw the group becoming one of the most transformed companies in South Africa, the cementing of its position as the 'green bank', improvements in client service and support for government and communities. This has provided a solid platform for long-term, sustainable growth and has enabled the group to remain profitable in spite of the challenging operating environment.

Board changes

As previously reported, the following changes were made during the course of the year:

Independent non-executive director	*Appointed*
Alan Knott-Craig	1 January 2009
Wendy Lucas-Bull	1 August 2009
Jabu Moleketi	1 August 2009
Malcolm Wyman	1 August 2009
Non-executive directors	
Julian Roberts	1 December 2009
Don Hope	1 December 2009
Executive directors	
Graham Dempster	5 August 2009
Raisibe Morathi	1 September 2009

COMMENTARY

CONTINUED

Following the retirement of Tom Boardman as CE on 28 February 2010, he has accepted the invitation from the board to serve as a non-executive director of Nedbank Group and Nedbank Limited with effect from 1 March 2010.

Rosie Harris, Lot Ndlovu and Bob Head resigned from the board on 31 March 2009, 16 October 2009 and 19 February 2010 respectively.

Michael Katz, JB Magwaza and Mafika Mkwanazi retired as independent non-executive directors with effect from 19 November 2009, each having served on the board for more than nine years.

Accounting policies[1]

Nedbank Group Limited is a company domiciled in South Africa. The condensed consolidated financial results of the group at and for the year ended 31 December 2009 comprised the company and its subsidiaries and the group's interests in associates and jointly controlled entities.

Nedbank Group's principal accounting policies have been applied consistently over the current and previous financial years, except for the adoption for this year of IFRS 3: Business Combinations, IFRS 2: Vesting Conditions and Cancellations (Amendment), IAS 1: Presentation of Financial Statements (Amendment), IAS 27: Consolidated and Separate Financial Statements (Amendment), IFRS 7: Enhancing Disclosures about Fair Value and Liquidity Risk (Amendment), IAS 32: Financial Instruments: Presentation, and IAS1: Presentation of Financial Instruments – Puttable Financial Instruments Arising on Liquidation and Obligations (Amendment), IAS 39: Financial Instruments: Recognition and Measurement: Eligible Hedged Items and Clarification regarding ending Assessment of Embedded Derivatives (Amendment), IFRIC 13: Customer Loyalty Programmes and IFRIC 17: Distributions of Non-cash Assets to Owners.

Nedbank Group's consolidated financial results have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the presentation and disclosure requirements of IAS 34: Interim Financial Reporting.

In the preparation of these financial results the group has applied key assumptions concerning the future and other indeterminate sources in recording various assets and liabilities. These assumptions were applied consistently to both the company and group financial statements for the year ended 31 December 2009. These assumptions are subject to ongoing review and possible amendments.

Subsequent events[1]

As of the date of this announcement there are no adjusting post consolidated statement of financial position events to report. On 5 February 2010 approval for the acquisition of the remaining 49,9% share in Imperial Bank was obtained from the SA Reserve Bank. Further details are included in the acquisition note attached.

Audited results – auditors' opinion

KPMG Inc and Deloitte & Touche, Nedbank Group's independent auditors, have audited the consolidated annual financial statements of Nedbank Group Limited from which the condensed consolidated financial results have been derived, and have expressed an unqualified audit opinion on the consolidated annual financial statements. The condensed consolidated financial results comprise the consolidated statement of financial position at 31 December 2009, consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash-flow statement for the year then ended, and selected explanatory notes. The selected explanatory notes are marked with [1]. The audit report is available for inspection at Nedbank Group's registered office.

Forward-looking statement

This announcement contains certain forward-looking statements with respect to the financial condition and results of operations of Nedbank Group and its group companies, which by their nature involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, global, national and regional economic conditions; levels of securities markets; interest rates; credit or other risks of lending and investment activities; as well as competitive and regulatory factors. By consequence all forward-looking statements have not been audited.

Annual general meeting

The Nedbank Group annual general meeting will be held on Tuesday, 4 May 2010, in the Auditorium, Retail Place West, Nedbank Sandton, 135 Rivonia Road, Sandown, at 09:00.

Capitalisation award with a cash dividend alternative[1]

Notice is hereby given that the directors of the company have resolved to issue fully paid ordinary shares in the company as a capitalisation award to ordinary shareholders. Ordinary shareholders will be entitled, in respect of all or part of their shareholding, to elect to receive new fully paid ordinary shares, which will be issued only to those ordinary shareholders who elect in respect of all or part of their shareholding, on or before 12:00

on Friday, 9 April 2010, in South Africa, and on or before 11:00 on Friday 9 April 2010 in Namibia to receive the capitalisation award shares. Shareholders not electing to receive new fully paid ordinary shares in respect of all or part of their shareholding will be entitled to receive a cash dividend alternative of 230 cents per ordinary share (the cash dividend alternative).

In accordance with the provisions of STRATE, the electronic settlement and custody system used by JSE Limited, the relevant dates for the capitalisation award election and the cash dividend alternative are as follows:

	2010
Last day to trade to participate in the capitalisation award or the cash dividend alternative	Wednesday, 31 March
Shares trade ex the capitalisation award election and the cash dividend alternative on	Thursday, 1 April
Listing of the maximum number of new ordinary shares that may be taken up in terms of the capitalisation award on	Thursday, 1 April
Last day to elect to receive capitalisation award shares (by 12:00), failing which the cash dividend alternative will be received	Friday, 9 April
Record date to participate in the capitalisation award or receive the cash dividend alternative	Friday, 9 April
Payment of the cash dividend alternative to shareholders who have not elected to participate in the capitalisation award or have participated in the capitalisation award in respect of only part of their shareholding on	Monday, 12 April
New shares issued and posted or participant or broker accounts credited regarding the shares to be issued to shareholders participating in the capitalisation award in respect of all or part of their shareholding on	Monday, 12 April
The maximum number of new shares listed in terms of the capitalisation award, adjusted to reflect the actual number of shares issued in terms of the capitalisation award, on or about	Friday, 16 April

Shares may not be dematerialised or rematerialised between Thursday, 1 April 2010, and Friday, 9 April 2010, both days inclusive.

The dates and times alongside are subject to change. Any changes will be published on the Securities Exchange News Service (SENS) and in the press.

The number of capitalisation shares to which shareholders are entitled will be determined in the ratio that 230 cents per ordinary share bears to the 30-day volume-weighted average price for the company's share, to be determined no later than Tuesday, 23 March 2010. Details of the ratio will be published on SENS no later than Wednesday, 24 March 2010, at 11:00 and in the financial press the following business day. Trading in the STRATE environment does not permit fractions and fractional entitlements. Accordingly, where a shareholder's entitlement to new ordinary shares calculated in accordance with the above formula gives rise to a fraction of a new ordinary share, such fraction will be rounded up to the nearest whole number, where the fraction is greater than or equal to 0,5, and rounded down to the nearest whole number, where the fraction is smaller than 0,5.

A circular relating to the capitalisation award and the cash dividend alternative will be posted to shareholders on or about 15 March 2010.

Note:

1 Dematerialised shareholders are required to notify their duly appointed participant or broker of their election in terms of the capitalisation award in the manner and at the time stipulated in the agreement governing the relationship between shareholders and their participant or broker.

2 The right to elect capitalisation award shares in jurisdictions other than the Republic of South Africa may be restricted by law and failure to comply with any of these restrictions may constitute a violation of the securities laws of any such jurisdictions.

For and on behalf of the board

Dr RJ Khoza	**TA Boardman**	**MWT Brown**
Chairman	Chief Executive	Chief Executive Designate

25 February 2010

FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER

		% change	2009	2008
STATISTICS				
Number of shares listed	m		**498,7**	468,9
Number of shares in issue excluding shares held by group entities	m		**435,7**	409,7
Weighted average number of shares	m		**423,4**	405,4
Diluted weighted average number of shares	m		**435,1**	411,5
Headline earnings per share	cents	(29,0)	**1 010**	1 422
Diluted headline earnings per share	cents	(29,8)	**983**	1 401
Basic earnings per share	cents	(27,9)	**1 140**	1 581
Diluted basic earnings per share	cents	(28,8)	**1 109**	1 558
Ordinary dividends declared per share	cents	(29,0)	**440**	620
– Interim			**210**	310
– Final			**230**	310
Dividend paid per share	cents		**520**	660
Dividend cover	times		**2,30**	2,29
Total assets administered by the group	Rm	2,1	**664 330**	650 391
Total assets	Rm	0,6	**570 703**	567 023
Assets under management	Rm	12,3	**93 627**	83 368
Life assurance embedded value	Rm	40,5	**795**	566
Life assurance value of new business	Rm	54,5	**187**	121
Net asset value per share	cents	6,8	**9 100**	8 522
Tangible net asset value per share	cents	3,1	**7 398**	7 179
Closing share price	cents	29,9	**12 405**	9 550
Price/earnings ratio	historical		**12,3**	16,7
Market capitalisation	Rbn	38,2	**61,9**	44,8
Number of employees		(1,9)	**27 037**	27 570
KEY RATIOS (%)				
ROE excluding goodwill			**13,0**	20,1
Return on ordinary shareholders' equity (ROE)			**11,5**	17,7
Return on total assets (ROA)			**0,75**	1,09
Net interest income to average interest-earning banking assets			**3,39**	3,66
Non-interest revenue to total income			**42,2**	39,9
Non-interest revenue to total expenses			**78,8**	78,1
Credit loss ratio			**1,47**	1,17
Efficiency ratio			**53,5**	51,1
Efficiency ratio (excluding BEE transaction expenses)			**53,1**	50,4
Effective taxation rate			**20,2**	21,6
Group capital adequacy ratios: Basel II (including unappropriated profits)				
– Core Tier I			**9,9**	8,2
– Tier 1			**11,5**	9,6
– Total			**14,9**	12,4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

Rm	Note	% change	2009	2008
Interest and similar income		(12,8)	**50 537**	57 986
Interest expense and similar charges		(18,1)	**34 231**	41 816
Net interest income	1	0,8	**16 306**	16 170
Impairment charge on loans and advances	2	37,6	**6 634**	4 822
Income from lending activities		(14,8)	**9 672**	11 348
Non-interest revenue	3	11,0	**11 906**	10 729
Operating income		(2,3)	**21 578**	22 077
Total expenses	4	9,9	**15 100**	13 741
Operating expenses		10,5	**14 974**	13 547
BEE transaction expenses		(35,1)	**126**	194
Indirect taxation		17,1	**438**	374
Profit from operations before non-trading and capital items		(24,1)	**6 040**	7 962
Non-trading and capital items		(17,5)	**624**	756
Profit on sale of subsidiaries, investments, property and equipment			**635**	767
Net impairment of investments, property, equipment and capitalised development costs			**(11)**	(11)
Profit from operations		(23,6)	**6 664**	8 718
Share of profits of associates and joint ventures	10	(64,3)	**55**	154
Profit before direct taxation		(24,3)	**6 719**	8 872
Total direct taxation	5	(30,0)	**1 307**	1 868
Direct taxation		(29,9)	**1 232**	1 757
Taxation on non-trading and capital items		(32,4)	**75**	111
Profit for the year		(22,7)	**5 412**	7 004
Other comprehensive income net of taxation			**(228)**	255
Exchange differences on translating foreign operations			**(335)**	242
Fair value adjustments on available-for-sale assets			**21**	(71)
Gains on property revaluations			**86**	84
Total comprehensive income for the year		(28,6)	**5 184**	7 259
Profit attributable to:				
Equity holders of the parent			**4 826**	6 410
Non-controlling interest – ordinary shareholders	6		**242**	257
– preference shareholders	7		**344**	337
Profit for the year		(22,7)	**5 412**	7 004
Total comprehensive income attributable to:				
Equity holders of the parent			**4 603**	6 665
Non-controlling interest – ordinary shareholders			**237**	257
– preference shareholders			**344**	337
Total comprehensive income for the year		(28,6)	**5 184**	7 259
EARNINGS RECONCILIATION				
Profit attributable to equity holders of the parent		(24,7)	**4 826**	6 410
Less: Non-headline earnings items			**549**	645
Non-trading and capital items			**624**	756
Taxation on non-trading and capital items			**(75)**	(111)
Headline earnings		(25,8)	**4 277**	5 765

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

Rm	Note	2009	2008
ASSETS			
Cash and cash equivalents		**7 867**	8 609
Other short-term securities		**18 550**	18 589
Derivative financial instruments		**12 710**	22 321
Government and other securities		**35 983**	42 138
Loans and advances	8	**450 301**	434 233
Other assets		**5 455**	6 084
Clients' indebtedness for acceptances		**2 031**	3 024
Current taxation receivable		**602**	346
Investment securities	9	**11 025**	8 455
Non-current assets held for sale		**12**	10
Investments in associate companies and joint ventures	10	**924**	1 167
Deferred taxation asset		**282**	200
Investment property		**211**	213
Property and equipment		**4 967**	4 327
Long-term employee benefit assets		**1 860**	1 741
Intangible assets	11	**7 415**	5 501
Mandatory reserve deposits with central bank		**10 508**	10 065
Total assets		**570 703**	567 023
EQUITY AND LIABILITIES			
Ordinary share capital		**436**	410
Ordinary share premium		**13 728**	11 370
Reserves		**25 485**	23 133
Total equity attributable to equity holders of the parent		**39 649**	34 913
Non-controlling interest attributable to			
– ordinary shareholders	6	**1 849**	1 881
– preference shareholders		**3 486**	3 279
Total equity		**44 984**	40 073
Derivative financial instruments		**11 551**	23 737
Amounts owed to depositors	13	**469 355**	466 890
Other liabilities		**11 252**	9 829
Liabilities under acceptances		**2 031**	3 024
Current taxation liabilities		**315**	235
Deferred taxation liabilities		**1 945**	2 100
Long-term employee benefit liabilities		**1 304**	1 231
Investment contract liabilities		**6 749**	5 843
Insurance contract liabilities		**1 133**	
Long-term debt instruments	14	**20 084**	14 061
Total liabilities		**525 719**	526 950
Total equity and liabilities		**570 703**	567 023
Guarantees on behalf of clients		**28 161**	25 226

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER

Rm	2009	2008
Cash generated by operations	**14 915**	14 557
Change in funds for operating activities	**(14 603)**	(10 674)
Net cash generated by operating activities before taxation	**312**	3 883
Taxation paid	**(2 318)**	(2 233)
Cash flows from operating activities	**(2 006)**	1 650
Cash flows utilised by investing activities	**(3 171)**	(999)
Cash flows generated/(utilised) by financing activities	**4 878**	(685)
Net decrease in cash and cash equivalents	**(299)**	(34)
Cash and cash equivalents at the beginning of the year*	**18 674**	18 708
Cash and cash equivalents at the end of the year*	**18 375**	18 674

** Including mandatory reserve deposits with central banks.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

Rm	Number of ordinary shares	Ordinary share capital	Ordinary share premium	Reserves not available for distribution	Foreign currency translation reserve
Balance at 31 December 2007	401 941 399	402	10 721	113	256
Shares issued in terms of Employee Incentive Schemes	4 809 873	5	535		
Shares issued in terms of capitalisation award	4 039 422	4	455		
Shares issued in terms of BEE transaction	3 345 585	3	315		
Shares delisted in terms of BEE transaction	(2 533 558)	(2)			
Shares sold by group entities	19 000				
Shares acquired/cancelled by group entities	(1 913 981)	(2)	(656)		
Shares issued by subsidiary					
Preference share dividend paid					
Ordinary minority shareholders' share of preference dividend paid					
Dividends paid to ordinary shareholders					
Total income and expenses for the year		–	–	(113)	289
Total comprehensive income for the year					248
Net (expenses)/income recognised directly in equity		–	–	(113)	41
Transfer (to)/from reserves				(52)	41
Release of reserve previously not available***				(61)	
Preference shares held by group entities					
Disposal of subsidiary					
Share-based payments reserve movements					
Regulatory risk reserve provision					
Other movements					
Balance at 31 December 2008	409 707 740	410	11 370	–	545
Shares issued in terms of Employee Incentive Schemes	8 848 120	9	825		
Shares issued in terms of capitalisation award	7 928 235	8	649		
Shares issued in terms of BEE transaction	2 488 048	2	294		
Shares issued	12 855 359	13	1 160		
Shares delisted in terms of BEE transaction	(2 388 143)	(2)			
Shares acquired/cancelled by group entities	(3 706 182)	(4)	(570)		
Preference share dividend paid					
Ordinary minority shareholders' share of preference dividend paid					
Dividends paid to ordinary shareholders					
Total income and expenses for the year		–	–	–	(321)
Total comprehensive income for the year					(321)
Net (expenses)/income recognised directly in equity		–	–	–	–
Transfer (to)/from reserves					
Preference shares acquired by group entities					
Share-based payments reserve movements					
Acquisition of subsidiary					
Buy out of outside shareholders' interests					
Regulatory risk reserve provision					
Other movements					
Balance at 31 December 2009	435 733 177	436	13 728	–	224

* *Represents other non-distributable revaluation surplus on capital items and non-distributable reserves transferred from other distributable reserves in order to comply with the Bank's Act 1990.*

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

*** *Relates to differences between the market price and the exercise price of the options granted to employees that were exercised during the current year.*

Property revaluation reserve	Share-based payment reserve	Other non-distributable reserves*	Available-for-sale reserve	Other distributable reserves**	Total equity attributable to equity holders of the parent	Non-controlling interest attributable to ordinary shareholders	Non-controlling interest attributable to preference shareholders	Total shareholders' equity
848	874	465	134	16 380	30 193	1 511	3 421	35 125
					540			540
					459			459
					318			318
					(2)			(2)
					–			–
					(658)			(658)
					–	225		225
					–		(341)	(341)
					–	(4)	4	–
				(2 736)	(2 736)	(81)		(2 817)
103	75	(290)	(70)	6 805	6 799	230	195	7 224
84			(77)	6 410	6 665	257	337	7 259
19	75	(290)	7	395	134	(27)	(142)	(35)
19	(113)	(290)	7	388	–			–
					(61)			(61)
					–		(142)	(142)
					–	(29)		(29)
	188				188			188
		7			7			7
		(7)		7	–	2		2
951	**949**	**175**	**64**	**20 449**	**34 913**	**1 881**	**3 279**	**40 073**
					834			**834**
					657			**657**
					296			**296**
					1 173		**361**	**1 534**
					(2)			**(2)**
					(574)			**(574)**
					–		**(353)**	**(353)**
					–	**(9)**	**9**	**–**
				(2 253)	**(2 253)**	**(5)**		**(2 258)**
51	**(74)**	**(2)**	**12**	**4 939**	**4 605**	**(18)**	**190**	**4 777**
86			**12**	**4 826**	**4 603**	**237**	**344**	**5 184**
(35)	**(74)**	**(2)**	**–**	**113**	**2**	**(255)**	**(154)**	**(407)**
(35)	**(102)**	**2**		**135**	**–**			**–**
					–		**(154)**	**(154)**
	28				**28**			**28**
					–	**26**		**26**
				(17)	**(17)**	**(281)**		**(298)**
		(4)			**(4)**			**(4)**
				(5)	**(5)**			**(5)**
1 002	**875**	**173**	**76**	**23 135**	**39 649**	**1 849**	**3 486**	**44 984**

RECONCILIATION OF SHARES IN ISSUE AND SHARE PREMIUM

FOR THE YEAR ENDED 31 DECEMBER

Ordinary share capital and premium

		31 December 2009				31 December 2008			
	Price R	**Number of shares m**	**Total Rm**	**Ordinary share capital Rm**	**Ordinary share premium Rm**	Number of shares m	Total Rm	Ordinary share capital Rm	Ordinary share premium Rm
Total shares listed		**498,7**	**17 419**	**499**	**16 920**	468,9	14 614	470	14 144
Less: Treasury shares held		**63,0**	**3 255**	**63**	**3 192**	59,2	2 834	60	2 774
Bought back – capital management									
Executed H2 2005	97,2	**1,0**	**100**	**1**	**99**	1,0	100	1	99
Executed H1 2006	111,7	**5,5**	**616**	**6**	**610**	5,5	616	6	610
Executed H2 2006	109,2	**8,2**	**897**	**8**	**889**	8,2	897	8	889
Bought back – capital management	109,04	**14,7**	**1 613**	**15**	**1 598**	14,7	1 613	15	1 598
BEE transaction shares		**40,4**	**938**	**40**	**898**	41,9	938	42	896
Other shares held by group entities		**7,9**	**704**	**8**	**696**	2,6	283	3	280
Net shares reported		**435,7**	**14 164**	**436**	**13 728**	409,7	11 780	410	11 370

EARNINGS PER SHARE AND WEIGHTED AVERAGE SHARES

FOR THE YEAR ENDED 31 DECEMBER

Earnings per share	Basic	Diluted basic	Headline	Diluted headline
December 2009				
Earnings for the year	**4 826**	**4 826**	**4 277**	**4 277**
Weighted average number of ordinary shares	**423 428 547**	**435 070 582**	**423 428 547**	**435 070 582**
Earnings per share (cents)	**1 140**	**1 109**	**1 010**	**983**
December 2008				
Earnings for the year	6 410	6 410	5 765	5 765
Weighted average number of ordinary shares	405 412 483	411 533 633	405 412 483	411 533 633
Earnings per share (cents)	1 581	1 558	1 422	1 401

Basic earnings and headline earnings per share are calculated by dividing the relevant earnings amount by the weighted average number of shares in issue. Fully diluted basic earnings and fully diluted headline earnings per share are calculated by dividing the relevant earnings amount by the weighted average number of shares in issue after taking the dilutive impact of potential ordinary shares to be issued into account (the estimated future dilutive shares arising from the BEE transaction as set out in note 15).

Number of weighted average dilutive potential ordinary shares ('000)

Generally, potential shares are dilutive if the strike price + SBP charge to come < average share price for the period of R101,61 (the SBP charge to come represents the value of services to be received by Nedbank Group in exchange for these potential shares).

	December 2009		December 2008
	Potential shares	**Weighted average dilutive shares**	Weighted average dilutive shares
Traditional schemes	**19 145**	**7 220**	4 021
Nedcor share incentive trust (1994)	**1 870**	**545**	1 027
Nedbank Group options scheme (2005)	**16 423**	**6 220**	2 588
Matched share scheme	**852**	**455**	406
BEE schemes – South Africa	**27 699**	**4 381**	2 094
Black Business Partners	**7 891**	**1 024**	
Non-executive directors	**622**	**171**	81
Retail	**5**	**1**	1 065
Corporate	**10 231**	**1 976**	
Black Executives	**1 305**	**286**	226
Black Management	**7 645**	**923**	722
BEE schemes – Namibia	**519**	**42**	6
Black Business Partners	**200**		
Affinity Groups	**74**		
Education	**99**		
LTIP: Black	**21**	**10**	
LTIP: White	**50**	**22**	
Black Management	**75**	**10**	6
Total	**47 363**	**11 643**	6 121

NEDBANK GROUP: CATEGORIES OF FINANCIAL INSTRUMENTS

AS AT 31 DECEMBER 2009

Rm	TOTAL	At fair value through profit or loss: Held for trading	At fair value through profit or loss: Designated
ASSETS			
Cash and cash equivalents	7 867		
Other short-term securities	18 550	10 316	5 214
Derivative financial instruments	12 710	12 710	
Government and other securities	35 983	568	16 029
Loans and advances	450 301	13 858	37 598
Other assets	5 455	832	667
Clients' indebtedness for acceptances	2 031		
Current taxation receivable	602		
Investment securities	11 025	273	10 451
Non-current assets held for sale	12		
Investment in associate companies and joint ventures	924		908
Deferred taxation asset	282		
Investment property	211		
Property and equipment	4 967		
Post-employment assets	1 860		
Intangible assets	7 415		
Mandatory reserve deposits with central bank	10 508		
Total assets	570 703	38 557	70 867
TOTAL EQUITY AND LIABILITIES			
Ordinary share capital	436		
Ordinary share premium	13 728		
Reserves	25 485		
Total equity attributable to equity holders	39 649	–	–
Minority shareholders' equity attributable to ordinary shareholders	1 849		
Minority shareholders' equity attributable to preference shareholders	3 486		
Total equity	44 984	–	–
Derivative financial instruments	11 551	11 551	
Amounts owed to depositors	469 355	30 037	74 993
Other liabilities	11 252	4 895	
Liabilities under acceptances	2 031		
Current taxation liabilities	315		
Deferred taxation liabilities	1 945		
Post-employment liability	1 304		
Investment contract liabilities	6 749		6 749
Insurance contract liabilities	1 133		1 133
Long-term debt instruments	20 084		7 811
Total liabilities	525 719	46 483	90 686
Total equity and liabilities	570 703	46 483	90 686

CLASSIFICATIONS IN TERMS OF IAS 39

A financial asset or financial liability ***at fair value through profit or loss*** is an asset or liability held that was either acquired to sell or repurchase in the short term, or is managed on a portfolio basis for short-term gains, or is a derivative or is an asset or liability that has been designated for classification and valuation as fair value through profit and loss.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss and are held at fair value with fair value gains and losses recorded directly within equity and not through profit and loss.

Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Financial liabilities at amortised cost	Non-financial assets and liabilities
		7 867		
2 042	978			
804	13 444	5 138		
		398 845		
		3 956		
				2 031
				602
301				
				12
				16
				282
				211
				4 967
				1 860
				7 415
		10 508		
3 147	14 422	426 314	–	17 396
				436
				13 728
				25 485
–	–	–		39 649
				1 849
				3 486
–	–	–		44 984
			364 325	
			6 357	
				2 031
				315
				1 945
				1 304
			12 273	
–	–	–	382 955	5 595
–	–	–	382 955	50 579

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity date that an entity has the positive intention and ability to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are carried at an accrued value and not fair valued.

Financial liabilities at amortised cost are non-derivative liabilities carried at amortised cost and not fair valued.

Non-financial assets and liabilities are all other assets and liabilities, which fall outside of the scope of IAS 39.

NEDBANK GROUP: CATEGORIES OF FINANCIAL INSTRUMENTS

AS AT 31 DECEMBER 2008

Rm	TOTAL	At fair value through profit or loss: Held for trading	At fair value through profit or loss: Designated
ASSETS			
Cash and cash equivalents	8 609		
Other short-term securities	18 589	7 102	4 552
Derivative financial instruments	22 321	22 321	
Government and other securities	42 138	1 247	16 053
Loans and advances	434 233	10 427	34 280
Other assets	6 084	1 004	167
Clients' indebtedness for acceptances	3 024		
Current taxation receivable	346		
Investment securities	8 455	257	7 952
Non-current assets held for sale	10		
Investment in associate companies and joint ventures*	1 167		867
Deferred taxation asset	200		
Investment property	213		
Property and equipment	4 327		
Post-employment assets	1 741		
Intangible assets	5 501		
Mandatory reserve deposits with central bank	10 065		
Total assets	567 023	42 358	63 871
TOTAL EQUITY AND LIABILITIES			
Ordinary share capital	410		
Ordinary share premium	11 370		
Reserves	23 133		
Total equity attributable to equity holders	34 913	–	–
Minority shareholders' equity attributable to ordinary shareholders	1 881		
Minority shareholders' equity attributable to preference shareholders	3 279		
Total equity	40 073	–	–
Derivative financial instruments	23 737	23 737	
Amounts owed to depositors	466 890	19 611	98 976
Other liabilities	9 829	3 712	50
Liabilities under acceptances	3 024		
Current taxation liabilities	235		
Deferred taxation liabilities	2 100		
Post-employment liability	1 231		
Investment contract liabilities	5 843		5 843
Long-term debt instruments	14 061		7 951
Total liabilities	526 950	47 060	112 820
Total equity and liabilities	567 023	47 060	112 820

** In terms of IFRS 7: Financial instruments and it's disclosure amendments in respect of fair value hierarchy, the Group on implementation has presented certain investments in associates as designated at fair value through profit and loss.*

Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Financial liabilities at amortised cost	Non-financial assets and liabilities
		8 609		
5 165	1 770			
310	18 726	5 802		
		389 526		
		4 913		
				3 024
				346
246				
				10
				300
				200
				213
				4 327
				1 741
				5 501
		10 065		
5 721	20 496	418 915	–	15 662
				410
				11 370
				23 133
–	–	–		34 913
				1 881
				3 279
–	–	–		40 073
			348 303	
			6 067	
				3 024
				235
				2 100
				1 231
			6 110	
–	–	–	360 480	6 590
–	–	–	360 480	46 663

RETURN ON EQUITY DRIVERS

FOR THE YEAR ENDED 31 DECEMBER

Rm	2009	2008	
Net interest income	**16 306**	16 170	Net interest income/average interest-earning banking assets
Impairment of loans and advances	**(6 634)**	(4 822)	Impairments/average interest-earning banking assets
Non-interest revenue	**11 906**	10 729	Non-interest revenue/average interest-earning banking assets
Income from normal operations	**21 578**	22 077	
Total operating expenses	**(15 100)**	(13 741)	Total expenses/average interest-earning banking assets
Share of profits of associates and joint ventures	**55**	154	Associate income/average interest-earning banking assets
Net profit before taxation	**6 533**	8 490	
Indirect taxation	**(438)**	(374)	
Direct taxation	**(1 232)**	(1 757)	1 – effective taxation rate
Net profit after taxation	**4 863**	6 359	
Non-controlling interest	**(586)**	(594)	Income attributable to minorities
Headline earnings	**4 277**	5 765	Headline earnings
Daily average interest-earning banking assets*	**481 378**	441 713	
Daily average total assets*	**522 234**	483 419	Interest-earning banking assets/daily average total assets
Simple average total assets	**568 863**	527 940	Return on total assets
Simple average shareholders' funds	**37 281**	32 553	Gearing
			Return on ordinary shareholders' equity (ROE) ROE excluding goodwill

** Average calculated on a 365/366-day basis.*

	2009	2008
	3,39%	3,66%
less	1,38%	1,09%
add	2,47%	2,43%
	4,48%	5,00%
Impairments/NII	40,7%	29,8%
NIR/Expenses	78,8%	78,1%
less	3,14%	3,11%
add	0,01%	0,03%
Efficiency ratio	53,5%	51,1%
	1,35%	1,92%
multiply	0,74	0,75
multiply	0,88	0,91
	0,88%	1,31%
multiply	84,6%	83,7%
=	0,75%	1,09%
multiply	15,26	16,22
=	11,5%	17,7%
	13,0%	20,1%

OPERATIONAL SEGMENTAL REPORTING

FOR THE YEAR ENDED 31 DECEMBER

Consolidated statement of financial position (Rm)	Nedbank Group		Nedbank Capital		Nedbank Corporate	
	2009	2008	**2009**	2008	**2009**	2008
ASSETS						
Cash and cash equivalents	**18 375**	18 674	**2 875**	2 488	**1 807**	2 381
Other short-term securities	**18 550**	18 589	**12 233**	8 880	**949**	756
Derivative financial instruments	**12 710**	22 321	**12 471**	21 972	**79**	36
Government and other securities	**35 983**	42 138	**12 519**	11 466	**4 060**	4 207
Advances and other accounts	**450 301**	434 233	**55 315**	47 686	**137 173**	136 222
Other assets	**34 784**	31 068	**3 393**	3 473	**4 538**	4 904
Intergroup assets			**97 754**	92 741		
Total assets	**570 703**	567 023	**196 560**	188 706	**148 606**	148 506
EQUITY AND LIABILITIES						
Amounts owed to depositors	**469 355**	466 890	**175 041**	157 017	**119 811**	133 798
Other liabilities	**24 729**	22 262	**6 399**	4 844	**2 417**	3 600
Derivative financial instruments	**11 551**	23 737	**11 404**	23 521	**76**	35
Intergroup liabilities					**21 029**	5 026
Long-term debt instruments	**20 084**	14 061	**739**		**2**	172
Allocated capital	**44 984**	40 073	**2 977**	3 324	**5 271**	5 875
Total equity and liabilities	**570 703**	567 023	**196 560**	188 706	**148 606**	148 506

Consolidated statement of comprehensive income (Rm)	Nedbank Group 2009	Nedbank Group 2008	Nedbank Capital 2009	Nedbank Capital 2008	Nedbank Corporate 2009	Nedbank Corporate 2008
Net interest income	**16 306**	16 170	**1 111**	938	**2 966**	2 671
Impairment charge on loans and advances	**6 634**	4 822	**141**	36	**327**	141
Income from lending activities	**9 672**	11 348	**970**	902	**2 639**	2 530
Non-interest revenue	**11 906**	10 729	**2 235**	1 782	**1 490**	1 455
Operating income	**21 578**	22 077	**3 205**	2 684	**4 129**	3 985
Total expenses	**15 100**	13 741	**1 605**	1 419	**2 047**	1 964
Operating expenses	**14 974**	13 547	**1 570**	1 387	**2 021**	1 939
BEE transaction expenses	**126**	194	**35**	32	**26**	25
Indirect taxation	**438**	374	**23**	24	**28**	24
Profit/(Loss) from operations	**6 040**	7 962	**1 577**	1 241	**2 054**	1 997
Share of profits of associates and joint ventures	**55**	154			**(1)**	9
Profit/(Loss) before direct taxation	**6 095**	8 116	**1 577**	1 241	**2 053**	2 006
Direct taxation	**1 232**	1 757	**230**	(32)	**501**	426
Profit/(Loss) after taxation	**4 863**	6 359	**1 347**	1 273	**1 552**	1 580
Profit attributable to:						
Non-controlling interest – ordinary shareholders	**242**	257	**(2)**	7	**18**	16
– preference shareholders	**344**	337				
Headline earnings	**4 277**	5 765	**1 349**	1 266	**1 534**	1 564
Selected ratios						
Average interest-earning banking assets (Rm)	**481 378**	441 713	**139 087**	106 770	**142 908**	144 288
Return on average assets (%)	**0,8+**	1,1+	**0,7**	0,8	**1,0**	1,1
Return on risk-adjusted capital (%)	**11,5+**	17,7+	**45,3**	38,1	**29,1**	26,6
Interest margin (%)*	**3,39**	3,66	**0,80**	0,88	**2,08**	1,85
Non-interest revenue to gross income (%)	**42,2**	39,9	**66,8**	65,5	**33,4**	35,3
Non-interest revenue to total expenses (%)	**78,8**	78,1	**139,3**	125,6	**72,8**	74,1
Credit loss ratio (%)	**1,47**	1,17	**0,26**	0,06	**0,24**	0,12
Efficiency ratio (%)	**53,5**	51,1	**48,0**	52,2	**45,9**	47,6
Efficiency ratio (excluding BEE) (%)	**53,1**	50,4	**46,9**	51,0	**45,4**	47,0
Effective taxation rate (%)	**20,2**	21,6	**14,6**	(2,6)	**24,4**	21,2
Contribution to group economic profit (Rm)	**(74)**	1 790	**955**	805	**836**	749
Number of employees	**27 037**	27 570	**695**	693	**3 719**	3 911

+ These ratios were calculated on simple average amounts.
** Cluster margins include internal assets.*

Nedbank Business Banking		Nedbank Retail		Imperial Bank		Shared Services		Central Management		Eliminations	
2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	(1)	1 686	1 780	1 216	1 102	194	108	10 597	10 816		
		3 021	6 935	2 347	1 563				455		
		13	280	18	19			129	14		
				207	534			19 197	25 931		
50 115	55 321	157 500	150 107	50 451	44 734	121	94	(374)	69		
809	881	15 637	11 861	1 088	784	7 116	6 171	2 203	2 994		
28 462	23 445			333	32			2 735	(3 640)	(129 284)	(112 578)
79 386	79 646	177 857	170 963	55 660	48 768	7 431	6 373	34 487	36 639	(129 284)	(112 578)
75 021	74 242	98 151	98 861	1 181	1 361	340	301	(190)	1 310		
1 007	1 089	10 939	8 330	420	321	3 842	3 428	(295)	650		
		4	84	52	78	1		14	19		
		56 995	52 335	49 099	42 856	2 160	1 585	1	10 776	(129 284)	(112 578)
		2 019	2 031	1 147	792			16 177	11 066		
3 358	4 315	9 749	9 322	3 761	3 360	1 088	1 059	18 780	12 818		
79 386	79 646	177 857	170 963	55 660	48 768	7 431	6 373	34 487	36 639	(129 284)	(112 578)
2 710	3 227	7 016	7 497	2 033	1 733	(191)	(361)	661	465		
284	330	4 925	3 630	957	701	1	(1)	(1)	(15)		
2 426	2 897	2 091	3 867	1 076	1 032	(192)	(360)	662	480	–	–
1 211	1 123	6 494	5 546	199	88	387	362	(33)	449	(77)	(76)
3 637	4 020	8 585	9 413	1 275	1 120	195	2	629	929	(77)	(76)
2 119	2 055	8 762	7 973	626	525	84	132	(66)	(251)	(77)	(76)
2 111	2 048	8 727	7 881	626	525	42	90	(46)	(247)	(77)	(76)
8	7	35	92			42	42	(20)	(4)		
22	19	191	173	50	51	122	80	2	3		
1 496	1 946	(368)	1 267	599	544	(11)	(210)	693	1 177	–	–
		56	146						(1)		
1 496	1 946	(312)	1 413	599	544	(11)	(210)	693	1 176	–	–
441	586	(166)	357	168	182	(144)	(178)	202	416		
1 055	1 360	(146)	1 056	431	362	133	(32)	491	760	–	–
		10	54	215	181			1	(1)		
				15	15			329	322		
1 055	1 360	(156)	1 002	201	166	133	(32)	161	439	–	–
80 023	76 861	160 037	151 974	49 055	41 554	126	104	21 288	19 286	(111 146)	(99 124)
1,3	1,8	(0,1)	0,6	0,8	0,8						
31,4	31,5	(1,6)	10,8	13,2	13,2						
3,39	4,20	4,38	4,93	4,14	4,17						
30,9	25,8	48,1	42,5	8,9	4,8						
57,1	54,6	74,1	69,6	31,8	16,8						
0,52	0,59	3,08	2,47	1,97	1,71						
54,1	47,2	64,9	61,1	28,0	28,8						
53,9	47,1	64,6	60,4	28,0	28,8						
29,5	30,1	53,1	25,3	28,1	33,5						
610	762	(1 448)	(291)	201	166	(11)	(179)	(1 217)	(222)		
2 229	2 281	16 058	16 461	1 107	1 148	3 212	3 060	17	16		

NEDBANK CORPORATE SEGMENTAL REPORT

FOR THE YEAR ENDED 31 DECEMBER

	Corporate Banking		Property Finance	
	2009	2008	**2009**	2008
Headline earnings (Rm)	**812**	648	**548**	800
Return on risk adjusted capital (%)	**39,9**	32,6	**20,7**	23,7
Return on average assets (%)	**0,55**	0,45	**0,79**	1,32
Credit loss ratio (%)	**0,12**	0,12	**0,35**	0,07
Non-interest revenue to total expenses (%)	**66,1**	63,1	**69,1**	91,2
Efficiency ratio (%)	**44,7**	50,8	**33,7**	31,0
Impairment charge on loans and advances (Rm)	**80**	71	**213**	38
Total assets (Rm)	**137 805**	149 314	**72 497**	69 235
Average total assets (Rm)	**147 020**	144 987	**68 971**	60 398
Total advances (Rm)	**66 440**	70 541	**62 640**	59 816
Average total advances (Rm)	**68 590**	59 770	**60 152**	51 215
Total deposits (Rm)	**107 835**	124 130	**66**	116
Average total deposits (Rm)	**120 250**	124 775	**85**	122
Allocated capital (Rm)	**2 035**	1 990	**2 642**	3 372

** Includes Centralised Credit, Risk, HR, Finance, Shared Services, Transactional Banking, MBCA and Eliminations.*

NEDBANK BUSINESS BANKING SEGMENTAL REPORT

FOR THE YEAR ENDED 31 DECEMBER

	2009	2008
Headline earnings (Rm)	**1 055**	1 360
Return on risk adjusted capital (%)	**31,4**	31,5
Return on average assets (%)	**1,32**	1,77
Credit loss ratio (%)	**0,52**	0,59
Non-interest revenue to total expenses (%)	**57,1**	54,6
Efficiency ratio (%)	**54,1**	47,2
Impairment charge on loans and advances (Rm)	**284**	330
Total assets (Rm)	**79 386**	79 646
Average total assets (Rm)	**79 962**	76 788
Total advances (Rm)	**50 115**	55 321
Average total advances (Rm)	**52 820**	54 524
Total deposits (Rm)	**75 021**	74 242
Average total deposits (Rm)	**75 478**	71 403
Allocated capital (Rm)	**3 358**	4 315

Africa		Other*		Total	
2009	2008	**2009**	2008	**2009**	2008
117	94	**57**	22	**1 534**	1 564
21,7	19,7			**29,1**	26,6
1,11	0,99			**1,04**	1,06
0,52	0,56			**0,24**	0,12
63,1	53,6			**72,8**	74,1
70,9	71,7			**46,0**	47,6
34	32			**327**	141
10 969	9 828	**(72 665)**	(79 871)	**148 606**	148 506
10 531	9 532	**(79 648)**	(67 283)	**146 874**	147 634
7 396	5 699	**697**	166	**137 173**	136 222
6 579	5 650	**422**	1 198	**135 743**	117 833
9 462	8 242	**2 448**	1 310	**119 811**	133 798
9 297	8 452	**2 274**	3 674	**131 906**	137 023
538	477	**56**	36	**5 271**	5 875

NEDBANK RETAIL SEGMENTAL REPORT

FOR THE YEAR ENDED 31 DECEMBER

	Small Business Services		Card		Personal loans		Transactional and Investment Products		Private Bank	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Headline earnings (Rm)	**33**	201	**362**	225	**263**	241	**59**	300	**(31)**	48
Return on risk adjusted capital (%)	**3,7**	24,7	**21,0**	14,2	**18,1**	18,4	**6,4**	31,1	**(7,2)**	13,1
Return on average assets (%)	**0,2**	1,4	**4,2**	2,7	**2,6**	3,6	**0,1**	0,6	**(0,2)**	0,4
Credit loss ratio (%)	**3,35**	3,29	**7,65**	9,41	**10,29**	10,32	**8,46**	12,84	**1,39**	0,63
Non-interest revenue to total expenses (%)	**55,8**	53.7	**120,5**	121,1	**58,3**	42,4	**57,3**	56,0	**35,2**	29,1
Efficiency ratio (%)	**67,3**	59,5	**59,7**	60,7	**40,4**	42,5	**93,4**	80,4	**76,6**	75,5
Impairment charge on loans and advances (Rm)	**413**	339	**558**	695	**801**	687	**109**	177	**171**	68
Total assets (Rm)	**11 823**	11 571	**7 401**	7 472	**8 589**	6 350	**789**	828	**12 491**	11 551
Average total assets (Rm)	**11 820**	10 061	**7 296**	7 646	**7 282**	6 208	**997**	1 146	**12 180**	10 637
Total advances (Rm)	**11 795**	11 548	**6 731**	6 584	**8 344**	6 139	**771**	819	**12 470**	11 538
Average total advances (Rm)	**11 782**	10 028	**6 664**	6 802	**7 037**	5 929	**972**	1 087	**12 162**	10 620
Total deposits (Rm)	**16 098**	14 902	**825**	1 033	**6**	3	**57 456**	56 375	**10 591**	10 485
Average total deposits (Rm)	**15 244**	13 375	**958**	1 024	**44**	42	**56 540**	52 376	**10 367**	9 033
Allocated capital (Rm)	**900**	814	**1 724**	1 582	**1 452**	1 308	**924**	965	**426**	366

* *Includes Retail Central unit, Marketing, Risk, Shared Services and Divisional Management.*
Prior year Alco charges and transfer pricing have been restated in line with the current reporting structure.

NEDBANK RETAIL – BANCASSURANCE

FOR THE YEAR ENDED 31 DECEMBER

Rm	% change	**2009**	2008
New Business premiums			
Credit, Single Life and Simple Investment Products **(Nedlife)**	28,2	**780,1**	608,3
Short-term Insurance **(Nedic & NGIB)**	4,8	**1 145,7**	1 092,9
Advise-based products **(NFP)**	35,7	**6 911,4**	5 091,7
Life	(1,7)	**1 404,2**	1 429,0
Non-life	51,4	**4 958,8**	3 274,5
Nedbank Preference Shares	41,3	**548,4**	388,2
Total	30,1	**8 837,2**	6 792,9
% Group via NFP		**91%**	89%
Advised-based products **(NFP) APE**	16,8	**759,2**	649,9
Group	24,1	**639,3**	515,1
Non-group	(11,1)	**119,9**	134,8
Credit, Single Life and Simple Investment Products **(Nedlife) APE**	29,7	**561,5**	433,4

Secured lending		Homeloans		Vehicle Assets Finance		Other*		Bancassurance & Wealth		Total	
2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
(1 284)	(565)	**(1 167)**	(395)	**(117)**	(170)	**(39)**	98	**481**	454	**(156)**	1 002
(37,7)	(16,1)	**(41,8)**	(13,5)	**(19,3)**	(28,9)			**54,6**	62,6	**(1,6)**	10,8
(1,3)	(0,6)	**(1,3)**	(0,5)	**(1,6)**	(2,4)			**1,4**	1,4	**(0,1)**	0,6
2,69	1,81	**2,57**	1,56	**4,30**	4,99			**0,47**	0,47	**3,08**	2,47
17,3	20,2	**15,9**	19,3	**21,0**	22,7	**(0,4)**	(3,9)	**123,8**	111,0	**74,1**	69,6
54,0	51,3	**51,2**	46,5	**64,2**	71,2			**64,2**	60,6	**64,9**	61,1
2 725	1 727	**2 414**	1 383	**311**	344	**65**	(132)	**83**	70	**4 925**	3 630
99 597	98 896	**92 278**	92 099	**7 319**	6 797	**3 258**	3 309	**33 909**	30 986	**177 857**	170 963
99 949	95 322	**93 154**	88 746	**6 795**	6 576	**2 931**	2 863	**32 343**	31 336	**174 798**	165 219
98 356	97 619	**91 048**	90 838	**7 308**	6 781	**(56)**	32	**19 089**	15 828	**157 500**	150 107
98 673	94 057	**91 892**	87 500	**6 781**	6 557	**(14)**	(90)	**17 580**	14 790	**154 856**	143 223
–	30	**2**	30	**(2)**	–	**75**	121	**13 100**	15 912	**98 151**	98 861
4	6	**4**	6	**–**	–	**159**	112	**14 765**	17 487	**98 081**	93 455
3 403	3 513	**2 793**	2 924	**610**	589	**40**	49	**880**	725	**9 749**	9 322

OPERATIONAL STATISTICS

FOR THE YEAR ENDED 31 DECEMBER

Nedbank Retail

Classification of Clients	Number of clients	Number of internet banking clients	Number of branches	Banking outlets including kiosks	Private bank suites	Mobile sales
2009	**4 831 133**	**439 609**	**438**	**75**	**18**	**72**
2008	4 368 552	388 387	444	42	19	101

	Number of personal loans kiosks	Number of personal loans branches	POS devices enabled for cash back	Number of ATMs	Number of SSTs	Number of employees
2009	**250**	**30**	**3 027**	**1 874**	**379**	**16 058**
2008	230	26	3 075	1 747	374	16 461

Nedbank Corporate

Classification of clients	Number of clients	Number of electronic banking clients/ profiles	Number of ATM's Africa	Number of locations/ branches	Number of employees
2009					
Corporate Banking (Turnover > R400m)	**526**	**2 791**		**5**	**294**
Property Finance	**4 658**			**7**	**434**
Africa	**181 594**	**12 784**	**68**	**42**	**1 133**
Other	**10 503**	**3 716**	**6**	**5**	**1 858**
Total	**197 281**	**19 291**	**74**	**59**	**3 719**
2008					
Corporate Banking (Turnover > R400m)	523	2 831		5	302
Property Finance	5 069			7	457
Africa	160 217	10 561	65	41	1 218
Other	20 693	2 956	6	5	1 934
Total	186 502	16 348	71	58	3 911

Nedbank Business Banking

Classification of clients	Number of clients	Number of electronic banking clients/ profiles	Number of locations/ branches	Number of employees
2009	**22 657**	**19 056**	**67**	**2 229**
2008	23 996	17 576	73	2 281

Imperial Bank

Classification of clients	Number of clients	Number of branches	Number of employees
2009	**392 888**	**15**	**1 107**
2008	343 003	15	1 148

ASSETS UNDER MANAGEMENT

AT 31 DECEMBER

Rm	2009	2008
Fair value of funds under management – by type		
Unit trusts	**48 335**	38 229
Third party	**3 144**	3 192
Private clients	**42 148**	41 947
	93 627	83 368
Fair value of funds under management – by geography		
South Africa	**79 108**	67 390
Rest of World	**14 519**	15 978
	93 627	83 368

	2009			
Rm	**Unit trusts**	**Third party**	**Private clients**	**Total**
Reconciliation of movement in funds under management – by type				
Opening balance at 31 December 2008	**38 229**	**3 192**	**41 947**	**83 368**
Inflows	**22 523**	**1 428**	**12 780**	**36 731**
Outflows	**(16 266)**	**(1 570)**	**(14 470)**	**(32 306)**
Mark-to-market value adjustment	**4 561**	**131**	**2 079**	**6 771**
Foreign currency translation differences	**(712)**	**(37)**	**(188)**	**(937)**
Closing balance – 31 December 2009	**48 335**	**3 144**	**42 148**	**93 627**

	2009		
Rm	**South Africa**	**Rest of world**	**Total**
Reconciliation of movement in funds under management – by geography			
Opening balance at 31 December 2008	**67 390**	**15 978**	**83 368**
Inflows	**31 981**	**4 750**	**36 731**
Outflows	**(26 178)**	**(6 128)**	**(32 306)**
Mark-to-market value adjustment	**5 915**	**856**	**6 771**
Foreign currency translation differences	**–**	**(937)**	**(937)**
Closing balance – 31 December 2009	**79 108**	**14 519**	**93 627**

GEOGRAPHICAL SEGMENTAL REPORTING

FOR THE YEAR ENDED 31 DECEMBER

Consolidated statement of financial position (Rm)	South Africa*		Rest of Africa		Rest of World		Nedbank Group	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
ASSETS								
Cash and cash equivalents	**14 536**	15 376	**1 224**	1 670	**2 615**	1 628	**18 375**	18 674
Other short-term securities	**13 847**	9 596	**949**	764	**3 754**	8 229	**18 550**	18 589
Derivative financial instruments	**12 402**	21 353	**79**	72	**229**	896	**12 710**	22 321
Government and other securities	**33 929**	39 789	**95**	116	**1 959**	2 233	**35 983**	42 138
Loans and advances	**425 133**	409 369	**7 820**	5 897	**17 348**	18 967	**450 301**	434 233
Other assets	**31 617**	27 547	**691**	542	**2 476**	2 979	**34 784**	31 068
Intergroup assets	**(9 950)**	(9 468)	**1 639**	1 502	**8 311**	7 966	**–**	–
Total assets	**521 514**	513 562	**12 497**	10 563	**36 692**	42 898	**570 703**	567 023
Total equity	**40 115**	34 648	**1 446**	1 123	**3 423**	4 302	**44 984**	40 073
Derivative financial instruments	**11 226**	22 607	**76**	68	**249**	1 062	**11 551**	23 737
Amounts owed to depositors	**435 956**	431 906	**9 995**	8 298	**23 404**	26 686	**469 355**	466 890
Provisions and other liabilities	**23 676**	21 378	**378**	403	**675**	481	**24 729**	22 262
Intergroup liabilities	**(9 541)**	(10 866)	**600**	669	**8 941**	10 197	**–**	–
Long-term debt instruments	**20 082**	13 889	**2**	2		170	**20 084**	14 061
Total liabilities	**521 514**	513 562	**12 497**	10 563	**36 692**	42 898	**570 703**	567 023

Consolidated statement of comprehensive income (Rm)	South Africa* 2009	South Africa* 2008	Rest of Africa 2009	Rest of Africa 2008	Rest of World 2009	Rest of World 2008	Nedbank Group 2009	Nedbank Group 2008
Net interest income	**15 440**	15 182	**519**	516	**347**	472	**16 306**	16 170
Impairment charge on loans and advances	**6 360**	4 696	**34**	33	**240**	93	**6 634**	4 822
Income from lending activities	**9 080**	10 486	**485**	483	**107**	379	**9 672**	11 348
Non-interest revenue	**10 787**	10 018	**375**	281	**744**	430	**11 906**	10 729
Operating income	**19 867**	20 504	**860**	764	**851**	809	**21 578**	22 077
Operating expenses	**13 947**	12 497	**517**	469	**510**	581	**14 974**	13 547
BEE transaction expenses	**119**	191	**7**	3			**126**	194
Indirect taxation	**423**	358	**11**	10	**4**	6	**438**	374
Profit from operations	**5 378**	7 458	**325**	282	**337**	222	**6 040**	7 962
Share of profits of associates and joint ventures	**55**	154					**55**	154
Profit before direct taxation	**5 433**	7 612	**325**	282	**337**	222	**6 095**	8 116
Direct taxation	**1 080**	1 665	**94**	84	**58**	8	**1 232**	1 757
Profit after taxation	**4 353**	5 947	**231**	198	**279**	214	**4 863**	6 359
Profit attributable to:								
Non-controlling interest – ordinary shareholders	**(209)**	(202)	**(18)**	(16)	**(15)**	(39)	**(242)**	(257)
– preference shareholders	**(344)**	(337)					**(344)**	(337)
Headline earnings	**3 800**	5 408	**213**	182	**264**	175	**4 277**	5 765

** Includes all group eliminations.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – BANKING/TRADING CATEGORISATION

AT 31 DECEMBER

	2009				2008			
Rm	**Banking**	**Trading**	**Elims**	**Total**	Banking	Trading	Elims	Total
ASSETS								
Cash and cash equivalents	**7 860**	**7**		**7 867**	8 598	11		8 609
Other short-term securities	**9 151**	**14 411**	**(5 012)**	**18 550**	11 867	14 549	(7 827)	18 589
Derivative financial instruments	**250**	**13 796**	**(1 336)**	**12 710**	363	23 650	(1 692)	22 321
Government and other securities	**35 448**	**4 594**	**(4 059)**	**35 983**	40 977	4 603	(3 442)	42 138
Loans and advances	**436 536**	**13 765**		**450 301**	423 822	10 411		434 233
Other assets	**4 406**	**1 049**		**5 455**	4 826	1 258		6 084
Customers' indebtedness for acceptances	**2 031**			**2 031**	3 024			3 024
Current taxation receivable	**602**			**602**	346			346
Investment securities	**10 748**	**277**		**11 025**	8 167	288		8 455
Non-current assets held for sale	**12**			**12**	10			10
Investments in associate companies and joint ventures	**924**			**924**	1 167			1 167
Deferred taxation asset	**82**	**200**		**282**	47	153		200
Property and equipment	**5 163**	**15**		**5 178**	4 526	14		4 540
Long-term employee benefit assets	**1 860**			**1 860**	1 741			1 741
Mandatory reserve deposits with central banks	**10 508**			**10 508**	10 065			10 065
Intangible assets	**7 415**			**7 415**	5 501			5 501
Inter-divisional assets		**10 087**	**(10 087)**	**–**		5 596	(5 596)	–
Total assets	**532 996**	**58 201**	**(20 494)**	**570 703**	525 047	60 533	(18 557)	567 023
TOTAL EQUITY AND LIABILITIES								
Allocated capital	**37 298**	**2 351**		**39 649**	33 015	1 898		34 913
Non-controlling interest attributable to:								
– ordinary shareholders	**1 849**			**1 849**	1 881			1 881
– preference shareholders	**3 486**			**3 486**	3 279			3 279
Total equity	**42 633**	**2 351**	**–**	**44 984**	38 175	1 898	–	40 073
Derivative financial instruments	**1 502**	**11 385**	**(1 336)**	**11 551**	1 960	23 469	(1 692)	23 737
Amounts owed to depositors	**439 536**	**34 839**	**(5 020)**	**469 355**	447 287	27 430	(7 827)	466 890
Other liabilities	**5 735**	**9 568**	**(4 051)**	**11 252**	5 602	7 669	(3 442)	9 829
Liabilities under acceptances	**2 031**			**2 031**	3 024			3 024
Current taxation liabilities	**315**			**315**	226	9		235
Deferred taxation liabilities	**1 887**	**58**		**1 945**	2 042	58		2 100
Long-term employee benefit liabilities	**1 304**			**1 304**	1 231			1 231
Investment contract liabilities	**6 749**			**6 749**	5 843			5 843
Insurance contract liabilities	**1 133**			**1 133**				–
Long-term debt instruments	**20 084**			**20 084**	14 061			14 061
Inter-divisional liabilities	**10 087**		**(10 087)**	**–**	5 596		(5 596)	–
Total liabilities	**490 363**	**55 850**	**(20 494)**	**525 719**	486 872	58 635	(18 557)	526 950
Total equity and liabilities	**532 996**	**58 201**	**(20 494)**	**570 703**	525 047	60 533	(18 557)	567 023

NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

1 Average banking balance sheet and related interest

Rm	2009 Average balance	2009 Margin statement interest		2008 Average balance	2008 Margin statement interest	
	Assets	**Received**	**%**	Assets	Received	%
AVERAGE PRIME RATE			**11,88**			15,10
Advances and clients' indebtedness for acceptances						
Homeloans (including PIPs)	**148 017**	**14 873**	**10,0**	134 703	17 798	13,2
Commercial mortgages	**72 828**	**7 913**	**10,9**	64 954	8 857	13,6
Lease and instalment debtors	**61 539**	**7 655**	**12,4**	57 122	8 301	14,5
Credit card balances	**7 347**	**1 188**	**16,2**	7 459	1 332	17,9
Bills and acceptances*	**2 598**	**41**	**1,6**	3 666	67	1,8
Overdrafts	**13 366**	**1 577**	**11,8**	15 882	2 271	14,3
Term loans and other**	**133 519**	**13 040**	**9,8**	113 769	14 592	12,8
Impairment of loans and advances	**(8 917)**			(6 881)		
Government and public sector securities	**36 815**	**3 442**	**9,3**	31 211	3 210	10,3
Short-term funds and trading securities	**14 266**	**808**	**5,7**	19 828	1 558	7,9
Interest-earning banking assets	**481 378**	**50 537**	**10,5**	441 713	57 986	13,1
Net inter-divisional assets – trading book	**762**			5 436		
Revaluation of FVTPL-designated assets	**606**			(588)		
Trading investments	**(129)**					
Derivative financial instruments	**148**			271		
Insurance assets	**6 796**			6 118		
Cash and bank notes	**1 867**			1 921		
Other assets	**5 649**			6 288		
Associates and Investments	**2 842**			2 883		
Property and equipment	**4 689**			4 122		
Intangible assets	**6 571**			5 416		
Mandatory reserve deposit with central banks	**11 055**			9 839		
Total assets	**522 234**	**50 537**	**9,7**	483 419	57 986	12,0
	Liabilities	**Paid**	**%**	Liabilities	Paid	%
Deposit and loan accounts	**249 736**	**19 585**	**7,8**	245 060	25 941	10,6
Current and savings accounts	**55 623**	**1 188**	**2,1**	57 981	2 027	3,5
Negotiable certificates of deposit	**100 163**	**9 656**	**9,6**	72 513	8 413	11,6
Other interest-bearing liabilities***	**40 623**	**2 161**	**5,3**	41 784	3 906	9,3
Long-term debt instruments	**16 478**	**1 641**	**10,0**	13 750	1 529	11,1
Interest-bearing banking liabilities	**462 623**	**34 231**	**7,4**	431 088	41 816	9,7
Other liabilities	**10 340**			9 721		
Revaluation of FVTPL-designated liabilties	**606**			(588)		
Derivative financial instruments	**1 052**			815		
Investment contract liabilities	**6 702**			6 118		
Ordinary shareholders' equity	**35 697**			31 165		
Minority shareholders' equity	**5 214**			5 100		
Total shareholders' equity and liabilities	**522 234**	**34 231**	**6,6**	483 419	41 816	8,7
Interest margin on average interest-earning banking assets	**481 378**	**16 306**	**3,39**	441 713	16 170	3,66

Where possible, averages are calculated on daily balances.

* *Includes: clients' indebtedness for acceptances.*

** *Includes: term loans, preference shares, factoring debtors, other lending-related instruments and interest on derivatives.*

*** *Includes: foreign currency liabilities and liabilities under acceptances.*

2 Impairment of loans and advances

Rm	2009	2008
Opening balance	**7 859**	6 078
Specific impairment	**5 542**	4 063
Specific impairment excluding discounts	**4 566**	3 384
Specific impairment for discounted cash flow losses	**976**	679
Portfolio impairment	**2 317**	2 015
Income statement impairment charge (net of recoveries)	**6 634**	4 822
Specific impairment	**6 798**	4 209
Net increase in impairment for discounted cash flow losses	**164**	297
Portfolio impairment	**(328)**	316
Recoveries	**457**	379
Amounts written off/other transfers	**(5 152)**	(3 420)
Specific impairments	**(5 131)**	(3 406)
Portfolio impairment	**(21)**	(14)
Total impairments	**9 798**	7 859
Specific impairment	**7 830**	5 542
Specific impairment excluding discounts	**6 690**	4 566
Specific impairment for discounted cash flow losses	**1 140**	976
Portfolio impairment	**1 968**	2 317
Total advances	**460 099**	442 092
Total average advances	**451 096**	411 063

Reconciliation of specific impairment for discounted cash flow losses

Rm	2009	2008
Opening balance	**976**	679
Net increase in impairment for discounted cash flow losses	**164**	297
Interest on specifically impaired loans and advances	**(1 827)**	(1 174)
Net specific impairment charge for discounted cash flow losses	**1 991**	1 471
Closing balance	**1 140**	976

3 Non-interest revenue

Rm	Nedbank Group 2009	Nedbank Group 2008	Nedbank Corporate 2009	Nedbank Corporate 2008	Nedbank Capital 2009	Nedbank Capital 2008
Commission and fees income	**8 583**	7 589	**1 161**	1 031	**334**	298
Administration fees	**217**	190	**23**	14		
Cash handling fees	**530**	464	**150**	137		
Insurance commission	**276**	308	**3**	1		
Exchange commission	**302**	358	**104**	107		
Fees	**1 136**	987	**282**	261	**252**	296
Guarantees	**118**	108	**73**	68	**2**	2
Card income	**1 937**	1 846	**1**	1		
Service charges	**2 350**	1 972	**105**	106		
Other commission	**1 717**	1 356	**420**	336	**80**	
Insurance income	**615**	322				
Securities dealing and fair value adjustments	**298**	498	**75**	42	**233**	35
Securities dealing	**254**	131	**22**	54	**259**	72
Fair value adjustments	**44**	367	**53**	(12)	**(26)**	(37)
Trading income	**1 841**	1 553	**94**	96	**1 637**	1 333
Foreign exchange	**1 167**	1 156	**94**	96	**951**	914
Debt securities	**764**	557			**764**	557
Equities	**(108)**	(194)			**(96)**	(172)
Commodities	**18**	34			**18**	34
Rental income	**52**	51	**18**	16		
Investment income	**64**	241	**29**	131	**18**	89
Long-term assets sales	**14**	8				
Dividends received	**50**	233	**29**	131	**18**	89
Sundry income	**454**	475	**113**	139	**13**	27
Non-banking subsidiary	**204**	227				
Other sundry income	**250**	248	**113**	139	**13**	27
Foreign currency translation losses	**(1)**					
Total non-interest revenue	**11 906**	10 729	**1 490**	1 455	**2 235**	1 782

3.1 Private equity income included in NIR

Rm	Nedbank Group 2009	Nedbank Group 2008	Nedbank Corporate 2009	Nedbank Corporate 2008	Nedbank Capital 2009	Nedbank Capital 2008
Securities dealing	**268**	95	**17**	49	**251**	46
Investment income – dividends received	**36**	208	**18**	127	**18**	81
Total private equity NIR	**304**	303	**35**	176	**269**	127
Realised	**110**	261	**38**	128	**72**	133
Unrealised	**194**	42	**(3)**	48	**197**	(6)
Total private equity NIR	**304**	303	**35**	176	**269**	127

	Nedbank Business Banking		Nedbank Retail		Imperial Bank		Shared Services		Central Management and Eliminations	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	1 113	1 005	**5 826**	5 132	**162**	98	**24**	59	**(37)**	(34)
	15	38	**51**	73	**132**	70	**6**	8	**(10)**	(13)
	259	224	**121**	103						
	14	16	**259**	291						
	90	98	**103**	148			**5**	5		
	30	23	**582**	415			**2**	8	**(12)**	(16)
	35	34	**8**	4						
	51	43	**1 885**	1 802						
	404	331	**1 841**	1 535						
	215	198	**976**	761	**30**	28	**11**	38	**(15)**	(5)
			615	322						
	7	(3)	**(14)**	1	**14**	(29)	**(1)**	(5)	**(16)**	457
	(3)	2	**(19)**	1			**(1)**	2	**(4)**	
	10	(5)	**5**		**14**	(29)		(7)	**(12)**	457
	76	89	**46**	57	**–**	–	**–**	–	**(12)**	(22)
	76	89	**46**	57						
									(12)	(22)
			(3)	(3)			**37**	37		1
	9	10	**7**	5	**–**	–	**1**	–	**–**	6
	9	8	**5**							
		2	**2**	5			**1**			6
	6	22	**17**	32	**23**	19	**326**	271	**(44)**	(35)
							212	227		
	6	22	**17**	32	**23**	19	**114**	44	**(44)**	(35)
									(1)	
	1 211	1 123	**6 494**	5 546	**199**	88	**387**	362	**(110)**	373

4 Expenses

	Nedbank Group		Nedbank Corporate		Nedbank Capital	
Rm	**2009**	2008	**2009**	2008	**2009**	2008
Staff costs	**7 898**	7 040	**1 148**	1 137	**767**	671
Salaries and wages	**7 900**	7 213				
Long-term employee benefits	**(15)**	(259)				
Share-based payment expenses – employees	**13**	86				
Computer processing	**1 993**	1 841	**138**	123	**111**	96
Depreciation for computer equipment	**340**	331				
Amortisation of computer software	**456**	414				
Operating lease charges for computer equipment	**137**	146				
Other computer processing expenses	**1 060**	950				
Communication and travel	**633**	636	**157**	161	**75**	79
Depreciation for vehicles	**4**	3				
Other communication and travel	**629**	633				
Occupation and accommodation	**1 262**	1 122	**149**	138	**48**	44
Depreciation for owner-occupied land and buildings	**81**	71				
Operating lease charges for land and buildings	**527**	469				
Other occupation and accomodation expenses	**654**	582				
Marketing and public relations	**889**	877	**46**	55	**46**	37
Fees and insurances	**1 407**	1 326	**285**	301	**111**	92
Auditors' remuneration	**100**	94				
Other fees and insurances	**1 307**	1 232				
Office equipment and consumables	**340**	326	**85**	86	**7**	5
Depreciation for furniture and other equipment	**207**	211				
Operating lease charges for furniture and other equipment	**26**	31				
Other office equipment and consumables	**107**	84				
Other sundries	**514**	379	**53**	32	**22**	33
Amortisation of intangible assets	**38**					
Activity-justified transfer-pricing	**–**	–	**(40)**	(94)	**383**	330
Operating expenses	**14 974**	13 547	**2 021**	1 939	**1 570**	1 387
BEE transaction expenses	**126**	194	**26**	25	**35**	32
BEE share-based payments expenses	**114**	181				
Fees	**12**	13				
Total operating expenses	**15 100**	13 741	**2 047**	1 964	**1 605**	1 419

Nedbank Business Banking		Nedbank Retail		Imperial Bank		Shared Services		Central Management and Eliminations	
2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
831	802	**3 599**	3 283	**359**	306	**1 268**	1 145	**(74)**	(304)
63	44	**426**	401	**48**	40	**1 208**	1 137	**(1)**	
35	32	**292**	286	**37**	33	**72**	79	**(35)**	(34)
86	79	**970**	846	**34**	26	**(27)**	(13)	**2**	2
43	50	**420**	454	**38**	16	**324**	294	**(28)**	(29)
49	44	**576**	489	**26**	26	**312**	310	**48**	64
10	10	**185**	171	**14**	13	**38**	42	**1**	(1)
21	23	**312**	201	**70**	65	**38**	28	**(2)**	(3)
		38							
973	964	**1 909**	1 750			**(3 191)**	(2 932)	**(34)**	(18)
2 111	2 048	**8 727**	7 881	**626**	525	**42**	90	**(123)**	(323)
8	7	**35**	92			**42**	42	**(20)**	(4)
2 119	2 055	**8 762**	7 973	**626**	525	**84**	132	**(143)**	(327)

5 Taxation charge

Rm	2009	2008
South African normal taxation		
Current	**1 413**	1 551
Deferred	**(369)**	(32)
Secondary taxation on companies (STC)	**66**	123
Foreign taxation	**149**	77
Current and deferred taxation on income	**1 259**	1 718
Prior year overprovision – current	**112**	(315)
Prior year underprovision – deferred	**(139)**	353
Total taxation on income	**1 232**	1 757
Tax on non-trading and capital items	**75**	111
Total	**1 307**	1 868
Effective taxation rate excluding non-trading and capital items (%)	**20,2**	21,6

%		
Taxation rate reconciliation (excluding non-trading and capital items)		
Standard rate of South African normal taxation	**28**	28
Reduction in taxation rate		(2)
Non-taxable dividend income	**(6)**	(5)
Differences between foreign taxation rates and South African taxation rate		(1)
Capital items	**(1)**	(1)
Structured deals	**(2)**	(1)
STC	**1**	1
Other		3
Total taxation on income as percentage of profit before taxation (excluding non-trading and capital items)	**20**	22

6 Non-controlling interest

	2009		2008	
Rm	**Balance sheet**	**Income statement**	Balance sheet	Income statement
Imperial Bank	**1 738**	**215**	1 520	180
Nedbank (Swaziland)	**70**	**17**	58	14
Nedbank (Namibia) various subsidiaries	**6**	**1**	5	1
Nedbank (Malawi)	**3**	*****	2	*
Fairbairn Private Bank (Jersey) (Purchased 1 June 2009)		**15**	231	39
MBCA Bank (Zimbabwe)	**27**	*****		
BoE Private Clients (Purchased 1 June 2009)		**(5)**	57	14
Ideas Nedbank AIIF Investors Trust	**5**	**(1)**	7	7
Other			1	2
	1 849	**242**	1 881	257

** Less than R1 million.*

7 Preference shares

Dividends declared

Dividends declared	Number of shares	Cents per share	Amount (Rm)
2009			
Nedbank – Final declared for 2008 – paid March 2009	312 781 032	58,26844	182
Imperial – Final declared for 2008 – paid March 2009	3 000 000	545,32877	16
Nedbank – Interim declared for 2009 – paid Sept 2009	312 781 032	48,98630	153
Imperial – Interim declared for 2009 – paid Sept 2009	3 000 000	457,20548	14
			365
Nedbank – Final declared for 2009 – payable March 2010	349 082 721	40,15068	140
Imperial – Final declared for 2009 – payable March 2010	3 000 000	374,73973	11
			151
2008			
Nedbank – Final declared for 2007 – paid March 2008	312 781 032	51,55479	161
Imperial – Final declared for 2007 – paid March 2008	3 000 000	481,17808	14
Nedbank – Interim declared for 2008 – paid Sept 2008	312 781 032	55,02049	172
Imperial – Interim declared for 2008 – paid Sept 2008	3 000 000	515,31507	16
			363

Dividends declared calculations

Dividends declared calculations	Days	Rate	Amount (Rm)
2009			
Nedbank			
1 Jan 2009 – 30 Jun 2009	184		140,1
1 Jul 2009 – 13 Aug 2009	44	8,250%	34,7
14 Aug 2009 – 31 Dec 2009	140	7,875%	105,4
Imperial			
1 Jan 2009 – 30 Jun 2009	184		11,2
1 Jul 2009 – 13 Aug 2009	44	7,700%	2,8
14 Aug 2009 – 31 Dec 2009	140	7,350%	8,4
Total declared			151,3

Dividends paid calculations

Dividends paid calculations	Days	Rate	Amount (Rm)
2009 (Paid March 2009)			
Nedbank			
1 Jul 2008 – 31 Dec 2008	184		182,1
1 Jul 2008 – 14 Dec 2008	167	11,625%	165,8
15 Dec 2008 – 31 Dec 2008	17	11,250%	16,3
Imperial			
1 Jul 2008 – 31 Dec 2008	184		16,3
1 Jul 2008 – 14 Dec 2008	167	10,850%	14,8
15 Dec 2008 – 31 Dec 2008	17	10,500%	1,5
2009 (Paid September 2009)			
Nedbank			
1 Jan 2009 – 30 Jun 2009	181		153,2
1 Jan 2009 – 8 Feb 2009	39	11,250%	37,6
9 Feb 2009 – 24 Mar 2009	44	10,500%	39,6
25 Mar 2009 – 3 May 2009	40	9,750%	33,4
4 May 2009 – 28 May 2009	25	9,000%	19,3
29 May 2009 – 30 Jun 2009	33	8,250%	23,3
Imperial			
4 May 2009 – 28 May 2009	181		13,7
1 Jan 2009 – 8 Feb 2009	39	10,500%	3,4
9 Feb 2009 – 24 Mar 2009	44	9,800%	3,6
25 Mar 2009 – 3 May 2009	40	9,100%	3,0
4 May 2009 – 28 May 2009	25	8,400%	1,7
29 May 2009 – 30 Jun 2009	33	7,700%	2,0
Total paid			365,3
Less: Dividend paid to group entities			12,2
Non-controlling – Ordinary shareholders' share of dividend paid			8,9
Profit attributable to preference shareholders			344,2

8 Loans and advances

Segmental breakdown	Nedbank Group		Nedbank Corporate		Nedbank Capital	
Rm	**2009**	2008	**2009**	2008	**2009**	2008
Homeloans	**149 229**	143 342	**2 239**	2 215		
Commercial mortgages	**76 364**	73 031	**58 418**	55 596		
Properties in possession	**887**	791	**2**	3		
Credit cards	**7 334**	7 248				
Overdrafts	**11 093**	12 461	**2 819**	3 244		3
Term loans	**68 321**	64 144	**52 538**	49 729	**4 336**	4 518
Personal Loans	**9 508**	7 187	**413**	299		
Other term loans	**58 813**	56 957	**52 125**	49 430	**4 336**	4 518
Overnight loans	**12 420**	15 760	**11 661**	14 820	**1**	36
Other loans to clients	**43 203**	44 187	**1 933**	2 439	**31 743**	29 956
Foreign client lending	**6 761**	8 433	**887**	1 354	**5 562**	5 582
Remittances in transit	**109**	229	**77**	165		
Other loans*	**36 333**	35 525	**969**	920	**26 181**	24 374
Leases and instalment debtors	**64 128**	61 362	**3 616**	3 765	**147**	217
Preference shares and debentures	**16 633**	15 667	**5 059**	5 185	**11 168**	9 689
Factoring accounts	**2 179**	394				
Deposits placed under reverse repurchase agreements	**8 026**	2 630			**8 026**	2 630
Trade, other bills and bankers' acceptances	**282**	1 075			**278**	1 070
Loans and advances before impairments	**460 099**	442 092	**138 285**	136 996	**55 699**	48 119
Impairment of advances	**(9 798)**	(7 859)	**(1 112)**	(774)	**(384)**	(433)
Total loans and advances	**450 301**	434 233	**137 173**	136 222	**55 315**	47 686
Comprises:						
– Loans and advances to clients	**448 155**	428 189	**137 772**	136 537	**48 529**	37 316
– Loans and advances to banks	**11 944**	13 903	**513**	459	**7 170**	10 803
Loans and advances before impairments	**460 099**	442 092	**138 285**	136 996	**55 699**	48 119

* *Represents mainly loans relating to Specialised Finance and Debt Capital Markets in Nedbank Capital and other loans in Nedbank Corporate and Nedbank Retail.*

Nedbank Business Banking 2009	Nedbank Business Banking 2008	Nedbank Retail 2009	Nedbank Retail 2008	Imperial Bank 2009	Imperial Bank 2008	Shared Services 2009	Shared Services 2008	Central Management and Eliminations 2009	Central Management and Eliminations 2008
14 231	14 602	**125 614**	120 992	**7 341**	5 668			**(196)**	(135)
11 040	10 507	**1 043**	952	**6 028**	6 125			**(165)**	(149)
9	18	**876**	770						
51	53	**7 283**	7 195						
6 022	6 868	**2 252**	2 340				6		
701	812	**10 058**	8 283	**688**	801	**–**	–	**–**	1
2		**9 093**	6 888						
699	812	**965**	1 395	**688**	801				1
757	903	**1**	1						
4 309	8 104	**5 044**	3 148	**44**	52	**121**	88	**9**	400
311	1 496	**1**	1						
1	6	**31**	58						
3 997	6 602	**5 012**	3 089	**44**	52	**121**	88	**9**	400
11 810	13 855	**11 159**	10 797	**37 420**	32 778			**(24)**	(50)
226	582	**61**	89	**119**	122				
2 179	394								
		4	5						
51 335	56 698	**163 395**	154 572	**51 640**	45 546	**121**	94	**(376)**	67
(1 220)	(1 377)	**(5 895)**	(4 465)	**(1 189)**	(812)			**2**	2
50 115	55 321	**157 500**	150 107	**50 451**	44 734	**121**	94	**(374)**	69
51 335	56 698	**159 134**	151 931	**51 640**	45 546	**121**	94	**(376)**	67
		4 261	2 641						
51 335	56 698	**163 395**	154 572	**51 640**	45 546	**121**	94	**(376)**	67

9 Investment securities

Rm	2009	2008
Listed investments	485	525
Private-equity portfolio	482	489
Other	3	36
Unlisted investments	2 491	2 087
Endowment policies	18	27
NES Investment (Pty) Ltd	185	177
Morning Tide Investments 168 (Pty) Ltd	91	86
Strate Ltd	31	28
Private-equity portfolio	1 274	1 085
Other	892	684
Total listed and unlisted investments	2 976	2 612
Listed policyholder investments at market value	6 417	4 987
Equities	350	274
Government, public and private sector stock	396	187
Unit trusts	5 671	4 526
Unlisted policyholder investments at directors' valuation	1 666	892
Equities	1	2
Negotiable certificates of deposit, money market and other short-term funds	1 665	890
Net policyholder liabilities	(34)	(36)
Total policyholder investments	8 049	5 843
Total investment securities	11 025	8 455

SUMMARY OF TOTAL PRIVATE EQUITY INVESTMENTS

Investment securities	1 756	1 574
Property investments	563	488
Listed investments	462	401
Unlisted investments	101	87
Other investments	1 193	1 086
Listed investments	20	88
Unlisted investments	1 173	998
Investment in associates		
Unlisted property investments	897	886
Private equity shareholder loans and mezzanine debt facilities	2 312	2 854
Total private equity investments	4 965	5 314

NOTES

10 Investments in associate companies and joint ventures

Name of company and nature of business	Percentage holding 2009	2008	Acquisition date
Unlisted			
Joint Ventures			
BoE (Pty) Limited††		50	Jan 03
Nedgroup Life Assurance Company Limited††		50	Jan 03
Associates			
African Spirit Trading 306 (Pty) Limited	**33**	33	Oct 06
Ballywood Properties 1 (Pty) Limited	**49**	49	Nov 05
Bond Choice (Pty) Limited†	**29**	29	Jun 02
Capricorn Business and Technology Park (Pty) Limited	**41**	41	Nov 98
Clidet No 683 (Pty) Limited	**49**	49	Aug 06
Consep Developments (Pty) Limited	**25**	25	Dec 07
Emergent Investments (Pty) Limited	**49**	43	Jul 07
Erf 7 Sandown (Pty) Limited	**35**	35	Oct 06
Falcon Forest Trading 85 (Pty) Limited	**30**	30	Mar 05
Firefly Investments 74 (Pty) Limited	**35**	35	Oct 06
Friedshelf 113 (Pty) Limited	**20**	20	Aug 02
G & C Shelf 31 (Pty) Limited	**30**	30	May 04
Hazeldean Retreat (Pty) Limited	**20**	20	Mar 07
Lyric Rose (Pty) Limited	**49**	49	Oct 00
Masingita Property Investment Holdings (Pty) Limited	**35**	35	Aug 05
Mooirivier Mall (Pty) Limited	**30**	30	Nov 06
Nedglen Property Development (Pty) Limited	**35**	35	Nov 04
Newmarket Property Developments JV	**40**	40	Aug 06
Odyssey Developments (Pty) Limited	**49**	49	Nov 07
Oukraal Developments (Pty) Limited	**30**	30	Jan 08
SafDev Tanganani (Pty) Limited	**25**	25	Oct 08
TBA Genomineerdes (Pty) Limited	**30**	30	Jan 03
The Waterbuck Trust	**40**	40	Oct 07
The Woodlands Property Trust	**20**	20	Jan 05
Visigro Investments (Pty) Limited	**30**	30	Jun 06
Whirlprops 33 (Pty) Limited	**49**	49	Sep 06
XDV (Pty) Limited	**25**	25	Nov 06
Other			

* *Represents amounts less than R1 million.*
† *No longer a subsidiary; shareholding changed from 62,0% to 28,5% as from January 2008.*
†† *These joint ventures have been consolidated as subsidiaries from 5 June 2009.*

Year-end	Date to which equity income accounted for	Equity-accounted earnings 2009	2008	Carrying amount 2009	2008	Market value/ Directors' valuation 2009	2008	Net indebtedness of loans to/(from) associates 2009	2008
		56	145	**–**	247	**–**	247	**–**	–
Dec	May 09	**30**	76		183		183		
Dec	May 09	**26**	69		64		64		
		(1)	9	**924**	920	**924**	920	**608**	577
Dec				**40**	22	**40**	22	**38**	20
Feb				**11**	11	**11**	11		
Feb	Dec 09	**(2)**	5	**25**	27	**25**	27		
Sep				**14**	14	**14**	14	**11**	10
Feb				**274**	254	**274**	254	**166**	166
Feb				**22**	21	**22**	21	**16**	14
Feb				**75**	85	**75**	85	**66**	66
Feb				**20**	17	**20**	17	**5**	4
Feb				**15**	10	**15**	10	**2**	2
Feb				**19**	18	**19**	18	**5**	2
Feb				**13**	10	**13**	10		
Feb				*****	*	*****	*		
Feb				**11**	12	**11**	12	**12**	12
Feb				*****	*	*****	*		
Feb				**30**	30	**30**	30	**12**	33
Feb				**6**	11	**6**	11	**38**	34
Jun				**11**	8	**11**	8		
Dec				**23**	22	**23**	22	**24**	22
Jun				**114**	110	**114**	110	**32**	26
Jun				**29**	16	**29**	16	**15**	15
Jun				**13**	15	**13**	15		
Jun				**9**	12	**9**	12	**3**	3
Feb				**15**	11	**15**	11	**18**	14
Feb					11		11		
Feb				**108**	110	**108**	110	**(19)**	2
Feb	Dec 09		3	*****	*	*****	*		
Jun				**20**	19	**20**	19	**(20)**	(20)
	Dec 09	**1**	1	**7**	44	**7**	44	**184**	152
		55	154	**924**	1 167	**924**	1 167	**608**	577

11 Intangible assets

Rm	Note	2009	2008
Computer software and capitalised development costs	11.1	**1 819**	1 607
Goodwill	11.2	**4 981**	3 894
Other intangible assets	11.3	**615**	
		7 415	5 501

11.1 Computer software and capitalised development costs – carrying amount

Rm	Amortisation periods	2009	2008
Computer software	2 – 5 years	**1 068**	933
Customer product systems		**579**	415
Infrastructure and supporting systems		**288**	314
Risk management systems		**201**	204
Capitalised development costs	none*	**751**	674
Customer product systems		**297**	290
Infrastructure and supporting systems		**370**	314
Risk management systems		**84**	70
		1 819	1 607

Computer software		
Opening balance	**933**	923
Additions	**153**	92
Commissioned during period	**439**	328
Disposals	**(1)**	(1)
Foreign exchange and other moves	**1**	9
Amortisation charge for the period	**(456)**	(414)
Impairments	**(1)**	(4)
Closing balance	**1 068**	933
Capitalised development costs		
Opening balance	**674**	426
Additions	**526**	583
Commissioned during period	**(439)**	(328)
Impairments	**(10)**	(7)
Closing balance	**751**	674

** Assets not yet commisioned and only begin amortisation once transferred to computer software. These assets are impaired if the value is adjusted.*

11.2 Goodwill – carrying amount

Rm	2009	2008
Carrying amount at beginning of period	**3 894**	3 898
Arising on business combinations	**1 126**	
Realised through disposals		(2)
Foreign currency translation	**(39)**	(2)
Carrying amount at end of period	**4 981**	3 894

11.2 Goodwill – carrying amount continued

Rm	Percentage holding	2009 Cost	2009 Accumulated impairment losses	2009 Carrying amount	2008 Cost	2008 Accumulated impairment losses	2008 Carrying amount
Major subsidiaries							
Fairbairn Private Bank (Jersey)/Fairbairn Trust Company Limited (Guernsey)	100	**408**	**138**	**270**	447	138	309
Peoples Mortgage Limited	100	**198**	**198**	**–**	198	198	–
Imperial Bank Limited	50	**285**	**25**	**260**	285	25	260
Nedbank Limited	100	**3 938**	**1 114**	**2 824**	3 938	1 114	2 824
Old Mutual Bank	100	**206**		**206**	206		206
BoE (Pty) Limited	100	**725**		**725**			
Nedgroup Life Assurance Company Limited	100	**401**		**401**			
Nedbank Namibia Limited	100	**134**	**2**	**132**	134	2	132
Capital One		**82**		**82**	82		82
American Express		**81**		**81**	81		81
		6 458	**1 477**	**4 981**	5 371	1 477	3 894

11.3 Other intangible assets – carrying amount

Rm	Amortisation period	2009 Cost	2009 Accumulated amortisation and impairments	2009 Carrying amount
Major subsidiaries				
BoE (Pty) Limited	8 – 15 yrs	**458**	**27**	**431**
Nedgroup Life Assurance Company Limited	10 years	**195**	**11**	**184**
		653	**38**	**615**

12 Intangible assets – ratio's

Rm	2009	2008
Total assets	**570 703**	567 023
Ordinary shareholders' equity	**39 649**	34 913
Intangible assets (Refer note 11)	**7 415**	5 501
Intangible assets/Total assets (%)	**1,30**	0,97
Intangible assets/Ordinary shareholders' equity (%)	**18,7**	15,8

13 Amounts owed to depositors

Segmental breakdown	Nedbank Group		Nedbank Corporate		Nedbank Capital	
Rm	**2009**	2008	**2009**	2008	**2009**	2008
Current accounts	**44 539**	45 188	**4 309**	4 661	**380**	100
Savings accounts	**15 294**	14 303	**507**	442		
Other deposits and loan accounts	**283 829**	292 768	**110 486**	125 032	**56 120**	49 633
Call and term deposits	**178 424**	192 557	**81 465**	91 933	**10 975**	13 478
Fixed deposits	**27 941**	25 983	**1 296**	1 130	**3 485**	1 195
Cash management deposits	**33 037**	36 149	**27 021**	30 765	**50**	2
Other deposits	**44 427**	38 079	**704**	1 204	**41 610**	34 958
Foreign client liabilities	**7 027**	6 226	**3 155**	2 677	**1 628**	1 703
Negotiable certificates of deposit	**103 731**	87 377	**1 354**	986	**102 339**	85 900
Deposits received under repurchase agreements	**14 935**	21 028			**14 574**	19 681
Total amounts owed to depositors	**469 355**	466 890	**119 811**	133 798	**175 041**	157 017

Business Banking		Nedbank Retail		Imperial Bank		Shared Services		Central Management and Eliminations	
2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
14 429	14 927	**25 322**	25 405			**16**	1	**83**	94
196	201	**14 557**	13 625					**34**	35
58 377	57 550	**58 047**	59 549	**1 181**	1 361	**(1)**	9	**(381)**	(366)
51 853	52 076	**34 064**	34 810	**61**	110		9	**6**	141
662	672	**22 504**	22 972		12			**(6)**	2
5 393	4 800	**580**	590			**(7)**			(8)
469	2	**899**	1 177	**1 120**	1 239	**6**		**(381)**	(501)
2 019	1 564	**225**	282						
								38	491
						325	291	**36**	1 056
75 021	74 242	**98 151**	98 861	**1 181**	1 361	**340**	301	**(190)**	1 310

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER (CONTINUED)

14 Long-term debt instruments

	Nominal value	Instrument terms	2009	2008
SUBORDINATED DEBT			**11 126**	10 627
Rand-denominated	**(Rm)**		**10 385**	10 625
Callable bonds repayable on 30 December 2010 (IPB2) (a)	500	8,38% per annum*	**493**	488
Callable bonds repayable on 4 December 2013 (IPB3) (b)	300	JIBAR + 2,5% per annum**	**151**	152
Callable notes repayable on 24 April 2016 (NED 05) (c)	1 500	7,85% per annum*	**1 499**	1 480
Callable notes repayable on 20 September 2018 (NED06) (d)	1 800	9,84% per annum*	**1 781**	1 869
Callable notes repayable on 8 February 2017 (NED07) (c)	650	9,03% per annum*	**658**	671
Callable notes repayable on 8 February 2019 (NED08) (d)	1 700	8,90% per annum*	**1 643**	1 718
Callable notes repayable on 6 July 2022 (NED 09) (f)	2 000	JIBAR +0,47% per annum**	**2 036**	2 060
Callable notes repayable on 15 August 2017 (NED10) (c)	500	JIBAR + 0,45% per annum**	**505**	508
Callable notes repayable on 17 September 2020 (NED11) (e)	1 000	10,54% per annum*	**997**	1 051
Callable notes repayable on 14 December 2017 (NED12A) (c)	500	JIBAR + 0,70% per annum**	**502**	503
Callable notes repayable on 14 December 2017 (NED12B) (c)	120	10,38% per annum*	**120**	125
Namibian dollar-denominated	**(NAM$m)**		**2**	2
Long-term debenture repayable on 15 September 2030	40	17% per annum until 5 September 2000 – thereafter zero coupon	**2**	2
US dollar-denominated	**(US$m)**			
Callable notes repayable on 3 March 2022 (EMTN01) (i)	100	3-month USD LIBOR	**739**	
HYBRID SUBORDINATED DEBT			**1 766**	1 839
Rand-denominated	**(Rm)**		**1 766**	1839
Callable notes repayable on 20 November 2018 (NEDH1A) (g)	487	15,05% per annum*	**484**	550
Callable notes repayable on 20 November 2018 (NEDH1B) (g)	1 265	JIBAR + 4,75% per annum**	**1 282**	1 289
SECURITISED LIABILITIES			**1 412**	1 420
Rand-denominated	**(Rm)**			
Callable notes repayable on 18 November 2039 (GRN1A1) (h)	291	JIBAR + 0,25% per annum**	**294**	295
Callable notes repayable on 18 November 2039 (GR1A2A) (h)	1 407	JIBAR + 0,60% per annum**	**993**	999
Callable notes repayable on 18 November 2039 (GRN1B) (h)	98	JIBAR + 0,85% per annum**	**75**	75
Callable notes repayable on 18 November 2039 (GRN1C) (h)	76	JIBAR + 1,1% per annum**	**50**	51
SENIOR UNSECURED DEBT				
Rand-denominated	**(ZARm)**		**5 773**	
Senior unsecured notes repayable on 9 September 2012 (NBK1B)	1 000	JIBAR + 1,50% per annum**	**1 005**	
Senior unsecured notes repayable on 15 September 2015 (NBK2A)	2 000	10,55% per annum*	**2 065**	
Senior unsecured notes repayable on 15 September 2015 (NBK2B)	250	JIBAR + 2,20% per annum**	**251**	
Senior unsecured notes repayable on 9 September 2019 (NBK3A)	400	11,39% per annum*	**414**	
Senior unsecured notes repayable on 31 March 2013 (NBKI1)	1 750	3,9% CPI ref 106.70667	**1 805**	
Senior unsecured notes repayable on 28 October 2024 (NBK4)	130	Zero coupon	**136**	
Senior unsecured notes repayable on 31 March 2013 (NBKI1U)	98	3.8% real yield base CPI 108.68065	**97**	

14 Long-term debt instruments continued

	Nominal value	Instrument terms	2009	2008
OTHER			**7**	175
Rand-denominated	**(Rm)**		**7**	5
Unsecured debentures repayable on 30 November 2029	200	Zero coupon	**7**	5
US dollar-denominated	**(US$m)**		**–**	170
Guaranteed loan repayable on 31 August 2009 +	18	1,5 bps below 6-month Libor on nominal value		170
Total long-term debt instruments in issue			**20 084**	14 061

During the year there were no defaults or breaches of principal, interest or any other terms and conditions of long-term debt instruments.

Coupon holders are entitled, in the event of interest default,to put the coupon covering such interest payments to Nedbank Group Limited. The US dollar subordinated-debt instruments are either matched by advances to clients or covered against exchange rate fluctuations. In accordance with the group's articles of association, the borrowing powers of the company are unlimited.

* Interest on these notes is payable biannually.

** Interest on these notes is payable quarterly.

\+ The debt instrument was redeemed on its call date 31 August 2009.

(a) Callable by the issuer, Imperial Bank Limited, after approximately five years from the date of issue, 30 March 2006 (ie 30 December 2010), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 2,67%.

(b) Callable by the issuer, Imperial Bank Limited, after five years from the date of issue, 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, 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 bps 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 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 3 March 2009 (ie 3 March 2017), at which time the interest rate coverts to a floating three-month USD LIBOR rate, plus a spread of 3,00%.

15 BEE: Estimated future dilutive shares and IFRS 2 charge

These are purely illustrative scenarios for the period 2009 – 2017 of the dilutive potential ordinary shares and the IFRS 2 charge as at the end of each year. The first scenario is at an illustrative annual share price growth of 10% and dilutive sensitivity is illustrated by assuming other growth rates. These examples are not based on any share price growth expectations.

15.1 Estimated future dilutive shares as at end of each year ('000)

	Actual 2005	Actual 2006	Actual 2007	Actual 2008
Dilutive shares at 10% share price growth:				
SA BEE transaction	1 408	8 144	9 812	2 094
Black Business Partners	764	2 992	2 631	
Non-executive directors	21	116	225	81
Retail	12	685	2 051	1 065
Corporate	581	3 164	3 243	
Black Executives	11	209	377	226
Black Management	19	978	1 285	722
Namibia BEE transaction	–	–	10	6
Black Business Partners				
Affinity Groups				
Education				
Discretionary				
LTIP				
Black Management			10	6
	1 408	8 144	9 822	2 100
Dilutive shares at share price growth of:				
SA BEE transaction				
5%	1 408	8 144	9 812	2 094
15%	1 408	8 144	9 812	2 094
20%	1 408	8 144	9 812	2 094
30%	1 408	8 144	9 812	2 094
Namibia BEE transaction				
5%			10	6
15%			10	6
20%			10	6
30%			10	6

Actual 2009	Illustrative forecast 2010	Illustrative forecast 2011	Illustrative forecast 2012	Illustrative forecast 2013	Illustrative forecast 2014	Illustrative forecast 2015	Illustrative forecast 2016	Illustrative forecast 2017
4 381	5 895	3 537	3 480	3 473	3 604	1 871	797	507
1 024	587	1 167	1 250	1 088	1 184			
171	230							
1								
1 976	3 248							
286	343	410	399	438	477	443	363	210
923	1 487	1 960	1 831	1 947	1 943	1 428	434	297
19	77	109	129	56	56	57	–	–
	18	20	22	24	26	29		
	18	18	17	16	15	14		
	18	18	17	16	15	14		
9	13	39	59					
10	10	14	14					
4 400	5 972	3 646	3 609	3 529	3 660	1 928	797	507
4 381	5 706	2 645	2 000	1 791	1 838	1 439	536	340
4 381	6 076	4 357	4 761	4 990	5 321	2 209	999	637
4 381	6 248	5 127	5 855	6 255	6 681	2 475	1 156	740
4 381	6 568	6 459	7 597	8 191	8 650	2 858	1 378	887
18	72	104	111	40	41	42		
18	79	114	123	44	45	47		
18	80	115	124	45	46	48		
18	81	116	125	46	47	49		

15 BEE: Estimated future dilutive shares and IFRS 2 charge continued

15.2 Estimated share-based payment IFRS 2 BEE charge per year (Rm)

	2005	2006	2007	2008	**2009**
IFRS 2 BEE charge at 10% share price growth:					
SA BEE transaction	371,2	116,5	146,5	180,0	**109,0**
Black Business Partners	214,6		19,0	9,0	**10**
Non-executive directors	0,6	2,0	12,0	5,0	**2**
Retail	1,1	38,0	30,2	73,0	**6**
Corporate	14,3	50,7	56,3	60,0	**53**
Black Executives	2,4	6,7	7,0	9,0	**6**
Black Management	10,6	19,1	22,0	24,0	**32**
Broad-based	127,6				
Namibia BEE transaction	–	21,7	–	0,9	**1,0**
Black Business Partners		9,0			
Affinity Groups		3,3			
Education		4,4			
Discretionary					
LTIP					**0,1**
Black Management				0,9	**0,9**
Broad-based		5,0			
	371,2	138,2	146,5	180,9	**110,0**

15.3 Total estimated IFRS 2 BEE charge (Rm) at varying share price growth assumptions

			2009		
	5%	**10%**	**15%**	**20%**	**30%**
SA BEE transaction	**1 148,6**	**1 490,7**	**1 565,2**	**1 643,6**	**1 807,8**
Pegged cost for instruments allocated to date	**1 021,3**	**1 021,3**	**1 072,3**	**1 126,0**	**1 238,5**
Future costs dependant on share price growth	**127,3**	**469,4**	**492,9**	**517,6**	**569,3**
Namibia BEE transaction	**34,5**	**34,8**	**35,1**	**35,5**	**36,1**
Pegged cost for instruments allocated to date	**28,8**	**28,8**	**28,8**	**28,8**	**28,8**
Future costs dependant on share price growth	**5,7**	**6,0**	**6,3**	**6,7**	**7,3**
	1 183,1	**1 525,5**	**1 600,3**	**1 679,1**	**1 843,9**

	2010	2011	2012	2013	2014	2015	2016	2017	Total
	136,4	104,3	70,2	64,3	56,7	50,1	44,4	41,1	1 490,7
	22	23	24	26,4	29,0	31,9	35,1	37,7	481,7
	10,3								31,9
									148,3
	57,9	34,9							327,1
	11,6	13,5	15,8	14,6	12,0	8,7	4,6	1,7	113,6
	34,6	32,9	30,4	23,3	15,7	9,5	4,7	1,7	260,5
									127,6
	3,1	3,2	2,9	0,8	0,3	0,3	0,3	0,3	34,8
									9,0
									3,3
									4,4
	0,3	0,3	0,3	0,3	0,3	0,3	0,3	0,3	2,4
	1,9	2,4	2,4	0,5					7,3
	0,9	0,5	0,2						3,4
									5,0
	139,5	107,5	73,1	65,1	57,0	50,4	44,7	41,4	**1 525,5**

			2008		
	5%	10%	15%	20%	30%
	1 143,2	1 357,6	1 374,4	1 392,1	1 429,1
	1 021,8	1 021,8	1 021,8	1 021,8	1 021,8
	121,4	335,8	352,6	370,3	407,3
	30,3	29,6	30,4	30,4	30,4
	29,6	29,6	29,6	29,6	29,6
	0,7		0,8	0,8	0,8
	1 173,5	1 387,2	1 404,8	1 422,5	1 459,5

ANALYSIS OF BEE SCHEMES – ILLUSTRATIVE ROLL OF SHARES – BASED ON A 10% INCREASE IN SHARE PRICE

15 BEE: Estimated future dilutive shares and IFRS 2 charge continued

15.4 Illustrative vesting outside of group

	Inception	Actual 2005	Actual 2006	Actual 2007	Actual 2008	**Actual 2009**	Illustrative forecast 2010	Illustrative forecast 2011
Opening balance		–	1 471 700	1 559 493	1 713 617	**3 744 050**	9 212 904	10 247 184
SA BEE transaction		1 471 700	47 977	154 124	2 030 433	**5 468 854**	1 002 811	14 014 617
BBP								
NED								789 130
Retail – For sale			19 965	65 280	2 024 091	**3 192 834**		
Retail – Free shares						**1 767 390**		
Corporate Non-Aka								10 160 049
Corporate Aka								1 676 901
Community								
Black Executives						**105 480**	188 911	254 599
Black Management			28 012	88 844	6 342	**403 150**	813 900	1 133 938
Broad-based		1 471 700						
Evergreen								
Namibia BEE transaction		–	39 816	–	–	**–**	31 469	24 869
BBP								
AG								
Education								
Discretionary								
LTIP							6 600	
Black Management							24 869	24 869
Broad-based			39 816					
		1 471 700	1 559 493	1 713 617	3 744 050	**9 212 904**	10 247 184	24 286 670
Treasury shares ie. in Trusts considered to be inside group								
Opening balance		–	39 796 430	40 374 080	40 219 956	**38 189 523**	32 720 669	31 686 389
Inception**		41 268 130	665 443					
SA BEE transaction	41 268 130	(1 471 700)	(47 977)	(154 124)	(2 030 433)	**(5 468 854)**	(1 002 811)	(14 014 617)
BBP	7 891 300							
NED	789 130							(789 130)
Retail – For sale	5 302 170		(19 965)	(65 280)	(2 024 091)	**(3 192 834)**		
Retail – Free shares	1 767 390					**(1 767 390)**		
Corporate Non-Aka	10 160 049							(10 160 049)
Corporate Aka	1 676 901							(1 676 901)
Community	1 531 551							
Black Executives	2 093 521					**(105 480)**	(188 911)	(254 599)
Black Management	7 661 076		(28 012)	(88 844)	(6 342)	**(403 150)**	(813 900)	(1 133 938)
Broad-based	1 471 700	(1 471 700)						
Evergreen	923 342							
Namibia BEE transaction	665 443	–	(39 816)	–	–	**–**	(31 469)	(24 869)
BBP	199 929							
AG	74 048							
Education	98 730							
Discretionary	81 452							
LTIP	81 750						(6 600)	
Black Management	89 718						(24 869)	(24 869)
Broad-based	39 816		(39 816)					
		39 796 430	40 374 080	40 219 956	38 189 523	**32 720 669**	31 686 389	17 646 903
Illustrative cap/issued/purchased shares			815 960	2 150 413	3 666 988	**5 304 469**	5 304 469	5 304 469
		39 796 430	41 190 040	42 370 369	41 856 511	**38 025 138**	36 990 858	22 951 372

*** Inception figures have changed due to reallocation between the Retail scheme and Black Management.*

Illustrative forecast 2012	Illustrative forecast 2013	Illustrative forecast 2014	Illustrative forecast 2015	Illustrative forecast 2016	Illustrative forecast 2017	Illustrative forecast 2018	Total	Illustrative cap shares	Illustrative call option	Illustrative shares
24 286 670	25 513 785	27 158 882	28 681 765	37 676 445	38 736 763	39 172 750	–			
1 188 085	1 583 315	1 518 110	8 989 907	682 838	435 987	224 479	38 813 237	9 683 582	(13 215 221)	35 281 598
			7 891 300				7 891 300	6 079 111	(5 947 106)	8 023 305
							789 130	270 835	(562 162)	497 803
							5 302 170			5 302 170
							1 767 390			1 767 390
							10 160 049	2 717 272	(5 542 524)	7 334 797
							1 676 901	616 364	(1 163 429)	1 129 836
179 542	173 448	272 136	256 694	331 353	214 022	117 336	2 093 521			2 093 521
1 008 543	1 409 867	1 245 974	841 913	351 485	221 965	107 143	7 661 076			7 661 076
							1 471 700			1 471 700
39 030	61 782	4 773	4 773	377 480	–	81 452	665 444	327 455	(412 697)	580 202
				199 929			199 929	119 714	(173 426)	146 217
				74 048			74 048	29 499	(44 200)	59 347
				98 730			98 730	39 332	(58 933)	79 129
						81 452	81 452	138 910	(136 138)	84 224
13 368	61 782						81 750			81 750
25 662		4 773	4 773	4 773			89 719			89 719
							39 816			39 816
25 513 785	27 158 882	28 681 765	37 676 445	38 736 763	39 172 750	39 478 681	39 478 681	10 011 037	(13 627 918)	35 861 800

17 646 903	16 419 788	14 774 691	13 251 808	4 257 128	3 196 810	2 760 823	
(1 188 085)	(1 583 315)	(1 518 110)	(8 989 907)	(682 838)	(435 987)	(224 479)	2 454 893
			(7 891 300)				
							1 531 551
(179 542)	(173 448)	(272 136)	(256 694)	(331 353)	(214 022)	(117 336)	
(1 008 543)	(1 409 867)	(1 245 974)	(841 913)	(351 485)	(221 965)	(107 143)	
							923 342
(39 030)	(61 782)	(4 773)	(4 773)	(377 480)	–	(81 452)	–
				(199 929)			
				(74 048)			
				(98 730)			
						(81 452)	
(13 368)	(61 782)						
(25 662)		(4 773)	(4 773)	(4 773)			
16 419 788	14 774 691	13 251 808	4 257 128	3 196 810	2 760 823	2 454 892	2 454 893
5 304 469	5 304 469	5 304 469	5 304 469	5 304 469	5 304 469	5 304 469	
21 724 257	20 079 160	18 556 277	9 561 597	8 501 279	8 065 292	7 759 361	2 454 893

Illustrative roll of shares – SA BEE transaction

	Inception	2005	2006	2007	2008	**2009**	2010	2011
Issued outside group	–	1 471 700	1 519 677	1 673 801	3 704 234	**9 173 088**	10 175 899	24 190 516
Treasury shares	41 268 130	39 796 430	39 748 453	39 594 329	37 563 896	**32 095 042**	31 092 231	17 077 614
Original BEE allocation	41 268 130	41 268 130	41 268 130	41 268 130	41 268 130	**41 268 130**	41 268 130	41 268 130
Cap shares	–	116 659	747 199	1 024 777	1 175 328	**1 166 954**	1 151 189	1 266 308
– BBP		96 214	289 466	442 266	540 487	**540 487**	540 487	594 536
– NED			28 021	35 439	55 999	**47 625**	49 405	54 346
– Corporate		20 445	429 712	547 072	578 842	**578 842**	561 297	617 426
	41 268 130	41 384 789	42 015 329	42 292 907	42 443 458	**42 435 084**	42 419 319	42 534 438
Call option shares	–	–	–	–	–	**–**	(7 259 961)	–
– BBP								
– NED							(554 008)	
– Corporate							(6 705 953)	
Shares expected at end	41 268 130	41 384 789	42 015 329	42 292 907	42 443 458	**42 435 084**	35 159 358	42 534 438
Weighted dilutive shares		1 406 976	8 143 756	9 811 687	2 093 953	**4 381 086**	5 895 979	3 538 170

Illustrative roll of shares – Namibia BEE transaction

	Inception	2005	2006	2007	2008	**2009**	2010	2011
Issued outside group	–	–	39 816	39 816	39 816	**39 816**	71 285	96 154
Treasury shares	665 442	–	625 626	625 626	625 626	**625 626**	594 157	569 288
Original BEE allocation	665 442	–	665 442	665 442	665 442	**665 442**	665 442	665 442
Cap/issued/purchased shares	–	–	16 478	18 698	30 242	**31 183**	32 169	33 204
– BBP			9 605	10 067	10 550	**11 057**	11 588	12 145
– AG			2 002	2 514	2 635	**2 761**	2 894	3 033
– Education			2 669	3 352	3 513	**3 682**	3 858	4 044
– Discretionary			2 202	2 765	13 544	**13 683**	13 829	13 982
	665 442	–	681 920	684 140	695 684	**696 625**	697 611	698 646
Call option shares	–	–	–	–	–	**–**	–	–
– BBP								
– AG								
– Education								
– Discretionary								
Shares expected at end	665 442	–	681 920	684 140	695 684	**696 625**	697 611	698 646
Weighted dilutive shares				10 065	5 796	**41 258**	72 041	103 610

	2012	2013	2014	2015	2016	2017	2018	Total
	25 378 601	26 961 916	28 480 026	37 469 933	38 152 771	38 588 758	38 813 237	38 813 237
	15 889 529	14 306 214	12 788 104	3 798 197	3 115 359	2 679 372	2 454 893	2 454 893
	41 268 130	41 268 130	41 268 130	41 268 130	41 268 130	41 268 130	41 268 130	41 268 130
	653 990	719 389	791 328	870 461	–	–	–	9 683 582
	653 990	719 389	791 328	870 461				6 079 111
								270 835
								3 333 636
	41 922 120	41 987 519	42 059 458	42 138 591	41 268 130	41 268 130	41 268 130	50 951 712
	–	(5 947 106)	–	–	–	–	–	(13 207 067)
		(5 947 106)						(5 947 106)
								(554 008)
								(6 705 953)
	41 922 120	36 040 413	42 059 458	42 138 591	41 268 130	41 268 130	41 268 130	37 744 645
	3 479 643	3 473 110	3 604 291	1 871 341	797 599	507 240	–	

	2012	2013	2014	2015	2016	2017	2018	Total
	135 184	196 966	201 739	206 512	583 992	583 992	665 444	665 444
	530 258	468 476	463 703	458 930	81 450	81 450	–	–
	665 442	665 442	665 442	665 442	665 442	665 442	665 444	665 444
	34 288	35 424	36 614	37 862	10 646	10 646	–	327 454
	12 728	13 340	13 981	14 653				119 714
	3 179	3 331	3 491	3 659				29 499
	4 238	4 442	4 655	4 879				39 332
	14 143	14 311	14 487	14 671	10 646	10 646		138 909
	699 730	700 866	702 056	703 304	676 088	676 088	665 444	992 898
	–	–	–	–	(325 178)	–	(87 519)	(412 697)
					(173 426)			(173 426)
					(44 200)			(44 200)
					(58 933)			(58 933)
					(48 619)		(87 519)	(136 138)
	699 730	700 866	702 056	703 304	350 910	676 088	577 925	580 201
	111 386	39 766	41 062	42 454	–	–	–	

BEE DEAL – FORECAST ASSUMPTIONS

The following are the assumptions used for the South African BEE deal:

Changes in assumptions	Forecast December 2009	December 2008
Timing of initial grant*	August 2005	August 2005
Share price	R87,90 for initial grants. R124,05 at December 2009 + 10% p.a. for future allocations.	R87,90 for initial grants. R95,50 at December 2008 + 10% p.a. for future allocations.
Timing of allocations	Greater number allocated later (ie at higher share price) in line with latest fact pattern.	Greater number allocated later (ie at higher share price) in line with latest fact pattern.
Expected vesting criteria (Management Schemes)	Expected life to mirror experience in current employee schemes. Evenly spread between vesting and expiry dates at 50/50.	Expected life to mirror experience in current employee schemes. Evenly spread between vesting and expiry dates at 50/50.
Pricing of allocations	Instrument values based on average share price on grant date. Corporate and Non-executive Directors scheme issue prices based on R74,75 plus interest for all anticipated grants.	Instrument values based on share price on grant date and not R74,75. Corporate and Non-executive Directors scheme issue prices based on R74,75 plus interest for all anticipated grants.
Dividend yield	Illustrative dividend yields.	Illustrative dividend yields.
Participant drop-off rates	Refined per scheme based on historical data – increased for some.	Refined per scheme based on historical data – increased for some.

** Affects share price and other factors, ie dividend yield and volatility, spreading of allocations, etc.*

NEDBANK GROUP EMPLOYEE INCENTIVE SCHEMES

AT 31 DECEMBER

	2009	2008
Movements		
Instruments outstanding at beginning of period	**18 918 278**	21 174 877
Granted	**5 274 418**	2 812 982
Exercised	**(3 819 227)**	(2 351 454)
Expired	**(333 979)**	(1 313 279)
Forfeited	**(1 307 102)**	(1 404 848)
Instruments outstanding at end of the period	**18 732 388**	18 918 278
Analysis		
Performance-based options – 1994 Scheme		715 035[P]
Non-performance-based options – 1994 Scheme	**628 280**	1 155 352
Performance-based options – 2005 Scheme	**11 180 686[P]**	8 095 501[P]
Non-performance-based options – 2005 Scheme	**6 340 374**	8 357 220
Performance-based options – matched shares 2005 Scheme	**291 524**	297 585
Non-performance-based options – matched shares 2005 Scheme	**291 524**	297 585
	18 732 388	18 918 278
Summary: by scheme		
Nedcor Group (employee incentive scheme) (1994)	**628 280**	1 822 476
Options granted in respect of the rights offer (1994 scheme)		47 911
Nedbank Group (2005) share option, matched and restricted share scheme	**17 521 060**	16 452 721
Matched shares:	**583 048**	595 170
Instruments outstanding at end of the period	**18 732 388**	18 918 278

Nedcor Group (employee incentive scheme) (1994)

The following options granted had not been exercised at 31 December 2009:

Option expiry date	Number of shares	Issue price R
1-Mar-10	**10 000**	**60,01**
1-Apr-10	**5 000**	**60,01**
11-May-10	**362 980**	**60,01**
10-Aug-10	**120 500**	**55,75**
20-Apr-11	**129 800**	**74,40**
Total	**628 280**	

[P] *Performance-based options.*

AT 31 DECEMBER (CONTINUED)

Nedbank Group (2005) share option, matched and restricted share scheme
Share options:

The following options granted had not been exercised at 31 December 2009:

Option expiry date	Number of shares	Issue price R	Option expiry date	Number of shares	Issue price R
			b/f	1 447 596	
1-Jan-10	5 200	76,79	1-Jul-10	35 400	134,30
1-Jan-10	11 000	110,98	1-Jul-10	4 000	144,30
1-Jan-10	15 000	144,30	1-Aug-10	17 438	110,98
1-Feb-10	10 000	76,79	1-Aug-10	3 000[P]	144,30
1-Feb-10	15 000	110,98	8-Aug-10	224 200	84,68
1-Feb-10	15 000	144,30	1-Sep-10	22 500	110,98
8-Feb-10	1 200	76,79	1-Sep-10	8 200	134,30
11-Feb-10	2 000	76,79	1-Sep-10	5 000	144,30
11-Feb-10	2 000	110,98	13-Sep-10	1 000	110,98
15-Feb-10	3 000	110,98	1-Oct-10	12 300	144,30
20-Feb-10	2 000	110,98	1-Nov-10	4 724	110,98
1-Mar-10	2 500	110,98	1-Nov-10	22 100	134,30
24-Mar-10	1 100	110,98	28-Feb-11	3 567 719	110,98
25-Mar-10	1 400	144,30	3-Mar-11	1 990 216[P]	*
1-Apr-10	2 600	76,79	10-Aug-11	242 400	107,03
1-Apr-10	9 000	107,03	11-Aug-11	178 448[P]	*
1-Apr-10	1 000	144,30	27-Feb-12	4 536 411[P]	144,30
1-May-10	2 000	76,79	3-Mar-12	3 936 111[P]	*
1-May-10	1 000	144,30	10-Aug-12	536 500[P]	134,30
28-May-10	1 000	144,30	11-Aug-12	725 797	*
1-Jun-10	10 000	76,79			
1-Jun-10	5 500	110,98			
1-Jun-10	3 000	134,30			
1-Jun-10	3 500	144,30			
30-Jun-10	1 318 596	76,79			
1-Jul-10	4 000	110,98			
	1 447 596		Total	**17 521 060**	

[P] *Performance-based options.*
* *Resticted shares issued at a market price for no consideration, to participants and held by the scheme until expiry date (some issued without performance conditions). Participants have full rights and receive dividends.*

Matched shares:

The obligation to deliver the following matched shares, 50% is subject to time and the other 50% to performance criteria, exists at 31 December 2009.

Option expiry	Number of shares
31-Mar-10	139 057
1-Apr-11	261 000
1-Apr-12	182 991
Total	**583 048**

SHAREHOLDERS' ANALYSIS

Register date: 31 December 2009
Authorised share capital: 600 000 000 shares
Issued share capital: 498 671 016 shares

Major shareholders/managers	Number of shares	**Dec 2009 % holding**	Dec 2008 % holding
Old Mutual Life Assurance Company (South Africa) Limited and associates (SA)	260 336 704	**52,21**	53,89
Nedbank Group treasury shares	62 937 839	**12,63**	12,63
BEE trusts:			
– Eyethu scheme – Nedbank South Africa	39 578 938	**7,94**	8,78
– Omufima scheme – Nedbank Namibia	757 346	**0,15**	0,14
Nedbank Group (2005) Share Option, Matched Share and Restricted Share Scheme	7 606 814	**1,53**	0,52
Nedbank Group Capital Management	14 715 049	**2,95**	3,14
Nedbank Namibia	47 512	**0,01**	
NES Investments (Pty) Limited	232 180	**0,05**	0,05
Lazard Asset Management (US)	29 913 320	**6,00**	3,14
Public Investment Corporation (SA)	28 817 152	**5,78**	5,02
Coronation Fund Managers (SA)	14 007 444	**2,81**	0,60
Sanlam Investment Management (SA)	10 955 128	**2,20**	2,94
BlackRock Inc (US and UK)	5 960 039	**1,20**	0,08
Prudential Portfolio Managers (SA)	5 102 506	**1,02**	0,94
Major beneficial shareholders			
Old Mutual Life Assurance Company (South Africa) Limited and associates (SA)	260 336 704	**52,21**	53,89
Public Investment Corporation (SA)	37 005 824	**7,42**	6,49
Geographical distribution of shareholders			
Domestic	430 936 928	**86,42**	87,80
– South Africa	424 740 361	**85,17**	86,41
– Namibia	3 320 058	**0,67**	0,66
– Unclassified	2 876 509	**0,58**	0,73
Foreign	67 734 088	**13,58**	12,20
– United States of America	48 552 928	**9,74**	8,92
– United Kingdom and Ireland	5 505 506	**1,10**	0,88
– Europe	5 489 128	**1,10**	0,42
– Other countries	8 186 526	**1,64**	1,98
	498 671 016	**100,00**	100,00

NEDBANK LIMITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

Rm	2009	2008
Interest and similar income	**49 332**	55 154
Interest expense and similar charges	**33 795**	39 874
Net interest income	**15 537**	15 280
Impairments charge on loans and advances	**6 659**	4 755
Income from lending activities	**8 878**	10 525
Non-interest revenue	**10 338**	9 877
Operating income	**19 216**	20 402
Total expenses	**13 792**	12 671
Operating expenses	**13 674**	12 484
BEE transaction expenses	**118**	187
Indirect taxation	**402**	356
Profit from operations before non-trading and capital items	**5 022**	7 375
Non-trading and capital items	**(32)**	745
Profit on sale of subsidiaries, investments, property and equipment	**(22)**	756
Net impairment of investments, property, equipment and capitalised development costs	**(10)**	(11)
Profit from operations	**4 990**	8 120
Share of profits of associates and joint ventures	**(1)**	9
Profit before direct taxation	**4 989**	8 129
Total direct taxation	**960**	1 791
Direct taxation	**959**	1 683
Taxation on non-trading and capital items	**1**	108
Profit for the year	**4 029**	6 338
Other comprehensive income net of taxation	**264**	(218)
Exchange differences on translating foreign operations	**32**	(24)
Fair value adjustments on available-for-sale assets	**146**	(272)
Gains on property revaluations	**86**	78
Total comprehensive income for the year	**4 293**	6 120
Profit attributable to:		
Equity holders of the parent	**3 790**	6 106
Non-controlling interest – ordinary shareholders	**224**	217
– preference shareholders	**15**	15
Profit for the year	**4 029**	6 338
Total comprehensive income attributable to:		
Equity holders of the parent	**4 054**	5 882
Non-controlling interest – ordinary shareholders	**224**	223
– preference shareholders	**15**	15
Total comprehensive income for the year	**4 293**	6 120
EARNINGS RECONCILIATION		
Profit attributable to equity holders of the parent	**3 790**	6 106
Less: Non-headline earnings items	**(33)**	637
Non-trading and capital items	**(32)**	745
Taxation on non-trading and capital items	**(1)**	(108)
Headline earnings	**3 823**	5 469

NEDBANK LIMITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

Rm	2009	2008
ASSETS		
Cash and cash equivalents	**6 823**	7 638
Other short-term securities	**14 408**	10 411
Derivative financial instruments	**12 871**	23 114
Government and other securities	**35 754**	41 834
Loans and advances	**444 403**	433 422
Other assets	**3 917**	4 731
Clients' indebtedness for acceptances	**2 025**	2 998
Current taxation receivable	**580**	314
Investment securities	**3 012**	2 743
Non-current assets held for sale	**12**	10
Investments in associate companies and joint ventures	**922**	913
Deferred taxation asset	**36**	71
Investment property	**102**	104
Property and equipment	**4 754**	4 124
Long-term employee benefit assets	**1 783**	1 667
Computer software and capitalised development costs	**1 761**	1 587
Goodwill	**1 390**	1 390
Mandatory reserve deposits with central bank	**10 437**	10 061
Total assets	**544 990**	547 132
TOTAL EQUITY AND LIABILITIES		
Ordinary share capital	**27**	27
Ordinary share premium	**14 422**	14 422
Reserves	**18 174**	16 927
Total equity attributable to equity holders of the parent	**32 623**	31 376
Preference share capital and premium	**3 483**	3 122
Minority shareholders' equity attributable to ordinary shareholders	**1 796**	1 644
Minority shareholders' equity attributable to preference shareholders	**91**	300
Total equity	**37 993**	36 442
Derivative financial instruments	**10 799**	23 077
Amounts owed to depositors	**465 899**	461 084
Other liabilities	**5 218**	6 145
Liabilities under acceptances	**2 025**	2 998
Current taxation liabilities	**162**	117
Deferred taxation liabilities	**1 514**	1 982
Long-term employee benefit liabilities	**1 298**	1 227
Long-term debt instruments	**20 082**	14 060
Total liabilities	**506 997**	510 690
Total equity and liabilities	**544 990**	547 132
Guarantees on behalf of clients	**27 827**	25 154

SA BANKING SYSTEM AND FINANCIAL SYSTEM

CONTINUES TO REMAIN STRUCTURALLY SOUND, LIQUID AND STRONGLY CAPITALISED

- Financial soundness of banking system improved from 15th to 6th place in World Economic Forum Global Competitiveness Report.

CAPITAL ADEQUACY

INCREASED SIGNIFICANTLY AGAIN IN 2009

Regulatory capital

- Core Tier 1 – from 7,2% (2007) to 8,2% (2008) to **9,9% (2009)**.
- Tier 1 – from 8,2% (2007) to 9,6% (2008) to **11,5% (2009)**.
- Total – from 11,4% (2007) to 12,4% (2008) to **14,9% (2009)**.

Economic capital

- In 2009 the group's internal target solvency standard was made more conservative from A- (99,9%) to A (99,93%) while a more conservative definition of available financial resources (AFR), which covers the economic capital requirements, was also introduced.
- AFR surplus (after 10% capital buffer)
  - increased from R9,6 billion (2008) to R16,1 billion (2009), based on the old basis.
  - amounts to R11,8 billion (2009), based on the new, more conservative basis.

Leverage ratio

- Low at 14,4 times (2008: 16,2 times), compared with international levels.

Stress and scenario testing

- Best-practice framework and process followed to confirm the robustness of the group's capital adequacy and to assist in derisking the bank in appropriate segments ahead of the global financial crisis.

LIQUIDITY

REMAINS SOUND

- Lengthened the funding profile, including successful R5,4 billion senior debt issue in September 2009.
- Strengthened liquidity buffers.
- Well-diversified funding mix (ie retail vs wholesale deposit reliance).
- Strong deposit franchise (across Retail, Business Banking and Corporate Banking businesses).
- Low reliance on interbank, foreign and capital markets.

RISK AND CAPITAL MANAGEMENT SYSTEMS

PROVE CONSISTENTLY EFFECTIVE

- Enterprisewide Risk Management Framework (ERMF) and Capital Management Framework remain effective and well-embedded across the group.
- Sound risk governance prevails.
- Prudent risk appetite followed.
- Risk-based remuneration practices applied since 2008.
- With the exception of the retail asset classes where impairments remain challenging, wholesale credit asset classes remained within target credit loss ratios throughout the global financial crisis and local recession.

GLOBAL REGULATORY DEVELOPMENTS

COMPREHENSIVE RESPONSE TO GLOBAL FINANCIAL CRISIS IS IN PROGRESS

- Significant new international regulatory requirements and proposals ('Basel III') related to capital, liquidity, risk management and accounting provisioning, aimed at a more resilient global banking sector, are currently due for implementation end 2012.
- Comprehensive quantitative impact study and finalisation of the proposals are due end 2010.
- Impact of the liquidity proposals would be pervasive if implemented as is, but we anticipate modifications and changes appropriate for South Africa and its various structural issues.
- Impact on capital and all other proposals for Nedbank Group are initially anticipated to be moderate, not significant.

BALANCE SHEET MANAGEMENT

A NEW BALANCE SHEET MANAGEMENT CLUSTER WAS ESTABLISHED IN 2009

Background

In 2009 the local banking industry continued to experience a tough and volatile year as a result of the impact of the ongoing global recession, combined with cyclical credit stresses in the domestic economy. In response to the global financial crisis, during 2009 Nedbank continued its focus on proactive risk management and strengthening of capital ratios as well as further diversifying the funding base, lengthening the funding profile and increasing liquidity buffers. Although underlying conditions in the banking industry are expected to remain challenging for 2010, the SA economy is expected to grow by around 2,2%, which should translate into a better year for banking.

The landscape of banking is changing rapidly following the global financial crisis and the significant international regulatory response that is underway. Much of this change relates to and impacts the measurement and management of risk, the balance sheet (in particular, capital and liquidity) and financial performance, as well as the associated remuneration practices of banks.

South Africa's banking industry has remained structurally sound and weathered the global financial crisis and local recession extremely well due to factors that include:

- Sound and proactive regulation of financial services, especially in the banking sector.
- Strong risk and capital management in the SA banking industry.
- Basel II being successfully implemented and embraced in South Africa.
- The National Credit Act being successfully implemented in South Africa to help minimise irresponsible lending practices, overgearing and excessive consumer debt.
- Fiscal authorities in South Africa never allowing interest rates to fall as low and for as long as in the United States, where this resulted in excessive borrowing and untenable levels of household debt. South Africa has not had negative real interest rates.
- Exchange controls preventing large flows of funds from local institutions out of the country.
- Rand liquidity remaining stable, with the interbank market operating normally.
- The 'originate and sell' business model and complex credit derivatives, which resulted in excessive leverage in some foreign banks, not being implemented and used in South Africa to the same extent.
- Lessons learned from the 2002/3 SA banking crisis.

In South Africa our banking regulator has consistently been effective, and this has played a significant role in preventing any local fallout from the global financial crisis. However, South Africa does operate in a globally regulated market and the significant response to the crisis by international regulators, in particular the Basel Committee on Banking Supervision (Basel Committee), will have an effect on the local banking industry.

Nedbank Group anticipates that the impact on the group of the proposed international regulatory changes will be moderate rather than pervasive, with one potential exception (see below). This view is substantiated by the sound positioning of the SA banking industry throughout the global financial crisis, successful Basel II implementation in 2008 and, in particular, Nedbank Group's prudent risk appetite, sound governance and strong risk culture, which is evidence now of Nedbank Group's 'business benefits'-based approach to the implementation of Basel II, where our emphasis was not only to comply with Basel II, but also to elevate the group's risk, capital and balance sheet management to best-practice standards.

The possible exception to the moderate impact discussed above will be the new international regulatory liquidity proposals for which the impact would be pervasive if implemented as they stand, but we anticipate modifications and changes appropriate for South Africa and its various structural issues. SA banks are well-funded and liquid, and remained so throughout the global financial crisis mainly due to the sound, small and closed nature of the local funding system.

The new Group Executive Committee (Group Exco) structure, which was completed in January 2010, also includes the creation of a specialist Balance Sheet Management (BSM) cluster. This recognises the importance of managing risk on a portfolio basis and integrating the management of risk with liquidity and funding, capital management, shareholder value-add optimisation and reward practices. The creation of this new cluster is also acknowledgement that portfolio optimisation is an essential component of optimising the financial returns and long-term sustainability of the group.

Regulation 43 of the regulations relating to banks in South Africa requires disclosure to the public of reliable, relevant and timely qualitative and quantitative information that enables users of that information, among other things, to make an accurate assessment of a bank's financial condition, including its capital adequacy, financial performance, business activities, risk profile and risk management practices. Nedbank Group is fully committed to regulation 43.

The requirements of regulation 43 are aligned with International Financial Reporting Standards (IFRS) but significantly extend the public disclosure requirements. This extension of disclosure is embodied in what is commonly known as 'Pillar 3' of the Basel II Accord.

A copy of the unabridged Pillar 3 Report may be found on the group's website at www.nedbankgroup.co.za.

Global regulatory developments and the changing landscape of banking

The measures taken by the Basel Committee in July 2009 to strengthen the international Basel II framework, as well as the far-reaching proposals released in December 2009, are the committee's comprehensive response, under the mandate of the group of 20 leading economies, to address the lessons of the global financial crisis.

The Basel Committee's proposals aim to strengthen global capital and liquidity regulations with the goal of promoting a more resilient banking sector. The objective of the reform package is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy.

Through its reform package the Basel Committee also aims to improve risk management and governance as well as strengthen banks' transparency and disclosures. Moreover, the reform package also includes the committee's efforts to strengthen the resolution of systemically significant crossborder banks and the financial regulatory system.

The new Basel requirements and proposals are discussed in more detail below.

The first response package was released in July 2009 and included improvements to Basel II's Pillars 1, 2 and 3.

- Enhancements to **Pillar 1**
  - Securitisation (implementation end 2009).
  - Market trading risk (implementation end 2010).
- Enhancements to **Pillar 2** Internal Capital Adequacy Assessment Process (ICAAP) (implementation July 2009)
  - Bankwide governance and risk management.
  - Principles for sound liquidity risk management.
  - Principles for risk concentrations.
  - Sound remuneration practices (risk-based).
  - Valuation and liquidity risks of financial instrument fair-value practices.
  - Principles for sound stress-testing practices.
  - Off-balance-sheet exposures and securitisation activities.
  - Reputational risk and implicit support.
- Enhancements to **Pillar 3** (public disclosure/market discipline)
  - Securitisation exposures (implementation end 2009).

The second response package, which includes only proposals at this stage, was released in December 2009. The objectives of the proposals in this package are as follows:

- Raising the quality, consistency and transparency of the capital base, while also harmonising the other elements of a bank's capital structure.
- Strengthening risk coverage.

  In addition to the trading book and securitisation reforms announced in July 2009, the new proposals include strengthening of the capital requirements for counterparty credit risk exposures arising from derivatives, repurchase agreements (repos) and securities financing activities. The strengthened counterparty credit risk capital requirements will also increase incentives to move over-the-counter (OTC) derivative exposures to central counterparties and exchanges, and generally improve counterparty credit risk management. The interconnectivity of large financial institutions is also a key focus area as reflected by, for example, introducing a multiplier (1,25) to the asset value correlation for these exposures held by banks.
- Introducing a leverage ratio as a supplementary measure to the Basel II risk-based framework.

  The leverage ratio will help contain the buildup of excessive leverage in the banking system. To ensure comparability the details of the leverage ratio will be harmonised internationally, fully adjusting for any remaining differences in accounting.
- Reducing procyclicality and promoting countercyclical capital buffers.

  The key objectives are:
  - Dampen any excess cyclicality of the minimum capital requirement.
  - Promote more forward-looking credit provisions based on 'expected losses', rather than the current 'incurred loss' provisioning model under IFRS.
  - Conserve capital to build buffers that can be used in stress by the introduction of a framework linking the amount of earnings a bank is allowed to distribute to shareholders to the bank's capital ratios.
  - Protect the banking sector from periods of excess credit growth by requiring banks further to increase capital buffers available when selected macroeconomic indicators suggest that credit volumes have grown excessively.
- Introducing a global liquidity framework.

  This would consist of a stressed liquidity coverage ratio, a longer-term structural stable funding ratio and a common set of monitoring metrics to assist in identifying and analysing liquidity risk trends. These complement the Basel Committee's 'Principles for sound liquidity risk management and supervision' issued in September 2008.

- Addressing systemic risk and banks' interconnectedness.

  More specific proposals are expected to be developed in the first half of 2010.

The Basel Committee is mindful of the need to introduce these measures in a manner that raises the resilience of the global banking sector over the longer term, while avoiding negative effects on bank lending activity that could impair the economic recovery. To this end the committee is initiating a comprehensive impact assessment of the capital and liquidity standard proposals and highlighted that 'decisions on the final proposals and their calibration will be made only after a thorough analysis of the impact assessment and the comments received on the consultative documents. The committee will ensure that implementation of the new standards is consistent with financial market stability and sustainable economic growth'.

The key timelines are as follows:

- Consultation period for the December 2009 proposals until 16 April 2010.
- Undertaking of a comprehensive impact assessment during the first half of 2010.
- Development of a fully calibrated set of standards by end 2010.
- Targeted implementation by end 2012 (including phase-in measures and grandfathering arrangements beyond 2012).

The complexity of the Basel Committee's proposals, the risks of unintended consequences and the interaction between these and other developments place a strong burden on the banking industry to assess the impacts carefully and ensure that the right balance is achieved between risk management and economic wellbeing.

In conclusion, most of these new developments are still at the proposal stage and changes are expected following the quantitative impact study, calibrations and consultative process. The exact impact remains uncertain, however, and the issue is not 'if', but 'how much?'.

Impact of the international regulatory developments on Nedbank Group

Nedbank Group is supportive of the recent international regulatory developments. While some details and clarity are still sought and refinement needed before they are finalised, the principles behind most of the proposals are appropriate, prudent and necessary.

The proposed changes will have an impact on the SA banking industry, although this will only come into effect after a minimum of three years following finalisation by the Basel Committee, as discussed above, and after the SA Reserve Bank (SARB) has determined exactly what will be adopted and/or modified as appropriate for the SA banking industry.

At this early stage Nedbank Group's expectation is that the impact of these proposals will be moderate, both on implementation requirements, strategy and financial performance returns, with the possible exception of the liquidity proposals.

In summary, our reasons for this view are as follows:

- South Africa fully embraced its Basel II implementation successfully completed two years ago, which involved a very strong collaborative approach among the regulator (SARB) and the banking industry.

  Nedbank Group's approach since 2004, which at all times 'embraced the true spirit' of Basel II, involved implementing, inter alia, best-practice enterprisewide risk management (ERM) across the group. We have invested significantly in advanced risk and capital management capabilities, as well as human resources and systems, and transformed these using our comprehensive Basel II programme as the main catalyst. Additionally, we launched the SMART Programme in H1 2009 to respond proactively to the global financial crisis.

  Many of the global issues around poor risk, capital and balance sheet management were a matter of implementation, governance and risk cultures, and risk management lessons that needed relearning. A significant portion of the new Basel proposals are about enforcing what was already required and/or expected, albeit in principles that are now more detailed and specific. The new proposals comprehensively formalise these requirements and therefore reduce opportunities for regulatory arbitrage. It's mostly the environment in which banks operate that has changed materially.

- As far as the proposed new **capital** requirements are concerned, SA banks' regulatory capital rules are already considerably more conservative than the Basel II international rules. The Tier 1 minimum ratio is 7% in South Africa, compared with 4% in Basel II, while the core Tier 1 minimum at 5,25% is more than double the minimum 2% of Basel II. In addition, all the major SA banks are currently operating at capital ratios significantly above the minimum regulatory ratios required in South Africa.

  All the major SA banks have also completed comprehensive Internal Capital Adequacy Assessment Processes (ICAAPs) in both 2008 and 2009. These are required to be signed off by the board of directors of each bank and then be subjected to a supervisory review and evaluation process by SARB.

  In view of the above we do not foresee a change for SA banks in the minimum capital requirements.

The new Basel proposals have, however, significantly increased the focus on, and quality of, core Tier 1 capital (with ordinary shareholders' equity and retained earnings by far the predominant form of Tier 1 capital).

In view of Nedbank Group's significantly strengthened capital ratios over the past two years to levels well beyond our target regulatory capital ratios (see page 119b) and expected further strengthening over our current 2010 – 2012 business plan as a result of our ongoing Risk-weighted Asset (RWA) Capital Optimisation Programme, SMART Programme, 'manage for value' strategic focus area and internal generation of capital from projected retained earnings, Nedbank Group does not anticipate the need to raise additional capital in response to these global developments, notwithstanding the list of additional regulatory deductions being proposed.

The global financial crisis has highlighted that the appropriate level of capital for a bank is a direct function of its risk appetite, strategy and existing risk profile. This aligns directly with one of the key objectives of Basel II and that is to differentiate capital requirements, and adequacy of capital buffers above the regulatory minimum, to reflect the unique risk profile on a bank-by-bank basis, rather than the 'one-size-fits-all' approach among all banks that Basel I engendered. The Basel Committee confirmed this again in 2009.

- Concerning the finalised (ie July 2009) and proposed (ie December 2009) new **risk coverage** requirements,

  Nedbank Group's trading book is small in relation to its total bank operations, securitisation exposure/activities are low and counterparty credit risk, including repurchase transactions and securities financing, is mostly restricted to low-risk, non-complex transactions, with credit derivatives activities restricted to single-name trades of SA exposures and biased towards providing risk mitigation. We therefore do not envisage a significant overall increase in minimum capital requirements related to these new requirements and proposals.

- With regard to the proposed new **leverage ratio**, at 14,4 times, excluding off-balance-sheet exposure (2008: 16,2 times), this requirement will not be an issue of concern for Nedbank Group. The risk appetite target approved by the board of directors is 18 times, well below the international average.

- With reference to the **procyclicality and countercyclical capital framework** proposals, the intended dampening of procyclicality via potentially more conservative 'through-the-cycle' (TTC) or 'downturn' probabilities of default (PDs) [the regulations already require the use of downturn loss given defaults (LGDs)] used in the Internal Ratings-based (IRB) Credit Approach may have a marginal impact on Nedbank Group's minimum credit capital requirements.

  Nedbank Group agrees with the objectives of the November 2009 exposure draft (ED) released by the IASB on the proposed move to an 'expected loss' approach to credit provisioning rather than the current 'incurred loss' model. However, much still needs to be worked out in this ED over the consultative period, such as whether it in fact would adequately reduce procyclicality, as well as the practicality of the implementation of the ED. At this stage it is too early to comment on the expected impact of the ED.

  The other capital conservation and capital buffer proposals generally align with current Nedbank Group practices and our target capital ratios that are validated by the group's ICAAP and extensive stress and scenario testing.

- As far as the new **liquidity risk** proposals are concerned, while our liquidity **risk management** aligns closely with best practice, the proposed new Basel liquidity ratios as they stand are a potential pervasive issue for the SA banking industry, as the local industry, compared with other first-world countries, has certain structural differences. These include, by way of example:

  – South Africa not being aligned with other jurisdictions in terms of deposit insurance schemes.

  – SA savings levels being low partly due to the lack of a large middle class, which typically generates significant pools of stable retail deposits.

  – SA banks having been disintermediated by money market funds, which account for nearly a third of total funding. This has resulted in more expensive funding (due to the wholesale nature) as well as a shorter liquidity profile.

  – Almost 90% of assets being 'corporate' and 'mortgage' loans, which typically have a long duration.

  – Small and less liquid local capital markets limiting the SA banks' ability to bolster liquidity buffers and/or lengthen their funding profiles.

  It is also important to recognise various positive structural differences between the SA and international financial markets that are currently not taken into account in the new Basel proposals. SARB may well consider adapting the new proposals to meet SA requirements.

  Some items that may be considered in modifying the proposals include:

  – Changes to some definitions (eg apply look-through principle to money market funding and classify as retail).

  – Lengthening the implementation period to make compliance practically achievable for the SA banks and importantly also to allow SARB adequate time to interact with government and the National Treasury to address some of the structural issues.

– Reducing the minimum target ratio; maintaining global comparability of calculations, but modifying for South Africa's structural issues.

– Adjusting for South Africa not being aligned with other jurisdictions in terms of deposit insurance schemes.

– Clarifying whether cash reserves and liquid assets will be allowed to qualify as part of the stock of highly liquid assets. Currently only 25% of liquid assets and 0% of cash reserves qualify (the Basel paper suggests that 100% of sovereign paper and 100% of cash reserves could qualify).

– The closed nature of SA money markets, mainly resulting from exchange controls, which means that rands are more 'sticky' for SA banks in the rand system than for euro- or dollar-denominated banks in their respective systems that are more open.

– SA asset managers have four large banks for depositing funds. In Europe and the US there are significantly more major banks for depositing funds, meaning wholesale funding is less 'sticky' compared with South Africa.

– Given that liquidity risk is a consequential risk, legislation such as the National Credit Act (NCA) reduces systemic risk and so the need for oversized liquidity buffers. Many developed economies do not have the safety net of NCA type legislation yet.

These are some of the SA structural issues that we anticipate are likely to be addressed collectively by government, SARB and the financial services industry in order for SA banks practically to align with the proposed liquidity ratios.

- On the banking industry **systemic risk** proposals:

  Further work is ongoing on the proposals by the Basel Committee, but in South Africa a unique Pillar 2(a) 1,5% and Pillar 2(b) addon, additional to the minimum Basel II 8% ratio requirement, are already in place.

As regards the emphasis on 'risk-based' remuneration practices, Nedbank Group is very well-positioned and has only a few minor gaps to close given our risk-based approach already implemented in recent years (see the Remuneration Report in the Nedbank Group 2009 Annual Report).

In summary Nedbank Group recognises that to become 'worldclass at managing risk' is a journey, not a destination. We believe we have made excellent progress over the past five years and that overall our risk, capital and balance sheet management, and ICAAP, align closely with best practice. This positioned the group to be resilient through the global financial crisis and local economic recession. However, there is always room for improvement, and as the bar has been raised with the new international regulatory proposals, we will continue with our endeavours strongly focused on continuously enhancing the group's risk, capital and balance sheet management processes and systems.

Key internal developments in 2009

The following is a summary of key enhancements made to Nedbank Group's Internal Capital Adequacy Assessment Process (ICAAP) during 2009:

- Significantly strengthened capital adequacy ratios, on the back of our Risk-weighted Asset (RWA) Capital Optimisation Programme, and set higher target capital adequacy ratio ranges.
- Significantly strengthened liquidity buffers and lengthened the funding profile, including the successful R5,4 billion senior debt issue in September 2009.
- Introduced more conservatism into the group's economic capital framework that is used for ICAAP:
  - Increased the target debt solvency standard from A- (99,9%) (the same as Basel II) to A (99,93%). This aligns with the targeted standard of our parent company, Old Mutual plc.
  - Refined the definition of 'available financial resources' to cover the economic capital requirements.
    - o The '50% of next year's earnings' are no longer included (even though business risk economic capital is still included).
    - o Created a Tier A and Tier B category, with Tier A to cover at least the minimum economic capital requirements at the new, more conservative A rating.

Definitions

Tier A = core Tier 1 regulatory capital and qualifying reserves*

Tier B = perpetual preference shares and hybrid debt capital

*(*In 'qualifying reserves' we now include share-based payments (SBP) reserve, foreign currency translation (FCT) reserve and available-for-sale (AFS) reserve, as we believe this to be correct and appropriate for economic capital calculations. These are currently excluded for regulatory capital purposes.)*

- Elevated stress and scenario testing to yet a new height in line with new best practice developing over the past year on the back of the global financial crisis.
- Appointed a head for the newly established Group Data Management Office to champion groupwide data governance and data quality, following the launch of the Group Data Project.

- Further embedded our economic profit and managing for value approaches in the 2010 – 2012 updated business plans and day-to-day operational management. Completed the second full year of using economic profit driven off risk-based economic capital allocation to determine bonuses (short-term incentives) across the group's businesses.
- Delivered comprehensive, best-practice Pillar 3 public disclosure reports and were awarded two prizes at the annual Investment Analyst Society (IAS) Reporting and Communication Awards. The IAS is the society that most of the SA buy- and sell-side analysts and fund managers belong to, and their 2 000 members vote on the awards. The awards cover the 2008 year and are these analysts' view on the investor reporting Nedbank Group disclosed last year.

  Our awards were for:

  – 'Best reporting and communication'.

  – 'Overall Best Reporting and Communication Award', which is the main award (all the winners in each JSE category competed).
- Enhanced and cascaded the group-level risk appetite metrics down to business clusters (see page 79b).
- Completed, with the assistance of international consultants, 'deep dives' into the potential risks inherent in:

  – Commercial real estate portfolio (Property Finance).

  – Mortgage/home loans portfolio (Nedbank Retail).

  – Specialised lending portfolio (Nedbank Capital).

  – Motor vehicle finance (Nedbank Retail and Imperial Bank).
- Enhanced the incorporation of risk in the group's three-year business planning process for the 2010 – 2012 period via a more formal and comprehensive requirement for each major business to produce a risk strategy component, integrated with their business strategy. This is in addition to the group-level risk and capital strategy document produced.
- Addressed the Basel Committee's first response package to the G20's eight-point plan released in January 2009, following the meeting in November 2008, benchmarking these points against Nedbank Group's current practice and incorporating any gaps into the SMART Programme.
- Despite the difficult international markets, successfully raised Tier 2 subordinated debt in March 2009 in the amount of US$100m and at acceptable pricing levels (LIBOR + 150bps).
- Implementation of new QRM software for our asset and liability management (ALM) process is progressing well and is due for completion in early 2010.
- Ongoing refinement and enhancement of Nedbank Group's Advanced Internal Ratings-based (AIRB) credit system and related credit modelling.
- And finally, after having invested significantly in a worldclass Basel II risk and capital management environment, we embarked on our programme of managing for value to extract significant value for the group from this investment, while ensuring that we continue to improve the underlying data that drives financial and non-financial information. This initiative has further been supported by the implementation of an enhanced financial reporting architecture, which has improved our target-setting processes, financial management activities and external reporting capabilities.

In addition there are a number of economic capital allocation methodology enhancements that will be implemented for 2010, which are expected to have a significant impact on the allocation of capital across the group's business clusters. The impact of the changes by business cluster will be disclosed with the 30 June 2010 results. The following is a summary of the key enhancements being implemented for 2010:

- Full alignment of the group's actual book capital with the aggregate amount allocated to the various business clusters' using bottomup economic capital.
- Updating of the credit portfolio modelling correlations and credit economic capital allocation methodology taking into account recent global developments (including downturn years) and the new regulatory thinking in line with the new Basel III proposals discussed earlier.
- Measurement of operational risk for economic capital purposes using the Advanced Measurement Approach instead of The Standardised Approach. We submitted our application to use this approach to the SA Reserve Bank (SARB) in January 2010 and await its feedback.

Risk appetite

Risk appetite is an articulation and allocation of the risk capacity or quantum of risk Nedbank Group is willing to accept in pursuit of its strategy, duly set and monitored by the Group Executive Committee and the board, and integrated into our strategy, business, risk and capital plans.

We measure and express risk appetite in terms of quantitative risk metrics and qualitatively. The quantitative metrics include earnings at risk (EaR) (or earnings volatility) and, related to this, the chance of regulatory insolvency, chance of experiencing a loss and economic capital adequacy. These comprise our group-level risk appetite metrics. In addition, a large variety of risk limits, triggers, ratios, mandates, targets and guidelines are in place for all the financial risks [eg credit, market and asset and liability management (ALM) risks].

In 2009 we sought to enhance the consolidation, focus and reporting of the key financial risk appetite metrics, and the cascade from group level down to cluster, business unit and monoline level.

Accordingly we established an enhanced suite of base case (through the cycle) risk appetite metrics and incorporated these within the 2010 – 2012 business plans at both group and business cluster levels (see page 79b). Stressed (extreme event) risk appetite metrics, linked to our stress- and scenario-testing programme, will be finalised in H1 2010.

Nedbank Group has cultivated and embedded a prudent and conservative risk appetite, focused on the basics and core activities of banking. This is illustrated by reference to the following:

- No direct exposure to US sub-prime credit assets nor associated credit derivative transactions.
- Conservative credit underwriting practices that have culminated in a high-quality well-collateralised wholesale book and further tightening of our retail book since 2007 in anticipation of the economic downturn and introduction of the National Credit Act.
- Reasonable credit concentration risk levels:
  - Large individual or single-name exposure risk is low. Refer to page 96b for details.
  - Geographic exposure risk is high (refer to page 98b that highlights that 94% of the group's loans and advances originate in South Africa), but in reality this concentration has been positive for Nedbank Group, given the global international crisis, and reflects focus on an area of core competence.
  - Industry exposure risk is reasonably well-diversified. Refer to page 98b for details.
  - At first sight our property exposure appears high, but this is in line with our domestic peer group and most banks worldwide. As a result of this perceived risk, we undertook a more detailed analysis, assisted by international risk consultants, of our commercial property exposures.

    The conclusions and recommendations that resulted from this detailed analysis were:

    - o Potential credit losses in a stressed scenario would remain within Nedbank Group's risk appetite.
    - o The portfolio is well-balanced, and higher risk loans are closely monitored.
    - o The most appropriate business strategy is one of selective origination, sacrificing business volumes and market share growth for risk-based pricing, economic profit and margin management. This is broadly in line with our risk appetite over the last few years.
    - o The commercial property portfolio is largely focused on developed properties with a track record of predictable cashflows from rentals over the medium term.

    Stemming from this detailed analysis were several useful benchmarks derived from the experience that international banks had, where we compare favourably.

    The analysis has been useful not only from the business perspective of shaping our commercial property loan origination and deal-pricing approach for the future, but also from the credit risk management perspective of providing us with additional relevant benchmarks against which to monitor our commercial property exposures and of highlighting risky exposures on which to focus increased risk management.
- Counterparty credit risk almost exclusively restricted to non-complex banking transactions. There is continued emphasis on the use of credit mitigation strategies, such as netting and collateralisation of exposures.

  Credit derivative activities have been restricted to single-name trades of SA exposures and biased towards providing risk mitigation. Refer to page 99b for further details on our relatively low counterparty credit risk exposure.
- A strong, well-diversified funding deposit base and a low reliance on offshore funding. Additionally, Nedbank Group's reliance on its top 10 depositors is not unduly concentrated.

  Refer to page 113b onwards for our analysis in support of this and our prudent liquidity risk management.
- Low level of securitisation exposure.

  Refer to page 102b for summary detail on this exposure.
- Low leverage ratio (total assets to shareholders' equity) of 14,4 times (16,2 times: 2008), which compares very favourably on an international benchmarking basis.
- Low risk of assets and liabilities exposed to the volatility of International Financial Reporting Standards (IFRS) fair-value mark-to-market (MTM) accounting. Refer to page 20b 'Nedbank Group: categories of financial instruments' and page 35b 'Consolidated Statement of Financial Position banking/trading categorisation' for details.
- Small market trading (proprietary) risk in relation to total bank operations (economic capital held is only 1,8% of total and is conservatively based on limits rather than utilisation, plus a 10% capital buffer). Although proprietary trading activities are small, they play an essential role in facilitating client trades.

  The risk appetite within the trading business has remained largely unchanged over the past two years. Trading activities have focused on the domestic market with a bias towards local interest rate and forex products.

The overall performance of the trading business in 2009 was sound, an indication that the impacts from the credit crunch and difficult equity markets were successfully navigated, and our risk systems sound. In addition, over the past year Nedbank Capital proactively managed and reduced the risk pertaining to single-stock futures and contracts for difference, and the forfaiting business was closed with the existing exposure being managed over the maturity of the book.

Refer to page 104b for more details.

- Low interest rate risk in the banking book, as reflected by the sensitivity analysis provided on page 118b.
- Low equity (investment) risk, including private equity, exposure. The total equity risk exposure, including our private equity business, is R3,9 billion, comprising only 0,7% of total assets. Further, within this a wide range of individual investments exist and many are linked to a wider client relationship.

  Refer to page 108b for further details.
- Immaterial assets non-core to the business of banking.
- Low foreign currency translation risk to the rand's volatility, which is in line with Nedbank Group's appropriate offshore capital structure.

  Refer to page 118b for more details.
- Well-diversified earnings streams. Most of the group's earnings are generated by traditional, vanilla, annuity-based income in wholesale and retail banking, and specialised finance.
- Well-diversified subordinated debt and non-core Tier 1 profile. Despite the difficult international markets, Nedbank Group successfully raised Tier 2 subordinated debt in March 2009 in the amount of US$100 million and at acceptable pricing levels (ie LIBOR + 150bps). Refer to page 123b for details.
- Comprehensive stress and scenario testing to confirm the adequacy and robustness of our capital ratios and accompanying capital buffers.

Risk appetite – enhanced suite of metrics finalised in 2009

	Group target (board-approved)
Credit risk profile	
Credit loss ratio (%)	0,60% – 1,0%
Credit RWA: Loans and advances (%)	52% – 58%
Credit property exposure: Loans and advances (%)	< 45%
PiPs: Loans and advances (%)	< 0,1%
Average PD (%) – performing book (TTC)	< 3%
Average LGD (%) – performing book (TTC)	18% – 22%
Average EL (%) – performing book (TTC)	0,6% – 0,7%
Defaulted EAD: Total EAD (%)	< 2%
EAD: Exposure (%)	< 120%
Counterparty risk (derivatives) profile	
CCR EAD: Total EAD (%)	< 2%
CCR Ecap: Total Ecap (%)	< 0,5%
Securitisation risk profile	
Securitisation RWA: Total RWA (%)	< 0,4%
Trading market risk profile	
VaR (99%, three-day)	< 127
Stress trigger (Rm)	< 846
Trading Ecap: Total Ecap (%)	< 3%
Equity (investment) risk profile	
Exposure: Total assets	< 2%
Equity Investment Ecap: Total Ecap (%)	< 7%
ALM risk profile – liquidity	
Short-term (0 to 31 days) funding: Total funding (%)	58% (tolerable deviation +5%)
Medium-term (32 to 180 days) funding: Total funding (%)	18% (tolerable deviation +7%)
Long-term (> 180 days) funding: Total funding (%)	24% (tolerable deviation -7%)
Contractual maturity mismatch (0 to 31 days): Total funding (%)	38% (tolerable deviation +5%)
Net interbank reliance: Total funding (%)	< 1,5% (tolerable deviation +1%)
ALM risk profile – IRRBB	
NII interest sensitivity: Equity (%)	< 2,5%
NII interest sensitivity: 12-months NII (%)	< 7,5%
NII interest sensitivity: Interest earning assets (bps)	< 25 bps
Economic value of equity: Equity (%)	< 5%
ALM risk profile – FCTR	
Currency equity: Total equity	< 5%
Group risk appetite metrics	
Earnings at risk	< 100%
Chance of a loss (1 in x years)	> 10
Chance of regulatory insolvency (1 in x years)	> 50
Available financial resources: Ecap (A solvency target)	> 110%
Total RWA: Total assets (%)	55% – 57%
Leverage ratio	< 18 times
Group capital adequacy	
Core Tier 1 (In current environment target above top end of range)	7,5% – 9%
Tier 1 (In current environment target above top end of range)	8,5% – 10%
Total (In current environment target above top end of range)	11,5% – 13%
Definitions	
TTC	Through the cycle
EAD	Exposure at default
CCR	Counterparty credit risk
Ecap	Economic capital
NII	Net interest income
IRRBB	Interest rate risk in the banking book
FCTR	Foreign currency translation risk

Individual risk appetite targets, as relevant to the approved business activities, have been approved and cascaded down from group level for each business cluster, major business unit and the monolines in Nedbank Retail.

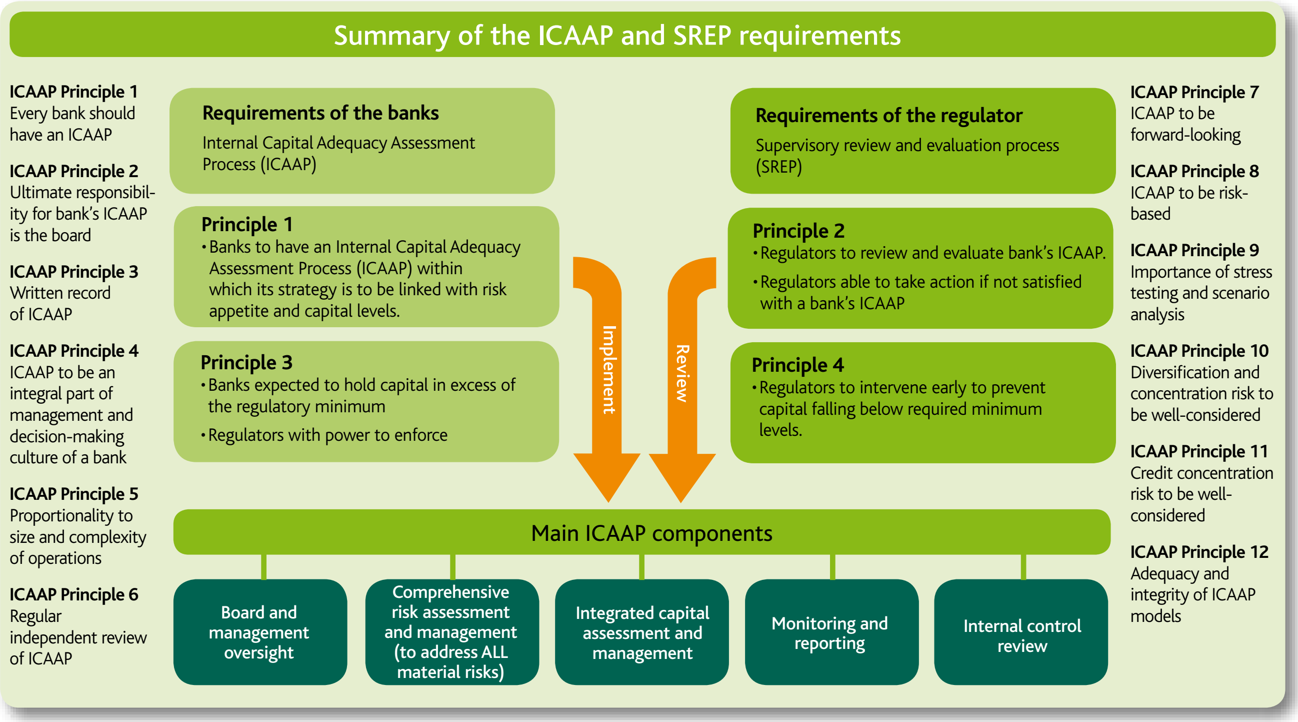
One of the risk appetite metrics that we are currently in excess of due to the retail asset classes and the current economic environment, and which is in line with our peer group, is the group's target credit loss ratio range, details of which may be found on page 89b. We currently expect to remain outside the target range in 2010, but addressing this is a key component of the 2010 – 2012 business plans. The reversals of provisions in the balance sheet is expected to take longer as defaulted advances continue to increase, albeit at a slower rate. The group remains cautious about impairments.

In conclusion, Nedbank Group has a strong risk culture and a conservative risk appetite, which is well-formalised, managed and monitored on an ongoing basis, bearing the board's ultimate approval and oversight.

Overview of the Internal Capital Adequacy Assessment Process

In line with the four key principles contained in Pillar 2 of Basel II, the SA regulations relating to banks set out in regulation 39 the Internal Capital Adequacy Assessment Process (ICAAP) requirements of banks and related Supervisory Review and Evaluation Process (SREP) requirements of the SA Reserve Bank (SARB). A summary of this is depicted below.

In addition, SARB have provided further guidance on the 12 ICAAP principles.



The main purpose of ICAAP is about Nedbank Group's comprehensive approach, assessment, coverage and management of risk and capital from an internal perspective, that is over and above the minimum regulatory rules and capital requirements of Basel II.

ICAAPs have first been completed in South Africa in 2008, are approved by the board and then submitted to SARB for review.

Risk management

Summary of perspectives on Nedbank Group's risk profile and risk strategy

The key highlights for 2009 are as follows:

- Risk management systems
  - Continuously proving effective.
  - Enterprisewide Risk Management Framework (ERMF) remains sound and well-embedded.
- Competition Commission inquiry into banks
  - Await National Treasury response to the commission's recommendations.
- Group structure
  - Board/Management structures
    - o New board members, Chief Executive Officer, Group Executive Committee (Exco) and business clusters' Excos have been finalised.
  - Management of Old Mutual/Nedbank Group strategy is ongoing.
- Risk appetite
  - Prudent risk appetite prevails.
  - In Retail, increased appetite for unsecured lending while secured, asset-backed lending now has a much stronger emphasis on managing for value.
- Profitability
  - Resilient performance in challenging environment.
  - Earnings volatility too high in secured lending businesses in Retail; being addressed.
  - Wholesale risk profile remains sound.
    - o Successful stress-testing strategy implemented in Business Banking in 2008.
    - o Black economic empowerment (BEE) exposure contained and regularly stress-tested.
  - Consistent, well managed earnings growth in Nedbank Capital (the investment bank).
  - Non-interest revenue subscale bankwide (and this impacts earnings volatility of group); key strategic focus area.
- Market risk
  - Risk appetite remained largely unchanged over the past two years; low proprietary trading risk.
  - Focused on the domestic market with a bias towards local interest rate and equity products.
  - Risk appetite for complex equity derivatives significantly curtailed in 2007.
  - Equity trading risk
    - o Mainly in Nedbank Group's securities companies.
    - o Risk appetite and limits remain low.
    - o Low exposure to illiquid instruments.
  - Overall performance of the trading business has been sound.
    - o Proactively managed and reduced the risk pertaining to single-stock futures and contracts for difference, and closed the forfait book.
    - o Significant investment in risk management systems continues.
- Credit risk
  - Strong credit risk management framework.
  - Strengthening risk management in Retail.
  - Group credit loss ratio worsened from 1,17% (December 2008) to 1,47% (December 2009), on the back of retail impairments that remain challenging.
  - No large corporate defaults, but credit risk remains relatively high amid local recession.
  - Business Banking particularly resilient.
- Operational risk
  - Advanced Measurement Approach (AMA) application submitted to SA Reserve Bank (SARB) in January 2010; to be adopted for economic capital in 2010.
- Imperial Bank
  - Nedbank has received section 37 approval from SARB for the acquisition of the minority shareholding in Imperial Bank, and its full integration into Nedbank Group will be a key focus in 2010.

Credit risk

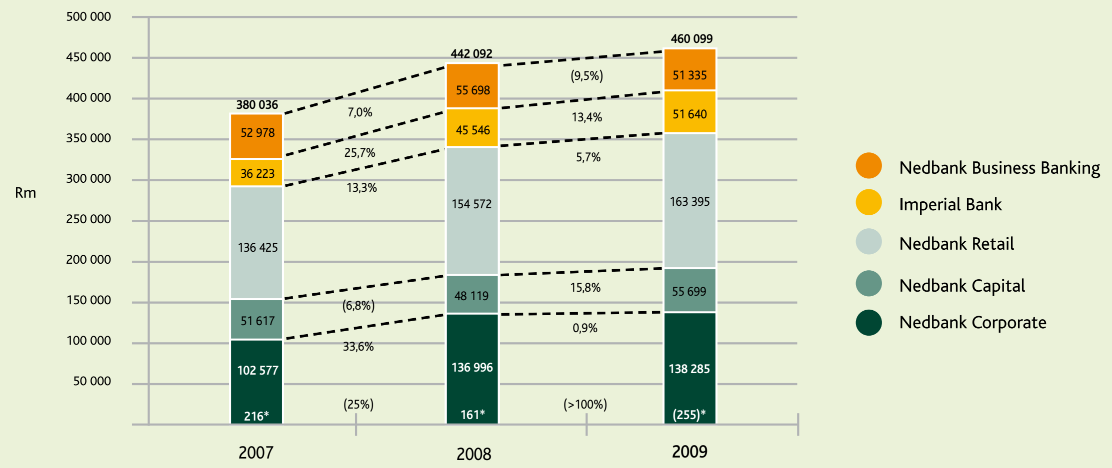
Loans and advances and Basel II exposure

Demand for credit grew at historically low rates and retail impairments increased dramatically as consumers came under severe pressure from falling income, job losses, declining asset prices and record high debt burdens. By the end of 2009 growth in asset-based finance had slowed to 1,0% year-on-year. Interest rates were reduced by 450 basis points to cushion the effects of a rapidly slowing economy and increasing unemployment.

Corporate demand for credit initially held up but lost momentum due to weak global and local demand, which eroded corporate profits through weaker pricing power, lower commodity prices and a strong rand. Support came from construction projects and increased government spending, boosted primarily by the public sector's infrastructure drive and preparations for the 2010 FIFA World Cup.

Net loans and advances after impairments are R450 billion, 3,7% up on the previous year. Gross loans and advances increased by 4,1% to R460 billion. The gross loans and advances by business cluster are as follows:

Gross loans and advances by business cluster



** These relate to eliminations passed through Central Management.*

The 4,1% increase in gross loans and advances reflects:

- Ongoing growth in Nedbank Capital and Imperial Bank.
- Slower growth in Nedbank Corporate and Nedbank Retail.
- Reduced advances in Nedbank Business Banking due to a slowdown in client demand for credit and a reduction of single-product loans in line with the drive to reduce higher risk exposures and focus on primary clients.

Growth in advances took place across a number of products, including personal loans, mortgage loans, preference shares, deposits placed under reverse repurchase agreements and other loans, offset by an ongoing decrease in overnight loans.

The group has focused on selective asset growth while improving margins, resulting in banking advances growth and lower levels of advances in the trading portfolio. Details of advances growth by division are as follows:

Loans and advances by business cluster

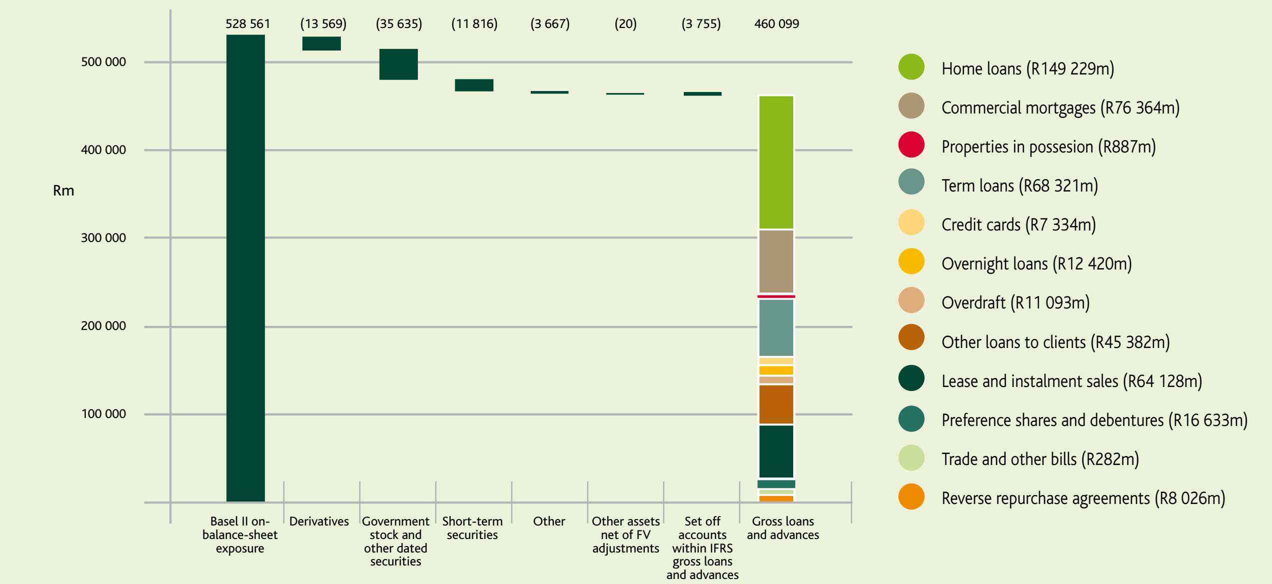
Rm	% change	2009	2008
Nedbank Capital	16,0	**55 315**	47 686
Nedbank Corporate	0,7	**137 173**	136 222
Nedbank Business Banking	(9,4)	**50 115**	55 321
Nedbank Retail	4,9	**157 500**	150 107
Imperial Bank	12,8	**50 451**	44 734
Other	(>100,0)	**(253)**	163
Net loans and advances	3,7	**450 301**	434 233

Summary of loans and advances by product

Rm	% change	2009	2008
Home loans	4,1	**149 229**	143 342
Commercial mortgages	4,6	**76 364**	73 031
Properties in possession	12,1	**887**	791
Term loans	6,5	**68 321**	64 144
Credit cards	1,2	**7 334**	7 248
Overnight loans	(21,2)	**12 420**	15 760
Overdrafts	(11,0)	**11 093**	12 461
Other loans to clients	1,8	**45 382**	44 581
Leases and instalment sales	4,5	**64 128**	61 362
Preference shares and debentures	6,2	**16 633**	15 667
Trade and other bills	(73,8)	**282**	1 075
Reverse repurchase agreements	>100	**8 026**	2 630
Gross loans and advances	4,1	**460 099**	442 092
Impairment of loans and advances	24,7	**(9 798)**	(7 859)
Net loans and advances	3,7	**450 301**	434 233

Basel II on-balance-sheet exposure at December 2009 is R528,6 billion. The reconciliation of the Basel II exposure to the gross loans and advances of R460,1 billion is shown below.

Reconciliation of on-balance-sheet exposure to gross loans and advances



Balance sheet credit exposure[3] by Basel II asset class and business cluster

Rm	Nedbank Business Banking	Nedbank Corporate[2]	Nedbank Capital[2]	Nedbank Retail[2]	Imperial Bank	Central Management	2009	2008
Advanced Internal Ratings-based Approach	52 013	129 510	69 124	150 414	–	22 270	**423 331**	469 860
Corporate	6 303	62 565	22 656	1			**91 525**	136 101
Specialised lending – high-volatility commercial real estate		7 442					**7 442**	8 301
Specialised lending – income-producing real estate	2 211	39 998					**42 209**	38 507
Specialised lending – object finance			439				**439**	449
Specialised lending – commodities finance			55				**55**	62
Specialised lending – project finance			4 811				**4 811**	2 897
SME – corporate	19 390	4 096	186				**23 672**	23 798
Public sector entities	2	10 642	3 262			1 499	**15 405**	12 705
Local governments and municipalities	298	4 357	516				**5 171**	2 444
Sovereign			5 795			20 771	**26 566**	27 653
Banks	1	377	30 338				**30 716**	43 326
Securities firms		5	866				**871**	2 091
Retail mortgages	4 314		4	119 293			**123 611**	119 853
Retail revolving credit				7 028			**7 028**	6 832
Retail – other	2 580	1	6	20 654			**23 241**	23 520
SME – retail	16 914	27	190	3 209			**20 340**	21 091
Securitisation exposure				229			**229**	230
Standardised Approach	–	9 859	–	10 500	54 319	–	**74 678**	67 692
Corporate		2 649			1 557		**4 206**	1 628
SME – corporate		1 034			12 552		**13 586**	12 729
Public sector entities		24			6		**30**	21
Local government and municipalities		28			2 550		**2 578**	26
Sovereign		855			115		**970**	2 245
Banks		929		7 640			**8 569**	10 456
Securities firms		302					**302**	303
Retail mortgages		2 338		1 922	2 988		**7 248**	3 286
Retail – other		1 499		938	30 951		**33 388**	30 678
SME – retail		201			3 301		**3 502**	3 677
Securitisation exposure					299		**299**	283
Other								2 360
Properties in possession	9	2	–	876	–	–	**887**	791
Non-regulated entities	68	8 411	14 894	6 156	–	136	**29 665**	30 481

Balance sheet credit exposure[3] by Basel II asset class and business cluster continued

Rm	Nedbank Business Banking	Nedbank Corporate[2]	Nedbank Capital[2]	Nedbank Retail[2]	Imperial Bank	Central Management	2009	2008
On-balance-sheet exposure (Basel II)	52 090	147 782	84 018	167 946	54 319	22 406	**528 561**	568 824
Less assets included in Basel II asset classes	(281)	(6 217)	(28 319)	(4 550)	(2 679)	(22 661)	**(64 707)**	(87 224)
Derivatives		(79)	(13 222)	(141)	(127)		**(13 569)**	(25 218)
Government stock and other dated securities		(3 701)	(7 114)		(2 550)	(22 270)	**(35 635)**	(34 105)
Short-term securities		(949)	(7 842)	(3 025)			**(11 816)**	(13 969)
Call money		4	(648)	(291)			**(935)**	(1 524)
Deposits with monetary institutions		(620)	(2 220)				**(2 840)**	(2 232)
Remittances in transit	1	76		31			**108**	207
Other assets net of fair-value adjustments	(282)	(948)	2 727	(1 124)	(2)	(391)	**(20)**	(10 383)
Setoff of accounts within IFRS total gross loans and advances[1]	(475)	(3 280)					**(3 755)**	(39 508)
Gross loans and advances	51 334	138 285	55 699	163 396	51 640	(255)	**460 099**	442 092

[1] The setoff as shown for December 2008 mainly relates to the corporate asset class within Nedbank Corporate in respect of cash management accounts. This was changed in 2009 to incorporate cash management setoff within the gross on-balance-sheet exposure. This change has caused the decrease in Advanced Internal Ratings-based Approach (AIRB) corporate asset class exposure and the decrease in the 'setoff of account within International Financial Reporting Standards (IFRS) total gross loans and advances'.

[2] Nedbank Corporate, Capital and Retail include London branch exposure (AIRB Approach).

[3] Balance sheet exposure includes on-balance-sheet exposure and derivatives.

AIRB Approach for Nedbank Limited

All credit exposure and asset classes in Nedbank Limited are covered by the Basel II AIRB Approach.

Summary of Advanced Internal Ratings-based Approach (AIRB) for Nedbank Limited**
Basel II credit exposures by business cluster and asset class

2009 Rm	AIRB on-balance-sheet exposure	AIRB off-balance-sheet exposure	Repurchase and resale exposure	Derivative exposure	Total credit extended*	Exposure at default	Downturn expected loss (performing)	Best estimate of expected loss (non-performing)
Nedbank Business Banking	**52 013**	**19 201**	**–**	**–**	**71 214**	**69 546**	**454**	**819**
Corporate	6 303	2 784			9 087	8 348	67	4
Specialised lending – income-producing real estate	2 211	189			2 400	2 450	8	7
SME – corporate	19 390	7 805			27 195	26 528	154	202
Public sector entities	2	3			5	3		
Local government and municipalities	298	25			323	333	1	
Banks	1	88			89	88		
Retail mortgages	4 314	1 272			5 586	5 454	35	99
Retail – other	2 580	227			2 807	2 857	34	162
SME – retail	16 914	6 808			23 722	23 485	155	345
Nedbank Corporate	**129 191**	**58 907**	**–**	**–**	**188 098**	**171 536**	**394**	**417**
Corporate	62 251	49 564			111 815	96 279	204	75
Specialised lending – high-volatility commercial real estate	7 442	629			8 071	8 231	58	61
Specialised lending – income-producing real estate	39 998	2 080			42 078	43 447	103	259
SME – corporate	4 096	995			5 091	4 987	25	22
Public sector entities	10 642	3 377			14 019	13 221	2	
Local government and municipalities	4 357	322			4 679	4 767	1	
Banks	377	1 940			2 317	575		
Retail – other	1				1	1		
SME – retail	27				27	28	1	
Nedbank Capital	**46 657**	**7 783**	**8 026**	**12 976**	**75 441**	**60 833**	**140**	**29**
Corporate	14 753	316	875	3 326	19 270	18 814	123	20
Specialised lending – object finance	439				439	457	2	
Specialised lending – commodities finance	55				55	57		
Specialised lending – project finance	4 811				4 811	4 989	9	
SME – corporate		2		186	188	234	1	
Public sector entities	2 561		467	702	3 729	3 480		
Local government and municipalities	417		451	99	967	474		
Sovereign	5 302				5 302	5 303		9
Banks	18 283	98	6 198	7 646	32 225	21 148	4	
Securities firms			35	854	889	858		
Retail mortgages				4	4	4		
Retail – other				6	6	7		
SME – retail	36			153	189	222	1	
Securitisation exposure		7 367			7 367	4 786		

Summary of Advanced Internal Ratings-based Approach (AIRB) for Nedbank Limited Basel II credit exposures by business cluster and asset class continued

2009 Rm	AIRB on-balance-sheet exposure	AIRB off-balance-sheet exposure	Repurchase and resale exposure	Derivative exposure	Total credit extended*	Exposure at default	Downturn expected loss (performing)	Best estimate of expected loss (non-performing)
Nedbank Retail	**150 414**	**43 219**	**–**	**–**	**193 633**	**187 412**	**2 421**	**4 970**
Corporate	1	214			215	215	5	9
Retail mortgages	119 293	20 062			139 355	144 648	1 046	2 754
Retail revolving credit	7 028	17 189			24 217	11 844	457	479
Retail – other	20 654	4 517			25 171	25 614	816	1 371
SME – retail	3 209	1 237			4 446	4 862	97	357
Securitisation exposure	229				229	229		
Central Management	**22 270**	**–**	**–**	**–**	**22 270**	**22 270**	**1**	**–**
Public sector entities	1 499				1 499	1 499		
Sovereign	20 771				20 771	20 771	1	
Intercompany	**73 935**	**6 265**	**–**	**206**	**80 406**	**75 075**	**80**	**–**
Total	**474 480**	**135 375**	**8 026**	**13 182**	**631 062**	**586 672**	**3 490**	**6 235**

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

** *Nedbank Limited fefers to the SA reporting entity in terms of Regulation 38 (BA700) of the SA banking regulations.*

Downturn expected loss (AIRB Approach)	9 725
IFRS impairment on loans and advances	8 003
Excess of downturn expected loss over eligible provisions	**1 722**

Impairments and defaulted loans and advances

Credit quality deteriorated further in 2009, with Nedbank Retail's impairments worsening significantly, although the rate of deterioration of new defaults slowed in the second half, while the business banking and wholesale-banking impairments ended the year at better levels than originally anticipated. Although the SA economy emerged from recession in the third quarter of 2009 and has begun to recover, some segments of the economy are still under significant strain. In the short term the recovery is expected to be hampered by high unemployment and high household debt levels.

The group's credit loss ratio of 1,47% for 2009 (2008: 1,17%) showed signs of improvement after peaking at 1,67% at 31 March 2009. Defaulted advances increased by 56,3% from R17 301 million to R27 045 million and total impairment provisions increased by 24,7% from R7 859 million to R9 798 million over the past year.

The impact of the credit cycle has to date largely impacted consumers and smaller businesses as reflected in the continued deterioration of retail credit loss ratios. High levels of unemployment, lower collateral values due to weak house and vehicle markets, and delays in recoveries resulting from debt counselling have all played a part in the increase in defaulted advances in retail secured loans. However, the 450 basis point interest rate cuts in 2009 have reduced the financial pressure on consumers, as reflected in a slightly slower rate at which retail impairments are increasing as well as the improvement in early-stage arrears for seven consecutive months during the year.

Wholesale banking has performed resiliently, even at the peak of the interest rate cycle, and credit loss ratios have improved since June 2009, remaining at better-than-anticipated levels for the current economic cycle. On the whole credit quality in the books of Capital, Corporate and Business Banking has remained within acceptable levels, although in this volatile economic environment the risk of corporate default remains high. Imperial Bank's impairments improved during the second half of the year as reflected in its lower credit loss ratio of 1,97% (June 2009: 2,50%). This was largely due to the improvement in recoveries and accounts in arrears in Motor Finance Corporation (MFC).

Management has maintained a strong focus on risk management and improving asset quality, particularly in retail home loans. In addition, increased attention has been given to improving the collection processes in Retail. In 2010 retail advances growth is expected to be flat to lower single digits, with wholesale advances growing at a similar rate to that of 2009.

Most of the group's exposure to BEE and other loans and advances secured by shares continue to be within their default cover ratios. Loans and advances that are below these cover ratios continue to service their debts and are considered to have appropriate impairment provisions.

The tables on the following pages summarise Nedbank Group's defaulted portfolio and the level of impairments. The policies, principles and definitions relating to the defaulted portfolio and impairments are well-articulated in the group's credit policy.

The key definitions relating to the following section are included below:

- *Past due*

  A loan or advance is considered past due when it exceeds its limit (fluctuating types of advances) or is in arrears (linear types of advances).

- *Defaulted loans and advances*

  Any advance or group of loans and advances that has triggered the Basel II definition of default criteria and which is in line with the revised SA banking regulations. For retail portfolios this is product-centric and therefore a default would be specific to a client-or-borrower account (a specific advance). For all other portfolios except project-based financing, it is client-or-borrower-centric, meaning that should any transaction within a borrowing group default, then all transactions within the borrowing group would be treated as defaulted.

  At a minimum a default is deemed to have occurred where, for example, a specific impairment is raised against a credit exposure due to a significant perceived decline in the credit quality, a material obligation is past due for more than 90 days or an obligor exceeded an advised limit for more than 90 days.

- *Impaired loans and advances*

  Impaired loans and advances are defined as loans and advances in respect of which the bank has raised a specific impairment [International Accounting Standard (IAS) 39 definition].

- *Specific impairment*

  A specific impairment is raised in respect of an asset that has triggered a loss event where the discounted collateral held against the advance is insufficient to cover the total expected losses. Such a loss event may be, for example, significant financial difficulty of the issuer or obligor, a breach of contract, such as a default or delinquency in interest or principal payments, with ageing arrears as the primary driver.

- *Portfolio impairment*

  The standard portfolio represents all the loans and advances that have not been impaired. These loans and advances have not yet individually evidenced a loss event, but loans and advances exist within the standard portfolio that may have an impairment without the bank yet being aware of it.

  A period of time will elapse between the occurrence of an impairment event and objective evidence of the impairment becoming evident. This period is generally known as the emergence period. For each standard portfolio an emergence period is estimated as well as the probability of the loss trigger and the loss-given events occurring. These estimates are applied to the total exposures of the standard portfolio to calculate the portfolio impairment.

Summary of impairments, defaulted loans and advances and credit loss ratios

%	Nedbank Business Banking	Nedbank Corporate	Nedbank Capital	Nedbank Retail	Imperial Bank	**2009**	2008
Impairments to gross loans and advances	2,38	0,80	0,69	3,61	2,30	**2,13**	1,78
Specific impairments	1,59	0,43	0,56	3,18	1,78	**1,70**	1,26
Portfolio impairments	0,79	0,37	0,13	0,43	0,52	**0,43**	0,52
Impairment charge as a % of NII	10,48	11,02	12,69	70,20	47,07	**40,68**	29,82
Credit loss ratio	0,52	0,24	0,26	3,08	1,97	**1,47**	1,17
Credit loss ratio – specific	0,82	0,29	0,22	3,17	1,93	**1,54**	1,09
Credit loss ratio – portfolio	(0,30)	(0,05)	0,04	(0,09)	0,04	**(0,07)**	0,08
Defaulted loans and advances to gross loans and advances	5,45	2,19	1,41	11,51	3,14	**5,88**	3,91
Properties in possession to gross loans and advances	0,02	–	–	0,54	–	**0,19**	0,18

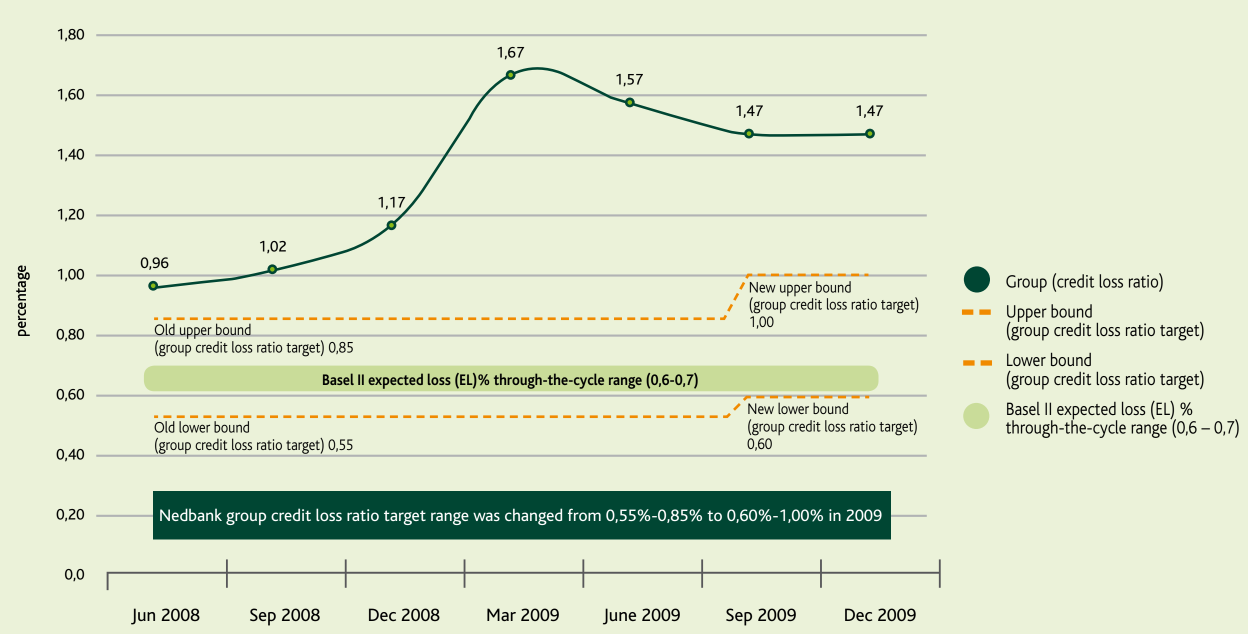
As discussed previously, 2009 saw Nedbank Group enhance the consolidation, focus and reporting of key financial risk appetite metrics. Business-cluster-specific credit loss ratio targets were formalised for the first time in 2009, after taking into account historic, through-the-cycle, sustainable performance as well as desired risk appetite. In addition to this, the group's credit loss ratio target was reviewed separately but in conjunction with the consolidated business cluster targets.

Following this, and integrated with the group's 2010 – 2012 business plans, the targeted credit loss ratio was increased from 0,55% – 0,85% to 0,60% – 1,00%. The decision to increase the target range was largely due to the projected change in mix between secured and unsecured products in Retail. This will help to lessen the volatility of Retail's financial performance, which is generally associated with the current concentration of secured lending in its portfolio, particularly residential mortgages. As the unsecured Retail products tend to have higher credit loss ratios, this results in an increase in Nedbank Group's target credit loss ratio range.

Nedbank Group also intends to update its methodology for calculating the credit loss ratio in H1 2010, appropriately removing the trading assets from loans and advances. Impairments are not raised against trading assets as these are designated at fair-value through profit or loss, and therefore any losses are realised through a decrease in NIR. This is not expected to have a material impact on Nedbank Group's credit loss ratio.

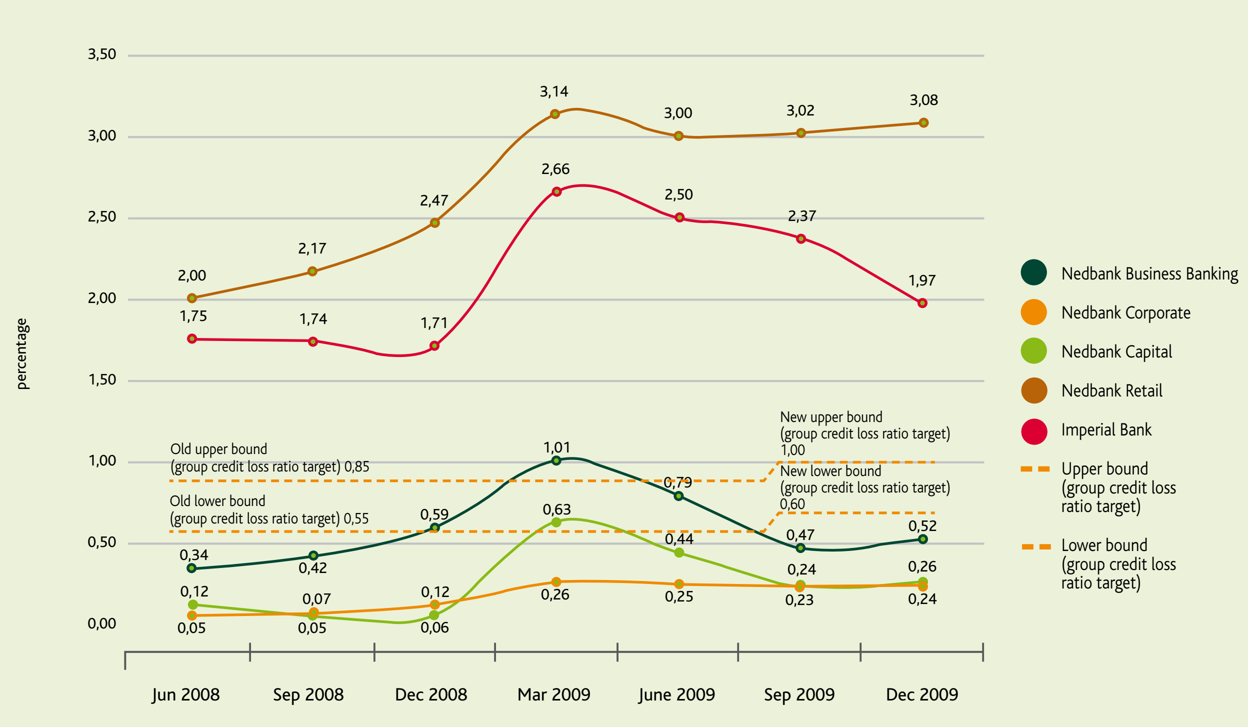
Nedbank Group's current credit loss ratio, at 1,47%, is outside the targeted credit loss ratio range of 0,6% – 1,0%, and addressing this is a key component of Retail's 2010 – 2012 business plans. The reversals of provisions in the balance sheet is expected to take longer as defaulted advances continue to increase, albeit at a slower rate. The group remains cautious about impairments.

Credit loss ratio vs target range



The business clusters credit loss ratios over time are also shown below.

Business clusters credit loss ratio trends

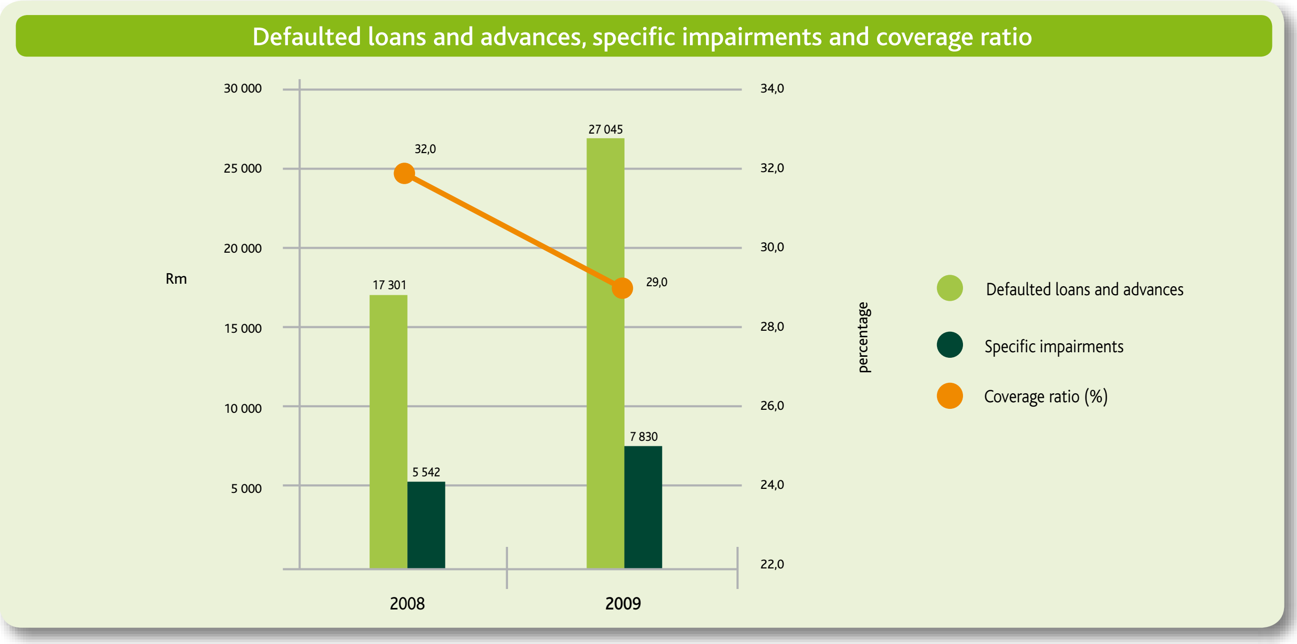


A summary of the impairments movements over the past year is shown on the next page.

Summary of impairments

Rm	Nedbank Business Banking	Nedbank Corporate	Nedbank Capital	Nedbank Retail	Imperial Bank	Central Management	**2009**	2008
Opening balance	1 377	774	433	4 465	812	(2)	**7 859**	6 078
Specific impairment	791	191	381	3 614	565		**5 542**	4 063
Specific impairment, excluding discounts	595	105	381	3 013	472		**4 566**	3 384
Specific impairment for discounted cashflow losses	196	86		601	93		**976**	679
Portfolio impairment	586	583	52	851	247	(2)	**2 317**	2 015
Income statement impairment charge (net of recoveries)	284	327	141	4 925	957	–	**6 634**	4 822
Specific impairment	398	289	113	5 054	944		**6 798**	4 209
Net increase/(decrease) in impairment for discounted cashflow losses	48	107	4	14	(9)		**164**	297
Portfolio impairment	(162)	(69)	24	(143)	22		**(328)**	316
Recoveries	40	38	–	328	51	–	**457**	379
Amounts written off/other transfers	(481)	(27)	(190)	(3 823)	(631)	–	**(5 152)**	(3 420)
Specific impairments	(463)	(33)	(188)	(3 816)	(631)		**(5 131)**	(3 406)
Portfolio impairment	(18)	6	(2)	(7)			**(21)**	(14)
Total impairments	1 220	1 112	384	5 895	1 189	(2)	**9 798**	7 859
Specific impairment	814	592	310	5 194	920		**7 830**	5 542
Specific impairment, excluding discounts	570	399	306	4 579	836		**6 690**	4 566
Specific impairment for discounted cashflow losses	244	193	4	615	84		**1 140**	976
Portfolio impairment	406	520	74	701	269	(2)	**1 968**	2 317
Total loans and advances	51 335	138 285	55 699	163 395	51 640	(255)	**460 099**	442 092
Total average loans and advances	54 187	136 676	53 498	160 034	48 593	(243)	**451 096**	411 063

Defaulted loans and advances increased by 56,3% to R27 045 million, while specific impairments increased to R7 830 million for the same period. This resulted in a decrease in the coverage ratio from 32,0% in 2008 to 29,0% in 2009 as shown below.



The coverage ratio is the amount of specific impairments that have been raised for the total defaulted loans and advances. This is effectively the inverse of the expected recoveries ratio. The expected recoveries are equal to the defaulted loans and advances less the specific impairments, as specific impairments are raised for any shortfall that would arise after all recoveries are taken into account.

The expected recoveries of defaulted loans and advances include recoveries as a result of liquidation of security or collateral, as well as recoveries as a result of a client curing or partial client repayments.

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

A decrease in the coverage ratio (or increase in the expected recoveries ratio) may arise as a result of the following:

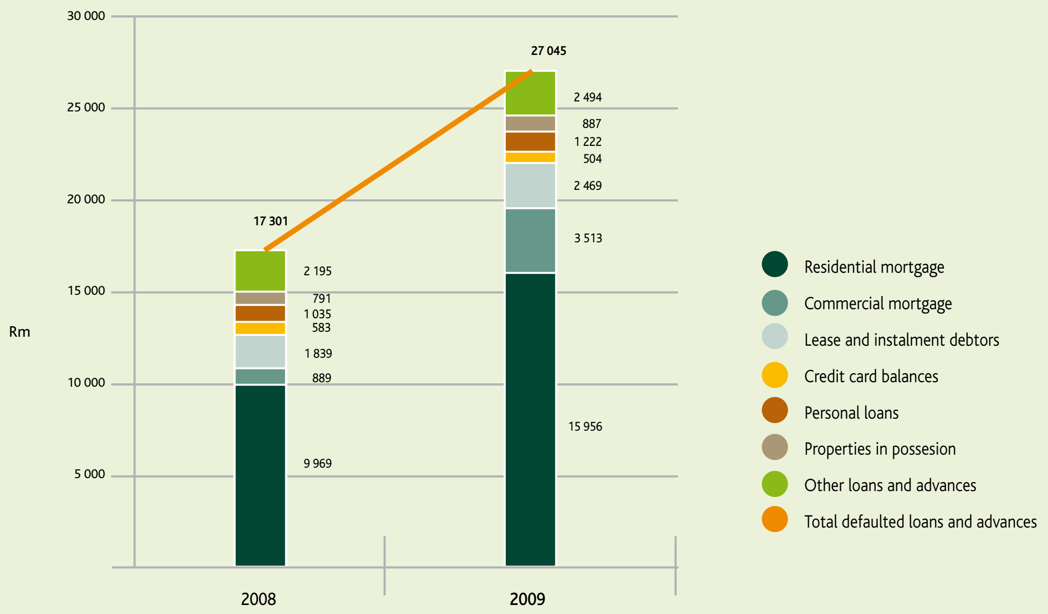
- Expected recoveries improving due to higher recoveries being realised in the loss given default (LGD) calculation.
- A change in the defaulted product mix, with a greater percentage of products that have a higher security value (and therefore a lower specific impairment), such as secured products (home loans and commercial real estate).
- An increase in the collateral value, which is an input into the LGD calculation and would result in a decrease in the LGD (and decrease in specific impairments).
- A change in the mix of new versus older defaults as, in most products, the recoveries expected from defaulted clients decrease over time.
- A change in the writeoff policy, such as extending the period prior to writing off a deal that will result in a longer period in which recoveries can be realised.

The decrease in the group's coverage ratio is due largely to the change in the defaulted-product mix arising from the high amount of residential mortgage defaults in Nedbank Retail, as well as a higher amount of commercial mortgage and development loan defaults in Nedbank Property Finance.

The total defaulted loans and advances increased by R9,7 billion from 2008 to 2009. Residential mortgages account for 61% of this increase. Defaulted residential mortgages contributed 57,6% to the total defaulted loans and advances in 2008 and this increased to 59,0% in 2009. Residential mortgages have lower coverage ratios than most other asset classes due to the high amount of security generally held and therefore higher expected recoveries.

Similarly, defaulted commercial mortgages and development loans increased by R2,6 billion from 2008 to 2009 and contributed 5,1% of the total defaulted loans and advances in 2008, increasing to 13,0% in 2009. The majority of the exposures that defaulted were fully secured and therefore specific impairments increased by only R216 million from 2008 to 2009.

Defaulted loans and advances by product



Defaulted loans and advances and related security and impairments by business cluster and asset class

Rm	Nedbank Business Banking	Nedbank Corporate	Nedbank Capital	Nedbank Retail	Imperial Bank	Central Management	2009	2008
Advanced Internal Ratings-based Approach	2 787	2 781	305	17 873	–	–	**23 746**	14 710
Corporate	23	184	261				**468**	263
Specialised lending – high-volatility commercial real estate		1 647					**1 647**	202
Specialised lending – income-producing real estate	56	906					**962**	335
SME – corporate	897	43					**940**	468
Sovereign			44				**44**	
Retail mortgages	406			14 731			**15 137**	8 573
Retail revolving credit				483			**483**	427
Retail – other	421	1		2 216			**2 638**	2 343
SME – retail	984			443			**1 427**	2 099
Standardised Approach	–	–	–	–	1 623	–	**1 623**	918
Corporate					42		**42**	
SME – corporate					595		**595**	142
Retail mortgages					65		**65**	36
Retail other					789		**789**	632
SME – retail					132		**132**	108
Other regulated entities	–	152	–	–	–	–	**152**	225
Properties in possession	9	2	–	876	–	–	**887**	791
Non-regulated entities	–	97	478	62	–	–	**637**	657
Total defaulted loans and advances	2 796	3 032	783	18 811	1 623	–	**27 045**	17 301

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

Summary of impairments and defaulted loans and advances

2009	Defaulted loans and advances Rm	Expected recoveries Rm	Net uncovered position after discounting Rm	Total specific impairments Rm	Specific impairments on defaulted loans and advances Rm	Specific impairments for discounted cashflow losses Rm	Coverage ratio %	Expected recovery ratio %
Nedbank Business Banking	2 796	1 982	814	814	570	244	29,1	70,9
Residential mortgages	1 165	916	249	249	164	85	21,4	78,6
Commercial mortgages	399	329	70	70	6	64	17,5	82,5
Lease and instalment debtors	573	358	215	215	179	36	37,5	62,5
Credit card balances	4	1	3	3	2	1	75,0	25,0
Properties in possession	9	9					0,0	100,0
Other loans and advances	646	369	277	277	219	58	42,9	57,1
Nedbank Corporate	3 032	2 440	592	592	399	193	19,5	80,5
Residential mortgages	44	27	17	17	16	1	38,6	61,4
Commercial mortgages	2 551	2 177	374	374	236	138	14,7	85,3
Lease and instalment debtors	40	32	8	8	4	4	20,0	80,0
Personal loans	25	12	13	13	12	1	52,0	48,0
Properties in possession	2	2					0,0	100,0
Other loans and advances	370	190	180	180	131	49	48,6	51,4
Nedbank Capital	783	473	310	310	306	4	39,6	60,4
Other loans and advances	783	473	310	310	306	4	39,6	60,4
Nedbank Retail	18 811	13 617	5 194	5 194	4 579	615	27,6	72,4
Residential mortgages	14 677	11 962	2 715	2 715	2 435	280	18,5	81,5
Commercial mortgages	54	23	31	31	28	3	57,4	42,6
Lease and instalment debtors	840	320	520	520	491	29	61,9	38,1
Credit card balances	500		500	500	497	3	100,0	0,0
Personal loans	1 169	514	655	655	360	295	56,0	44,0
Properties in possession	876	708	168	168	168		19,2	80,8
Other loans and advances	695	90	605	605	600	5	87,1	12,9
Imperial Bank	1 623	703	920	920	836	84	56,7	43,3
Residential mortgages	70	46	24	24	12	12	34,3	65,7
Commercial mortgages	509	435	74	74	64	10	14,5	85,5
Lease and instalment debtors	1 016	205	811	811	749	62	79,8	20,2
Personal loans	28	17	11	11	11		39,3	60,7
Group	27 045	19 215	7 830	7 830	6 690	1 140	29,0	71,0
Residential mortgages	15 956	12 951	3 005	3 005	2 627	378	18,8	81,2
Commercial mortgages	3 513	2 964	549	549	334	215	15,6	84,4
Lease and instalment debtors	2 469	915	1 554	1 554	1 423	131	62,9	37,1
Credit card balances	504	1	503	503	499	4	99,8	0,2
Personal loans	1 222	543	679	679	383	296	55,6	44,4
Properties in possession	887	719	168	168	168		18,9	81,1
Other loans and advances	2 494	1 122	1 372	1 372	1 256	116	55,0	45,0

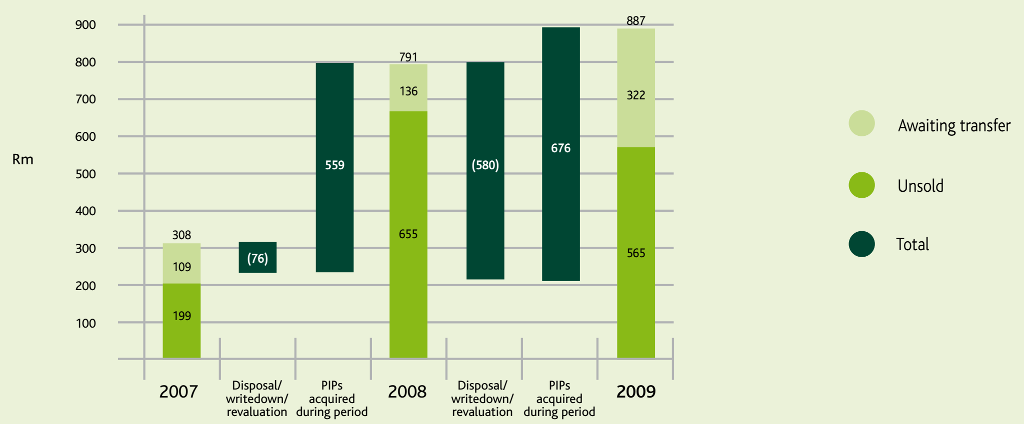
Summary of impairments and defaulted loans and advances continued

2008	Defaulted loans and advances Rm	Expected recoveries Rm	Net uncovered position after discounting Rm	Total specific impairments Rm	Specific impairments on defaulted loans and advances Rm	Specific impairments for discounted cashflow losses Rm	Coverage ratio %	Expected recovery ratio %
Group	17 301	11 759	5 542	5 542	4 566	976	32,0	68,0
Residential mortgages	9 969	8 220	1 749	1 749	1 300	449	17,5	82,5
Commercial mortgages	889	556	333	333	240	93	37,5	62,5
Lease and instalment debtors	1 839	770	1 069	1 069	924	145	58,1	41,9
Credit card balances	583	38	545	545	541	4	93,5	6,5
Personal loans	1 035	422	613	613	411	202	59,2	40,8
Properties in possession	791	664	127	127	127		16,1	83,9
Other loans and advances	2 195	1 089	1 106	1 106	1 023	83	50,4	49,6

Properties in possession

Rm	Nedbank Business Banking	Nedbank Corporate	Nedbank Capital	Nedbank Retail	Imperial Bank	Central Management	**2009**	2008
Balance at beginning of period	18	3		770			**791**	308
Disposal/Writedowns/Revaluations	(13)	(1)		(566)			**(580)**	(76)
Properties in possession acquired during the period	4			672			**676**	559
Balance at end of period	9	2	–	876	–	–	**887**	791
Unsold	3	2		560			**565**	655
Sold awaiting transfer	6			316			**322**	136

Properties in possesion (PIPs) reconciliation



Credit concentration risk

Single-name credit concentration

Our 'top 20' exposure analysis, in particular the 'percentage of total group credit economic capital', confirms that Nedbank Group does not have undue single-name credit concentration risk. Nedbank Group's credit concentration risk measurement incorporates the asset size of obligors/borrowers into its calculation of credit economic capital. Single-name concentration is monitored at all credit committees, which includes the applicable regulatory and economic capital per exposure.

Nedbank Group also conducts stress testing of single-name large exposures, and their potential impact on capital ratios, in our stress and scenario testing in assessing the capital adequacy buffers.

Top 20 Nedbank Group exposures (excluding banks and government exposure)

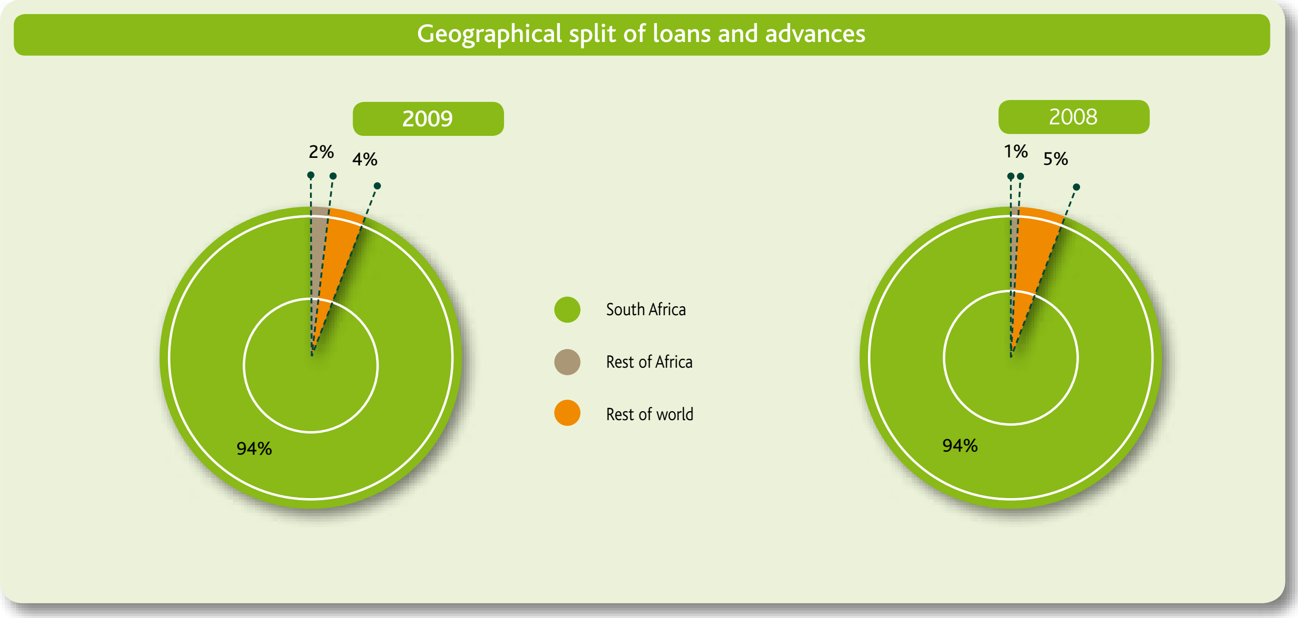
2009 No.	**Internal NGR (PD) rating**	**EAD** Rm	**% of total group credit Ecap**
1	NGR04	4 871	0,02
2	NGR04	4 396	0,17
3	NGR03	3 896	0,02
4	NGR08	3 383	0,23
5	NGR04	3 148	0,10
6	NGR09	3 245	0,24
7	NGR03	3 125	0,02
8	NGR04	2 701	0,01
9	NGR16	2 646	0,35
10	NGR03	2 628	0,00
11	NGR04	2 389	0,02
12	NGR07	2 368	0,08
13	NGR03	2 293	0,01
14	NGR08	2 280	0,14
15	NGR15	2 258	0,64
16	NGR06	2 239	0,10
17	NGR10	2 119	0,05
18	NGR12	2 058	0,28
19	NGR14	2 042	0,59
20	NGR08	1 797	0,12
Total of top 20 exposures		55 882	3,19
Total group		597 411	

Top 20 Nedbank Group exposures (banks)

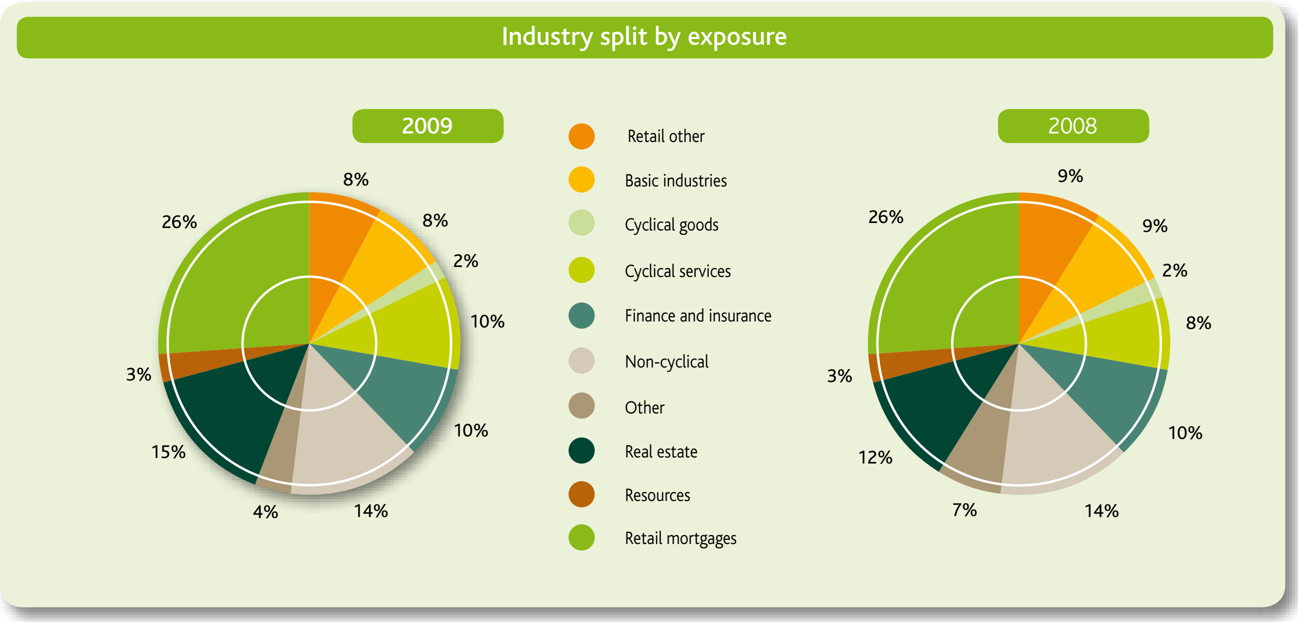
2009 No.	**Internal NGR (PD) rating**	**EAD Rm**	**% of total group credit Ecap**
1	NGR05	5 606	0,10
2	NGR05	3 868	0,07
3	NGR05	3 777	0,07
4	NGR05	1 872	0,07
5	NGR04	1 185	0,04
6	NGR05	1 005	0,04
7	NGR06	975	0,05
8	NGR05	917	0,04
9	NGR05	709	0,03
10	NGR05	629	0,02
11	NGR04	627	0,02
12	NGR06	607	0,03
13	NGR06	565	0,03
14	NGR06	556	0,03
15	NGR07	512	0,04
16	NGR07	512	0,04
17	NGR04	512	0,02
18	NGR08	506	0,05
19	NGR04	398	0,02
20	NGR04	392	0,02
Total of top 20 exposures		25 730	0,83
Total group		597 411	

Geographic concentration risk

Geographically, almost all of Nedbank Group's credit exposure originates in South Africa (non-SA exposure is approximately 6%).



Industry concentration risk



Our credit portfolio modelling combines the industry segmentation of the portfolio and, as part of its calculation of the credit economic capital, accounts for any sectoral concentration inherent in the portfolio.

We conclude that credit concentration risk is adequately measured, managed, controlled and ultimately capitalised. There is no undue single-name concentration. Nedbank Group is also a well-diversified banking group in the SA context, split across its five major business clusters.

Counterparty credit risk

Counterparty credit limits are set at an individual counterparty level and approved within the Group Credit Risk Management Framework. Counterparty credit exposures are reported and monitored at both a business unit and group level. To ensure that appropriate limits are allocated to large transactions, scenario analysis is performed within a specialised counterparty risk unit. Based on the outcome of such analysis, proposals regarding potential risk-mitigating structures are made prior to final limit approval. Limits for our Corporate and Business Banking businesses favour a nominal limit to facilitate monitoring.

There is continued emphasis on the use of credit risk mitigation strategies, such as netting and collateralisation of exposures. Nedbank Group and its large bank counterparties have International Swaps and Derivatives Association (ISDA) and International Securities Market Association (ISMA) master agreements as well as credit support (collateral) agreements in place to support bilateral margining of exposures. Limits and appropriate collateral are determined on a risk-centred basis.

Netting is applied only to underlying exposures where supportive legal opinion is obtained as to the enforceability of the relevant netting agreement in the particular jurisdiction. Margining and collateral arrangements are entered into in order to mitigate counterparty credit risk. Haircuts, appropriate for the specific collateral type, are applied to determine collateral value. Margining agreements are pursued with interbank trading counterparties on a proactive basis. Margining thresholds constitute unsecured exposure to the counterparty and are assessed as such. To deal with a potential deterioration of counterparty credit risk over the life of transactions thresholds are typically linked to the counterparty external credit rating.

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

Over-the-counter derivatives for Nedbank Limited and London branch

OTC derivative products

	2009		2008	
Rm	**Notional value**	**Gross positive fair value**	Notional value	Gross positive fair value
Credit default swaps	**2 272**	**8**	2 104	2
Equities		**1 155**	4 497	778
Forex and gold	**189 601**	**6 437**	215 724	14 807
Interest rates	**358 738**	**5 470**	324 480	8 598
Other commodities	**45**	**302**	13	599
Precious metals except gold	**2**	**56**	4	36
Total	**550 658**	**13 428**	546 822	24 820

OTC derivative products

Rm	Gross positive fair value	Current netting benefits	Netted current credit exposure (pre-mitigation)	Collateral amount	Netted current credit exposure (post-mitigation)	EAD value	Risk-weighted exposure
2009	**13 428**	**7 028**	**6 963**	**779**	**6 443**	**9 566**	**3 018**
2008	24 820	13 272	10 581	1 796	8 996	12 861	3 138

OTC derivatives per NGR (PD) band

	2009			2008		
Rm	**Notional value**	**Gross positive fair value**	**EAD value**	Notional value	Gross positive fair value	EAD value
NGR 03*	**16 774**	**718**	**922**	12 741	241	236
NGR 04	**76 202**	**1 377**	**1 735**	187 234	8 198	2 187
NGR 05	**217 937**	**4 792**	**2 261**	239 191	10 601	5 114
NGR 06	**106 964**	**2 011**	**585**	33 544	1 885	990
NGR 07	**51 229**	**1 406**	**611**	23 213	896	968
NGR 08	**19 377**	**297**	**316**	2 846	123	142
NGR 09	**8 464**	**610**	**645**	4 216	163	181
NGR 10	**3 859**	**100**	**158**	10 093	909	994
NGR 11	**5 953**	**137**	**162**	4 154	162	178
NGR 12	**8 141**	**152**	**201**	1 878	108	121
NGR 13	**3 003**	**94**	**127**	2 561	145	116
NGR 14	**2 283**	**100**	**117**	2 955	142	168
NGR 15	**10 320**	**296**	**372**	3 566	123	143
NGR 16	**1 087**	**195**	**124**	5 861	109	201
NGR 17	**930**	**31**	**38**	1 546	58	74
NGR 18	**875**	**67**	**35**	797	15	19
NGR 19	**192**	**8**	**10**	135	6	7
NGR 20	**16 460**	**306**	**434**	9 506	367	444
NGR 21	**264**	**596**	**599**	144	3	5
NGR 22	**29**	**1**	**1**	72	539	539
NGR 23	**148**	**6**	**7**	190	15	17
NGR 24	**1**			319	2	6
NGR 25		**123**	**99**	2		
NP	**166**	**5**	**7**	58	10	11
Total	**550 658**	**13 428**	**9 566**	546 822	24 820	12 861

** Nedbank rating scale is from NGR01 to NGR25. Currently there are no NGR01 and NGR02 exposures.*

Securities financing transactions (SFTs) for Nedbank Limited and London branch

SFTs

Rm	Gross positive fair value	Collateral value after haircut	Netted current credit exposure (post-mitigation)	EAD value	Risk-weighted exposure
2009					
Repurchase agreements	**8 026**	**7 557**	**469**	**469**	**40**
Securities lending	**8 567**	**9 208**	**415**	**415**	**27**
Total	**16 593**	**16 765**	**884**	**884**	**67**
2008					
Repurchase agreements	2 630	2 529	101	101	8
Securities lending	4 686	4 672	14	14	1
Total	7 316	7 201	115	115	9

SFTs per NGR (PD) band

Rm	**2009** Gross exposure	**2009** EAD value	2008 Gross exposure	2008 EAD value
NGR03	**467**	**36**	725	27
NGR04	**1 831**	**213**	185	6
NGR05	**9 182**	**293**	5 155	41
NGR06	**2 261**	**145**	729	21
NGR07	**1 157**	**96**	430	13
NGR08	**1 656**	**98**	10	
NGR11	**35**	**2**	82	7
NGR20	**4**	**1**		
Total	**16 593**	**884**	7 316	115

Securitisation risk

Nedbank Group entered the securitisation market during 2004 and currently has three securitisation transactions, Synthesis Funding Limited (Synthesis), an asset-backed commercial paper programme (ABCP Programme) launched during 2004, Octane ABS 1 (Pty) Limited (Octane), a securitisation of motor vehicle loans advanced by Imperial Bank Limited through its subsidiary MFC that was launched in July 2007, and GreenHouse Funding (Pty) Limited (GreenHouse), a residential mortgage-backed securitisation programme (RMBS Programme) launched in December 2007.

Nedbank Group has used securitisation primarily as a funding diversification tool and has an established inhouse securitisation team within Nedbank Capital.

The contraction in the local and international securitisation markets experienced in 2008 continued in 2009. As a result the group did not implement new securitisations as an alternative source of funding over this period. Amidst the difficult external environment, although credit quality deteriorated, all securitisation vehicles continued to perform well and the ratings of the various transactions have been affirmed by the rating agencies and remain stable.

During the last quarter of 2009, arrears levels in GreenHouse exceeded the arrears trigger as a result of the deterioration in underlying asset performance. In the event that the arrears levels continue to exceed the arrears trigger at the first determination date in 2010, no further home loans (other than servicing redraws – ie access facilities on existing GreenHouse loans) can be acquired for as long as the arrears level remains above the arrears trigger level, and all capital repayments will be directed to the noteholders. However, Nedbank Group decided, in the interest of the noteholders, to exercise its discretion and not make further loans available for purchase by GreenHouse from December 2009, rather than waiting until the first determining date in 2010.

With regard to Octane, the transaction has started to repay investors in the normal course, as envisaged in the transaction documents.

The group's securitisation initiatives are overseen by the Group ALCO and Executive Risk Committee. All securitisation transactions are also subject to the stringent SA Regulatory Securitisation Framework.

From an International Financial Reporting Standards (IFRS) accounting perspective the assets transferred to GreenHouse and Octane vehicles continue to be recognised and consolidated in the balance sheet of the group. Synthesis is also consolidated into Nedbank Group.

On-balance-sheet securitisation exposure

					2009			2008		
Transaction Rm	Year initiated	Rating agency	Transaction type	Assets type	**Assets securitised**	**Assets out-standing**	**Amount retained/ purchased**	Assets securitised	Assets out-standing	Amount retained/ purchased
GreenHouse	2007	Moody's and Fitch	Traditional securitisation	Retail mortgages	**2 000**	**1 973**	**226**	2 000	1 972	226
Octane	2007	Fitch	Traditional securitisation	Auto loans	**1 852**	**1 454**	**312**	2 000	1 781	312
Total					**3 852**	**3 427**	**538**	4 000	3 753	538

Off-balance-sheet securitisation exposure

Transaction Rm	Transaction type	Exposure type	**Exposure 2009**	2008
Own transactions				
Synthesis	ABCP conduit	Liquidity facility	**5 824**	7 806
Third parties				
Private Residential Mortgages (Pty) Limited	Securitisation	Liquidity facility	**100**	100
Private Mortgages 2 (Pty) Limited	Securitisation	Liquidity facility	**40**	40
Private Mortgages 2 (Pty) Limited	Securitisation	Redraw facility	**428**	436
Total			**6 392**	8 382

The table below contains a summary of Synthesis.

Transaction Rm	Year initiated	Rating agency	Transaction type	Assets type	Programme size	Conduit size 2009	Conduit size 2008
Synthesis	2004	Moody's and Fitch	ABCP conduit	Asset-backed securities, corporate term loans and bonds	15 000	**5 820**	7 801
Total					15 000	**5 820**	7 801

The various roles fulfilled by Nedbank Group in the securitisation transactions mentioned above are indicated in the table below.

Transaction	Originator	Investor	Servicer	Liquidity provider	Credit enhancement provider	Swap counterparty
GreenHouse	✓	✓	✓		✓	✓
Octane	✓	✓	✓		✓	✓
Synthesis		✓	✓	✓		✓
Private Residential Mortgages (Pty) Limited				✓		
Private Mortgages 2 (Pty) Limited				✓		

The table below shows the Basel II internal ratings-based (IRB) consolidated group capital charges per risk band for securitised exposures retained or purchased by Nedbank Group.

Capital charge

Rm	**2009**	2008
AAA or A1/P1	**3,9**	3,9
AA+ to AA-	**1,1**	1,1
A+	**2,9**	1,0
A or A2/P2		
A-	**5,8**	5,7
BBB+		
BBB or A3/P3	**7,2**	7,2
BBB-	**9,4**	9,4
BB+	**15,7**	15,9
BB		
BB-		
Unrated		
Unrated liquidity facilities to ABCP Programme	**39,8**	44,4
Total	**85,8**	88,6

Trading market risk

Trading market risk is the potential for changes in the market value of the trading book resulting from changes in the market risk factors over a defined period. The trading book is defined as positions in financial instruments and commodities, including derivative products and other off-balance-sheet instruments that are held with trading intent or used to hedge other elements of the trading book.

Categories of trading market risk include exposure to interest rates, equity prices, currency rates and credit spreads. A description of each market risk factor category is set out below:

- Interest rate risk primarily results from exposure to changes in the level, slope and curvature of the yield curve and the volatility of interest rates.
- Equity price risk results from exposure to changes in prices and volatilities of individual equities and equity indices.
- Currency rate risk results from exposure to changes in spot prices, forward prices and volatilities of currency rates.
- Credit spread risk results from exposure to changes in the rate that reflects the spread investors receive for bearing credit risk.
- Commodity price risk results from exposures to changes in spot prices, forward prices and volatilities of commodities products such as energy, agricultural, precious and base metals.

Most of Nedbank Group's trading activity is executed from Nedbank Capital. During 2009 it included market-making and facilitation of client business and proprietary trading in the commodity, equity, credit, interest rate and currency markets. Nedbank Capital primarily focuses on client activities in these markets.

In addition to applying business judgement, senior management uses a number of quantitative measures to manage the exposure to market risk. These measures include:

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

The material risks identified by these processes are summarised in reports produced by the Market Risk Department and which are circulated to, and discussed with, senior management.

VaR is the potential loss in pretax profit due to adverse market movements over a defined holding period with a specified confidence level. The one-day 99% VaR number used by Nedbank Group reflects at a 99% confidence level that the daily loss will not exceed the reported VaR and therefore that the daily losses exceeding the VaR figure are likely to occur, on average, once in every 100 business days. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. VaR facilitates the consistent measurement of risk across all markets and products, and risk measures can be aggregated to arrive at a single risk number.

Nedbank Group uses historical data to estimate VaR. One year of historical data is used in the calculation. Some of the considerations that should be taken into account when reviewing the VaR numbers are the following:

- The assumed one-day holding period will not fully capture the market risk of positions that cannot be liquidated or offset with hedges within one day.
- The historical VaR assumes that the past is a good representation of the future, which may not always be the case.
- The 99% confidence level does not indicate the potential loss beyond this interval.

While VaR captures Nedbank Group's exposure under normal market conditions, sensitivity and stress-and-scenario analyses (and in particular stress testing) are used to add insight into the possible outcomes under abnormal market conditions.

Trading market risk profile

The tables below reflect the VaR statistics for the Nedbank Group trading book activities for 2008 and 2009.

Group trading book VaR for 2009[i]

Risk categories Rm	Historical VaR (99%, one-day) by risk type Average	 Minimum[ii]	 Maximum[ii]	 Year-end
Foreign exchange	**4,1**	**1,0**	**10,3**	**3,7**
Interest rate	**16,9**	**7,2**	**28,7**	**7,4**
Equity	**6,3**	**2,5**	**13,3**	**3,8**
Credit	**6,0**	**2,5**	**10,9**	**3,2**
Commodity	**0,5**		**2,4**	**1,2**
Diversification[iii]	**(12,5)**			**(6,0)**
Total VaR exposure	**21,3**	**9,9**	**33,1**	**13,3**

Group trading book VaR for 2008[i]

Risk categories Rm	Historical VaR (99%, one-day) by risk type Average	 Minimum[ii]	 Maximum[ii]	 Year-end
Foreign exchange	6,1	2,3	20,1	3,4
Interest rate	13,8	7,4	25,0	19,3
Equity	7,8	3,3	21,2	6,5
Credit	6,2	3,4	8,7	6,6
Diversification[iii]	(14,2)			(11,8)
Total VaR exposure	19,7	10,3	36,5	24,0

(i) Certain positions are illiquid and VaR may not always be the most appropriate measure of risk (a summary of the 'other market risk measures' applied to mitigate this will follow).

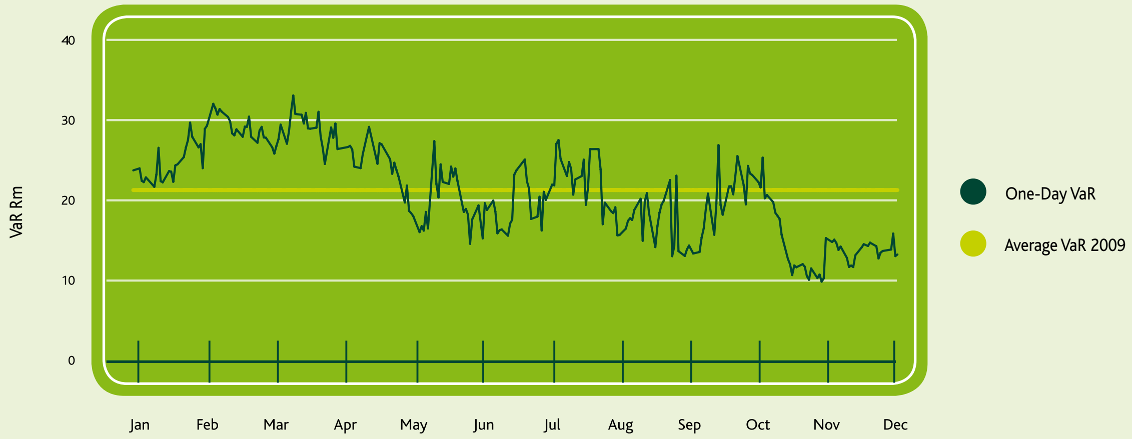
(ii) The maximum and minimum VaR values reported for each of the different risk factors did not necessarily occur on the same day. As a result a diversification number for the maximum and minimum values have been omitted from the table.

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

Nedbank Group's trading market risk exposure expressed as average daily VaR increased by 8,1% from R19,7 million to R21,3 million. The increase was mainly due to an increase in exposure to the interest rate markets in 2009.

The graph below illustrates the daily VaR for the period 1 January 2009 to 31 December 2009. Nedbank Group remained within the approved risk appetite and the VaR limits allocated by the board. The daily VaR for the second half of 2009 decreased as the financial markets stabilised.

VaR utilisation for 2009 (99%, one-day VaR)

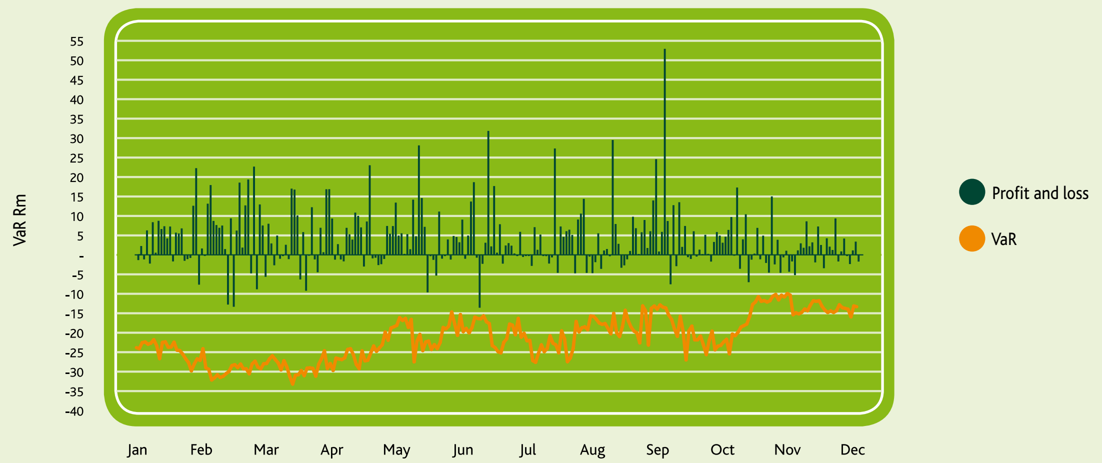


The risk appetite within all the risk factors remained largely unchanged, with foreign exchange and interest rate activities again producing consistent revenue.

VaR is an important measurement tool and the performance of the model is regularly assessed. The approach to assessing whether the model is performing adequately is known as backtesting. Backtesting is simply a historical test of the accuracy of the VaR model. To conduct a backtest the bank reviews its actual daily VaR over one year (about 250 trading days) and compares the actual daily trading revenue (including net interest but excluding commissions and primary revenue) outcomes with its VaR estimate and counts the number of times the trading loss exceeds the VaR estimate.

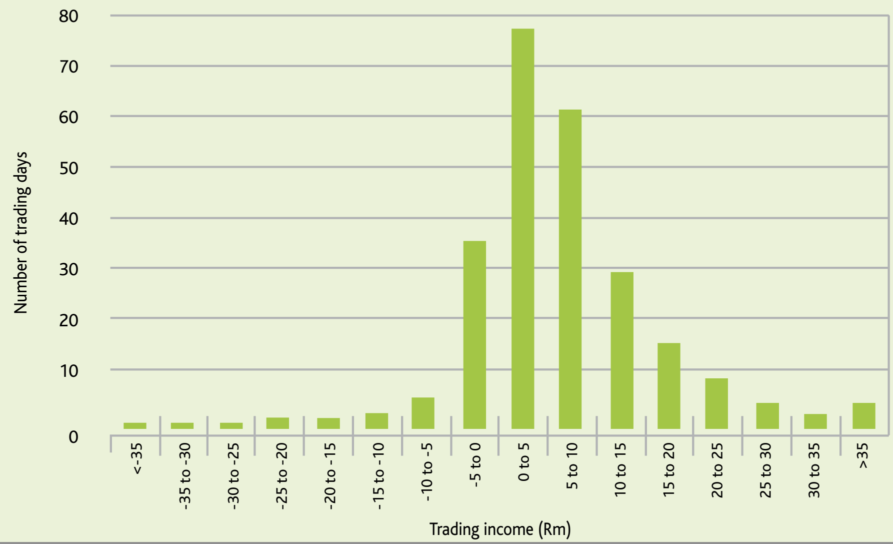
Nedbank Group used a holding period of one day with a confidence level of 99%, and had no backtesting exceptions for 2009. This suggests that VaR, as currently implemented, has been a conservative measure of the potential net revenue variability on the daily trading activities.

VaR profit and loss for 2009



The following histogram illustrates the distribution of daily revenue during 2009 for Nedbank Group's trading businesses (including net interest, commissions and primary revenue credited to Nedbank Group's trading businesses). The distribution is skewed to the profit side and the graph shows that trading revenue was realised on 205 days out of a total of 250 days in the trading businesses. The average daily trading revenue generated for 2009 was R6,7 million.

Analysis of trading revenue for 2009



Trading market risk stress testing

Nedbank Capital uses a number of stress scenarios to measure the impact on portfolio values of extreme moves in markets, based on historical experience as well as hypothetical scenarios. The stress-testing methodology assumes that all market factors move adversely at the same time and that no actions are taken during the stress events to mitigate risk, reflecting the decreased liquidity that frequently accompanies market shocks. In the case where certain positions are illiquid and VaR may not be the most appropriate measure of risk, stress tests are used to supplement VaR and more rigorous stress tests are used to calculate the potential exposure. Stress test results are reported daily to senior management and monthly to the Trading Risk Committee and Group ALCO.

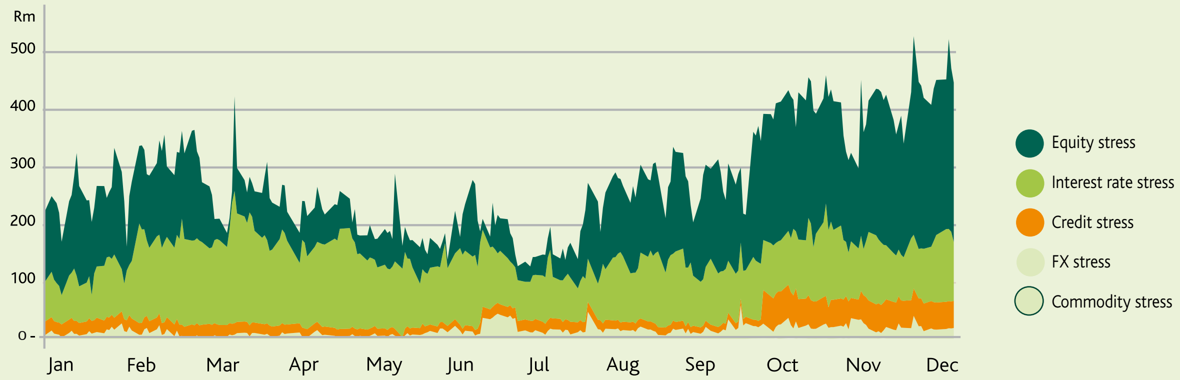
Risk factors

Rm	Average	High	Low	Year-end
Foreign exchange stress	15	60	2	19
Interest rate stress	113	233	46	104
Equity position stress	129	351	15	281
Credit spread stress	24	59	2	48
Commodity stress	1	2		1
Overall	**282**	**535**	**128**	**453**

The high and low stress values reported for each of the different risk factors did not necessarily occur on the same day. As a result the high and low risk factor stress exposures are not additive.

In addition, other risk measures are used to monitor the individual trading desks and these include performance triggers, approved trading products, concentration of exposures, maximum tenor limits and market liquidity constraints. Market risk is governed by a number of policies that cover management, identification, measurement and monitoring. In addition, all market risk models are subject to periodic independent validation in terms of the Group Market Risk Management Framework. Market risk reports are available at a variety of levels and detail ranging from individual trader level right through to a group level view.

Risk factors for 2009



Revisions to the Basel II Framework

In the 'Revisions to the Basel II Framework' published by the Basel Committee in July 2009, a guideline for calculating stressed VaR was provided. Stressed VaR is calculated using market data taken over a 'period through which the relevant market factors were experiencing stress'. Nedbank Group used historical data from the period 26 March 2008 to 12 March 2009. This period captures significant volatility in the SA market.

The information in the table below is the comparison of VaR, using three different calculations at 31 December 2009. The three different calculations are historical VaR, extreme tail loss (measures the expected losses in the tail of the distribution) and stressed VaR, using a volatile historical data period. A 99% confidence level and one-day holding period was used for all the calculations.

Comparison of trading VaR

2009	Historical VaR 99% (one-day) Rm	Extreme tail loss 99% (one-day) Rm	Stress VaR 99% (one-day) Rm
Foreign exchange	3,7	4,2	4,5
Interest rates	7,4	12,1	12,5
Equities	3,8	5,7	6,5
Credit	3,2	3,7	3,8
Commodities	1,2	1,3	1,6
Diversification	(6,0)	(10,8)	(9,5)
Total VaR exposure	**13,3**	**16,2**	**19,4**

Equity risk (investment risk) in the banking book

The total equity portfolio for investment risk is R3 901 million (2008: R3 779 million). R2 947 million (2008: R2 716 million) is held for capital gain, while the rest is mainly strategic investments.

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

Investments Rm	Publicly listed 2009	 2008	Privately held 2009	 2008	Total 2009	 2008
Fair-value disclosed in balance sheet (excluding associates and joint ventures)	**485**	525	**2 491**	2 087	**2 976**	2 612
Fair-value disclosed in balance sheet (including associates and joint ventures)	**485**	525	**3 416**	3 254	**3 901**	3 779

Operational risk

Nedbank Group has approval from SARB to use TSA for operational risk for Basel II regulatory capital. Nedbank Group has applied to SARB in January 2010 for the use of the Advanced Measurement Approach (AMA). The AMA Operational Risk Management Framework was approved by the board's Group Risk and Capital Management Committee in April 2009. The AMA methodologies are already rolled out and running in parallel in the businesses, and Nedbank Group will change to using AMA for economic capital purposes for 2010.

Major concentration risks and off-balance-sheet risks

Credit concentration risk is addressed on page 96b. Property concentration risk was discussed on page 77b, in particular the 'deep dive' into the Property Finance Division in 2008, and is incorporated in the quantification of credit economic capital.

The one other potential major concentration risk in Nedbank Group is liquidity risk. The management of this, including diversification of the funding base, contingency planning of sources of funding, related governance, etc is covered on page 113b.

Concentration risk is also a key feature of Nedbank Group's Group Market Risk Framework. However, undue concentration risk is not considered to prevail in the group's trading, interest rate risk in the banking book (IRRBB), forex and equity risk portfolios (evident in the low percentage contributions to group economic capital, see page 127b), nor in assets and liabilities, subject to mark-to-market fair-value accounting.

As regard off-balance-sheet risks, there are only three 'plain vanilla' securitisation transactions, which have funding diversification rather than risk transfer objectives, as well as no 'exotic' credit derivative instruments or any risky off-balance-sheet special-purpose vehicles.

Economic capital

Economic capital is a sophisticated, consistent measurement and comparison of risk across business units, risk types and individual products or transactions. This enables a focus on both downside risk (risk protection) and upside potential (earnings growth).

Nedbank Group assesses the internal requirements for capital using its proprietary economic capital methodology, which models and assigns economic capital within nine quantifiable risk categories.

The total average economic capital required by the group, as determined by the quantitative risk models and after incorporating the group's estimated portfolio effects, is supplemented by a capital buffer of 10% to cater for any residual cyclicality and stressed scenarios. The total requirement is then compared with available financial resources (AFR).

Nedbank Group's economic capital model and target capital adequacy (used for ICAAP)

Credit risks

Basel II AIRB credit methodology integrated with sophisticated CPM
(incorporating credit concentration risk and intra-risk diversification, counterparty credit risk and securitisation risk).

+

Transfer risk
(closely related to credit risk but arises due to sovereign default and so separately modelled and quantified).

Similar to AIRB credit methodology but dependent on probability and the extent of a transfer event (ie sovereign default).

+

Market risks

Trading (position) risk	IRRBB risk	Equity (investment) and property risks	Forex translation risks
VaR scaled to one year using VaR limits (board-approved).	Simulated modelling of NII; economic value of equity (EVE) also done.	300/400% risk weighting in line with Basel II equity risk; PD/LGD Approach for Property Finance.	Multiple of exposure, based on rand volatility measures.

+

Operational risk

Basel II Standardised Approach used

+

Business risk

EaR methodology used

+

Other assets
(100% risk-weighted)

=

Minimum economic capital requirement
(after inter-risk diversification benefits)

+

Capital buffer
(10% buffer for procyclicality, stressed scenarios, etc)

=

Total economic capital requirement

Measurement period/time horizon: one year (same as Basel II)
Confidence interval (solvency standard): 99,93% (A) (ie more conservative than Basel II)

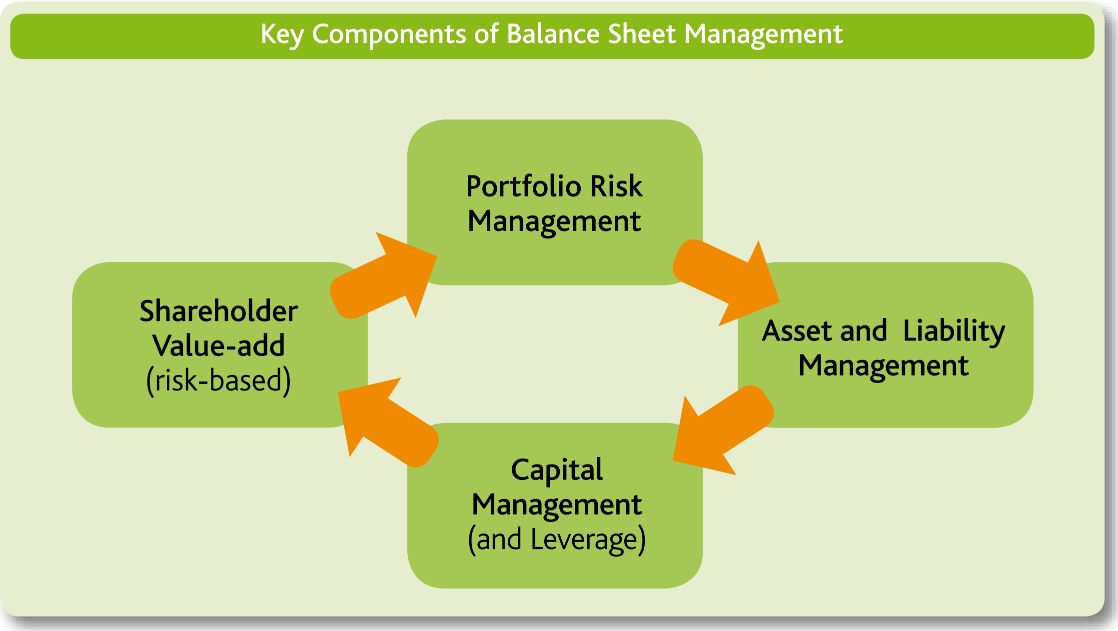
vs

Available financial resources (AFR)

Comprises
Tier A = core Tier 1 regulatory capital and qualifying reserves
Tier B = perpetual preference shares and hybrid debt capital

BALANCE SHEET MANAGEMENT

Established as a separate cluster in 2009, the Balance Sheet Management (BSM) cluster helps to optimise the financial performance, strategy and sustainability of Nedbank Group through proactive management of all material components of the balance sheet.



Summary of perspectives on Nedbank Group's balance sheet profile

The key highlights are as follows:

Capital adequacy overall

- Best-practice Internal Capital Adequacy Assessment Process (ICAAP) in place since 2008.
- Major focus over past 24 months, resulting in significantly strengthened capital levels, well above top end of the target ranges (in view of current external environment).
  - Successful execution of Risk-weighted Asset (RWA) Capital Optimisation Programme.

Regulatory capital adequacy (including unappropriated profits)

	Target (revised January 2009)	Nedbank Group	Nedbank Limited
Core Tier 1	7,5% to 9,0%	7,2% (Dec 2007) to 8,2% (Dec 2008) to 9,9% (Dec 2009)	6,8% (Dec 2007) to 8,0% (Dec 2008) to 9,6% (Dec 2009)
Tier 1	8,5% to 10,0%	8,2% (Dec 2007) to 9,6% (Dec 2008) to 11,5% (Dec 2009)	7,9% (Dec 2007) to 9,8% (Dec 2008) to 11,7% (Dec 2009)
Total	11,5% to 13,0%	11,4% (Dec 2007) to 12,4% (Dec 2008) to 14,9% (Dec 2009)	11,4% (Dec 2007) to 13,1% (Dec 2008) to 15,6% (Dec 2009)

Economic capital adequacy (used for ICAAP)

- In 2009 Nedbank Group increased (ie made more conservative) the group's target solvency standard from A- (99,9%) to A (99,93%), while also introducing a more conservative definition of available financial resources (AFR), which covers the economic capital requirement.
- AFR surplus (after 10% capital buffer):
  - R16,1 billion for group; R13,5 billion for bank (based on old, less conservative basis).
  - R11,8 billion for group; R8,3 billion for bank (based on new, more conservative basis).

Stress and scenario testing

- Best-practice framework and process followed to stress test and confirm the robustness of the group's capital adequacy, including the capital buffers. Recent international developments incorporated.

Leverage ratio is low at 14,4 times, compared to international levels

Concentration risk is well-contained

- Large individual (single-name) credit exposure risk is low.
  - The credit economic capital of the top 20 exposures (excluding banks and SA government exposure) makes up only 3,19% of total group economic capital.
- Concerning geographic exposure, the significant focus on South Africa has been positive for Nedbank Group through the global financial crisis.
- Industry/Sector exposure is appropriately well-diversified.
- Property exposure is high but in line with our peer group and most large banks internationally.
  - 'Deep dive' done of commercial property exposure and home loans.
- Counterparty credit risk is almost exclusively restricted to non-complex, low-risk banking transactions.
- Strong and well-diversified funding deposit base exists and low reliance is placed on offshore funding.
- Low level of securitisation exposure and off-balance-sheet activities.
- Low risk of assets and liabilities exposed to the volatility of International Financial Reporting Standards (IFRS) fair-value mark-to-market accounting.
- Low equity (investment) risk exposure (0,7% of total assets), including private equity.
- Non-core asset disposal strategy successfully executed by 2007.
- Low foreign currency translation risk to the rand's volatility.
- Well-diversified earnings streams across five major business clusters.
- Well-diversified subordinated-debt profile.

Liquidity risk

- Overall remains sound and has been a major focus over past two years through the global financial crisis.
  - Successfully lengthened the funding profile during 2009, including the successful (largest ever in South Africa) R5,4 billion issue of senior unsecured debt in September 2009.
- The R5,4 billion debt issue also positively contributed to diversify the funding base further.
- Nedbank Group's funding mix remains sound (ie retail vs wholesale deposits reliance).
- Nedbank Group continues to maintain a dominant market share in household deposits.
- All liquidity risk measurement and management assumptions, principles and methodologies have been independently reviewed and align with best practice.
- Key areas of focus for 2010 – 2012:
  - Continue to lengthen the funding profile.
  - Continue to diversify Nedbank Group's funding base in order to reduce reliance on wholesale funding.
    - o Expanding domestic and international capital market issuance programmes, subject to price and appetite.
    - o Continuing to aggressively pursue strong growth in retail and commercial deposits.
  - Work with government, the SA Reserve Bank (SARB) and the banking industry to address the financial services structural issues around funding and liquidity to facilitate positively positioning South Africa around the new Basel III liquidity proposals.

Interest rate risk in the banking book (IRRBB)

- Main components of IRRBB include endowment on equity and non-repricing transactional deposits, offset by the fixed-rate liquid asset hedge and working capital plus reset (basis) risk.

  Reset risk is caused by advances pricing immediately for rate changes, due to being prime-rate-linked, versus term deposits repricing to three-month JIBAR, following hedging of IRRBB.
- Banking book interest rate sensitivity is currently 1,30% of total equity or R584 million (for a 1% move in rates).
- This is within the board approved IRRBB limit of 2,5% of capital, with no limit breaches having been experienced in 2009.
- The strategic attention of the Group Asset and Liability Committee (ALCO) has shifted to positioning the balance sheet for the anticipated bottoming of the current interest rate cycle.

Asset and liability management

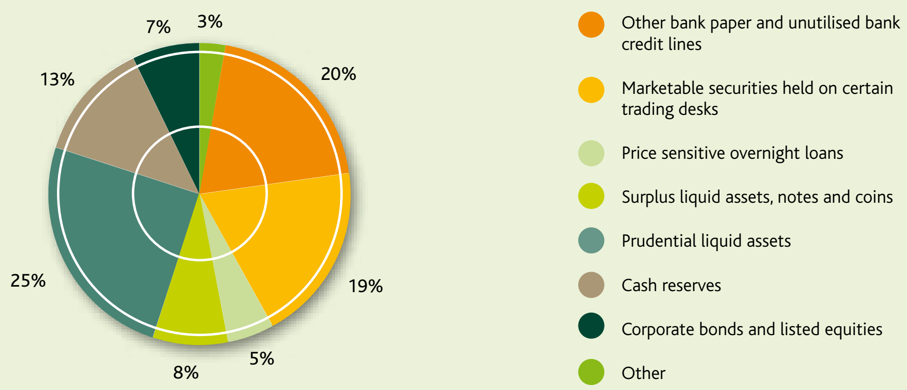
Asset and liability management (ALM) addresses two of the 17 key risk types in the group's Enterprisewide Risk Management Framework (ERMF), namely liquidity risk and market risk in the banking book, which in turn includes interest rate risk in the banking book and foreign currency translation risk on foreign-based capital, investments, loans and/or borrowings.

Liquidity risk

There are two types of liquidity risk, namely funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that Nedbank Group is unable to meet its payment obligations as they fall due. These payment obligations could emanate from depositor withdrawals, the inability to roll over maturing debt or contractual commitments to lend. Market liquidity risk is the risk that the group will be unable to sell assets, without incurring an unacceptable loss, in order to generate cash required to meet payment obligations under a stress liquidity event.

Liquidity risk management is a vital risk management function in all entities across all jurisdictions and currencies, and is a key focus of the Nedbank Group.

Nedbank'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

Rm	<3 months	>3 months <6 months	>6 months <1 year	>1 year <5 months	>5 years	Non-determined	Total
Cash and cash equivalents (including mandatory reserve deposits with central bank)	16 382			65		1 928	18 375
Other short-term securities	13 715	1 261	1 501	2 073			18 550
Derivative financial instruments	3 569	834	2 070	3 792	2 445		12 710
Government and other securities	537	2 020	7 607	18 660	7 159		35 983
Loans and advances	83 758	16 463	31 070	153 354	165 656		450 301
Other assets	2 261					32 523	34 784
Assets	**120 222**	**20 578**	**42 248**	**177 944**	**175 260**	**34 451**	**570 703**
Total equity						44 984	44 984
Derivative financial instruments	2 917	898	1 103	3 037	3 596		11 551
Amounts owed to depositors	338 632	50 084	57 810	19 888	2 941		469 355
Other liabilities	8 780					15 949	24 729
Long-term debt instruments			500	9 184	10 400		20 084
Liabilities and equity	**350 329**	**50 982**	**59 413**	**32 109**	**16 937**	**60 933**	**570 703**
Net liquidity gap	**(230 107)**	**(30 404)**	**(17 165)**	**145 835**	**158 323**	**(26 482)**	

The contractual liquidity gap is adjusted with behavioural assumptions in order to determine the group's BaU or anticipated liquidity risk profile. These adjustments result largely in a lengthening of deposit cashflows due to behavioural assumptions through which contractually maturing short-term deposits have longer profiles under normal market conditions.

Nedbank Group business-as-usual liquidity gap at year-end

Rm	<3 months	>3 months <6 months	>6 months <1 year	>1 year <5 months	>5 years	Non-determined	Total
Cash and cash equivalents (including mandatory reserve deposits with central bank)					18 375		18 375
Other short-term securities	13 715	1 261	1 501	2 073			18 550
Derivative financial instruments	3 569	834	2 070	3 792	2 445		12 710
Government and other securities					35 983		35 983
Loans and advances	35 575	23 867	45 677	296 872	48 310		450 301
Other assets						34 784	34 784
Assets	**52 859**	**25 962**	**49 248**	**302 737**	**105 113**	**34 784**	**570 703**
Total equity						44 984	44 984
Derivative financial instruments	2 917	898	1 103	3 037	3 596		11 551
Amounts owed to depositors	87 915	64 499	79 712	235 676	1 553		469 355
Other liabilities						24 729	24 729
Long-term debt instruments			500	9 401	10 183		20 084
Liabilities and equity	**90 832**	**65 397**	**81 315**	**248 114**	**15 332**	**69 713**	**570 703**
Net liquidity gap	**(37 973)**	**(39 435)**	**(32 067)**	**54 623**	**89 781**	**(34 929)**	

Note: Business-as-usual assumptions include rollover assumptions on term maturities. No management actions are assumed in terms of realising cash through the sale of liquid assets or other marketable securities.

The additional disclosure below depicts the contractual and BaU liquidity mismatches in respect of Nedbank Limited, and highlights the split of total deposits into stable and more volatile. Based on the behaviour of the bank's clients, it is estimated that in excess of 83% of the total deposit base is stable in nature.

Nedbank Limited* contractual balance sheet mismatch at year-end

Rm	Total	Next day	2 to 7 days	8 days to 1 month	More than 1 month to 2 months
Contractual maturity of assets	**509 150**	**47 759**	**5 921**	**31 156**	**11 496**
Loans and advances	398 899	29 810	2 445	18 590	6 682
Trading, hedging and other investment instruments	71 295	4 930	3 243	11 011	4 542
Other assets	38 956	13 019	233	1 555	272
Contractual maturity of liabilities	**509 150**	**161 943**	**19 629**	**74 292**	**29 018**
Stable deposits	348 378	139 898	10 470	55 617	22 474
Volatile deposits	72 197	14 982	1 537	9 236	5 575
Trading and hedging instruments	50 240	7 063	7 622	9 439	969
Other liabilities	38 335				
On-balance-sheet contractual mismatch		**(114 184)**	**(13 708)**	**(43 136)**	**(17 522)**
Cumulative on-balance-sheet contractual mismatch		**(114 184)**	**(127 892)**	**(171 028)**	**(188 550)**

The BaU table below shows the expected liquidity mismatch under normal market conditions after taking into account the behavioural attributes of Nedbank Limited's stable deposits, savings and investment products.

Nedbank Limited* BaU balance sheet mismatch at year-end

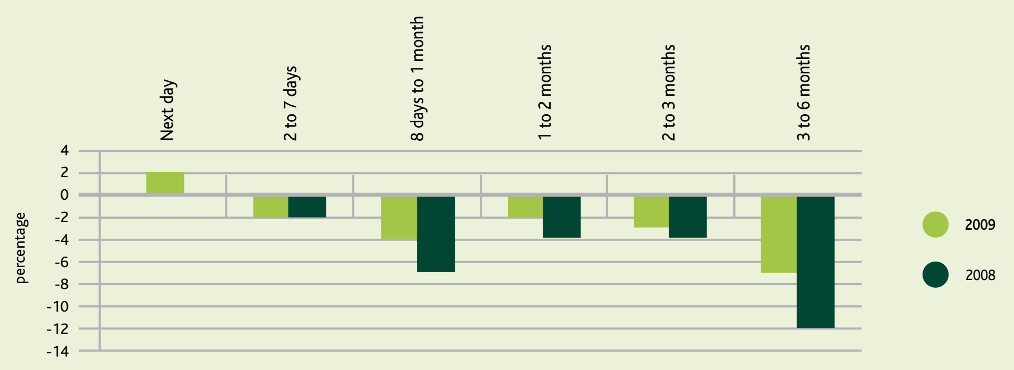
Rm	Total	Next day	2 to 7 days	8 days to 1 month	More than 1 month to 2 months
BaU maturity of assets	**509 150**	**27 358**	**2 667**	**14 263**	**10 031**
Loans and advances	398 899	6 861	2 327	9 299	8 365
Trading, hedging and other investment instruments	71 295	20 497	340	3 410	1 394
Other assets	38 956			1 554	272
BaU maturity of liabilities	**509 150**	**17 788**	**10 813**	**31 567**	**20 900**
Stable deposits	348 378	444	1 158	7 989	14 356
Volatile deposits	72 197	1 705	5 030	19 083	5 575
Trading and hedging instruments	50 240	15 639	4 625	4 495	969
Other liabilities	38 335				
On-balance-sheet BaU mismatch		**9 570**	**(8 146)**	**(17 304)**	**(10 869)**
Cumulative on-balance-sheet BaU mismatch		**9 570**	**1 424**	**(15 880)**	**(26 749)**

** Nedbank Limited refers to the SA reporting entity in terms of Regulation 38 (BA700) of the SA banking regulations.*

As per the table above Nedbank Limited's BaU inflows exceed outflows overnight to one week, taking into account behavioural assumptions, including rollover assumptions associated with term deals and excluding BaU management actions.

As per the graph below the improved BaU maturity mismatch in 2009, when compared with 2008, can be attributed to the following: Previously Nedbank Limited adopted a very conservative approach when estimating the BaU mismatch, which means that Nedbank Limited previously assumed that no term deposits were refinanced and that they resulted in a cash outflow on maturity of the deposit. As this does not reflect reality under normal market conditions, refinancing assumptions (having been statistically derived) have now been applied to term funding, thus yielding a more realistic BaU mismatch.

Nedbank Limited behavioural liquidity mismatch



(Expressed on total assets and based on maturity assumptions before rollovers and risk management)
Note: The improvement in the 2009 profile is mainly due to refinements to the refinancing assumptions as detailed above.

Interest rate risk in the banking book

Nedbank Group is exposed to interest rate risk in the banking book (IRRBB) primarily because:

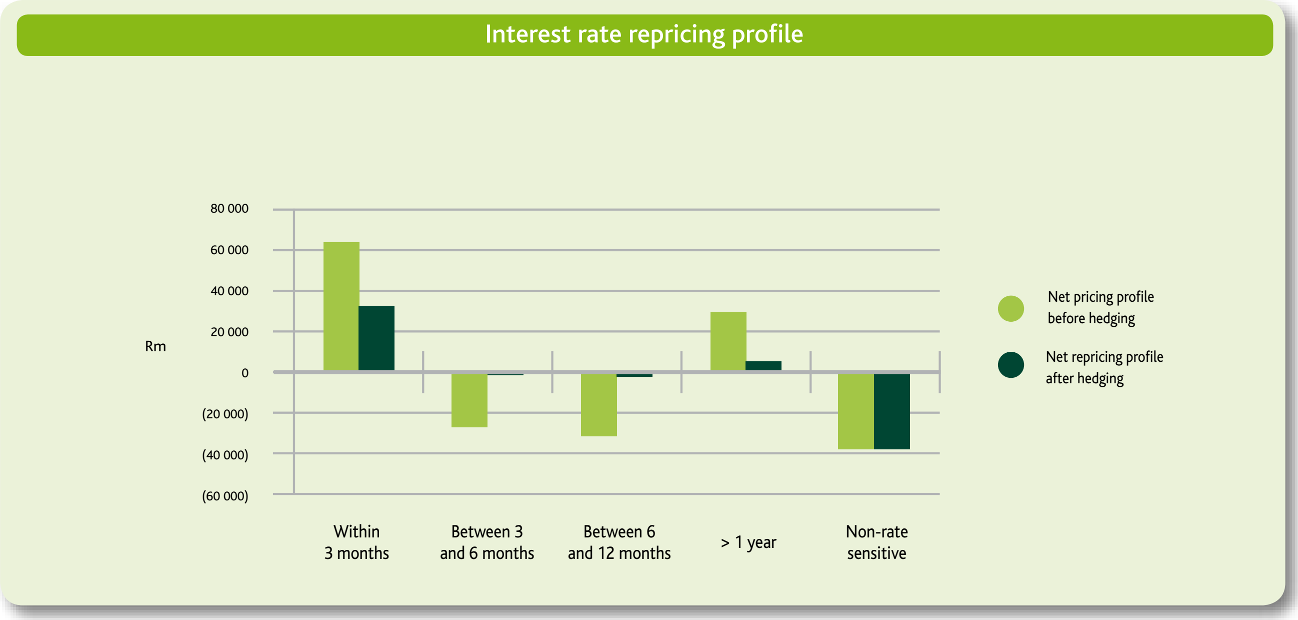
- the bank writes a quantum of prime-linked advances;
- funding is prudently raised across the curve at fixed-term deposit rates that reprice only on maturity;
- three-month JIBAR-linked swaps and forward rate agreements are typically used in the risk management of term deposits and fixed-rate advances;
- short-term demand funding products reprice to different short-end base rates;
- certain non-repricing transactional deposit accounts are non-rate-sensitive; and
- the bank has a mismatch in net non-rate-sensitive balances, including shareholders' funds that do not reprice for interest rate changes.

IRRBB comprises:

- Repricing risk (mismatch risk) – timing difference in the maturity (for fixed rate) and repricing (for floating rate) of bank assets, liabilities and off-balance-sheet positions.
- Reset or basis risk – imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics.
- Yield curve risk – changes in the shape and slope of the yield curve.
- Embedded optionality – the risk pertaining to interest-related options embedded in bank products.

Nedbank Group interest rate repricing profile at year-end

Rm	Within 3 months	Between 3 and 6 months	Between 6 and 12 months	> 1 year	Non-rate sensitive
Net repricing profile before hedging	65 358	(27 622)	(32 210)	31 335	(36 861)
Net repricing profile after hedging	33 999	(1 017)	(2 726)	6 605	(36 861)
Cumulative repricing gap after hedging	33 999	32 982	30 256	36 861	



At 2009 the group's earnings-at-risk (EaR) sensitivity of the banking book for a 1% parallel reduction in interest rates was 1,30% of total group equity (2008: 1,25%), well within the approved risk limit of 2,5%. This exposes the group to a decrease in net interest income (NII) of R584 million should interest rates fall by 1%, measured over a 12-month period, which translates into an approximate 12 basis point reduction in margin or an absolute reduction of approximately 3,6% of this year's NII.

The group's level of interest rate sensitivity is managed in conjunction with credit impairment sensitivity and is benchmarked regularly against the peer group.

Nedbank Limited's economic value of equity, measured for a 1% parallel decrease in interest rates, is a loss of R225 million (2008: gain of R155 million).

The table below highlights the group's and bank's exposure to IRRBB measured for normal and stressed interest rate changes:

2009 Rm	Note	Nedbank Limited	Other group companies	Nedbank Group
Net interest income sensitivity	1			
1% instantaneous decline in interest rates		(444)	(140)	(584)
2% instantaneous decline in interest rates		(887)	(281)	(1 168)
Linear path space	2			
Lognormal interest rate sensitivity		(273)		
Basis interest rate risk sensitivity	3			
0,25% narrowing of prime/call differential		(168)	(51)	(219)
Economic value of equity sensitivity	4			
1% instantaneous decline in interest rates		(225)		
2% instantaneous decline in interest rates		(461)		
Stress testing				
Net interest income sensitivity				
Instantaneous stress shock	5	(1 996)		
Linear path space	2			
Absolute-return interest rate sensitivity		(1 386)		

Notes

1 *Net interest income sensitivity, as currently modelled, exhibits very little convexity. In certain cases the comparative figures have been estimated assuming a linear risk relationship to the interest rate moves.*

2 *Linear path space is a stochastic method used to generate random interest rate paths. These paths are then modelled and a probabilistic impact of interest rate changes on NII is derived. The 'Lognormal interest rate sensitivity' uses two years of interest rate movements to derive interest rate volatility. The stress scenario 'Absolute-return interest rate sensitivity' is based on the volatility of interest rates over nine years.*

3 *Basis interest rate risk sensitivity is quantified using a narrowing in the prime/call interest rate differential of 0,25% and is an indication of the sensitivity of the margin to a squeeze in short-term interest rates.*

4 *Economic value of equity sensitivity is calculated as the net present value of asset cashflows less the net present value of liability cashflows.*

5 *The instantaneous stress shock is derived from the principles espoused in the Basel Committee paper 'Principles for the Management and Supervision of Interest Rate Risk'.*

Foreign currency translation risk in the banking book

Foreign currency translation risk arises as a result of Nedbank Group's investments in foreign companies that have issued foreign equity. This foreign equity is translated into rand for domestic reporting purposes, recording a profit where the rand exchange rate has deteriorated between periods and a loss where the rand exchange rate has strengthened between periods.

Foreign currency translation risk remains relatively low and currently aligns with an appropriate offshore capital structure. Risk limits are based on the expected level of currency-sensitive foreign capital and the exposure was approximately US$241 million at year-end.

Offshore capital split by functional currency

	US dollar equivalent ($ millions)			Total	
$m	**Equity**	**Forex sensitive**	**Non-forex sensitive**	**2009**	2008
US dollar	**108**	**108**		**108**	88
Pound sterling	**113**	**113**		**113**	94
Swiss franc	**13**	**13**		**13**	6
Malawi kwatcha	**7**	**7**		**7**	5
Other			**436**	**436**	391
Total	**241**	**241**	**436**	**677**	584

Forex-sensitive portion of offshore capital

$m	2009
Forex-sensitive portion of offshore capital	**241**
Limit	**250**

The effective average capitalisation rate of the foreign-denominated business is 26% (2008: 25%). The total foreign risk-weighted assets (RWA) as a percentage of Nedbank Group total is low at 2% (R5,7 billion out of the total group RWA of R326 billion). Therefore, any foreign exchange rate movement will have a minimal effect on Nedbank Group's capital adequacy ratio.

High rand volatility has a minimal effect on capital adequacy as a 10% depreciation in the rand, for example, will only decrease capital adequacy by 0,02%.

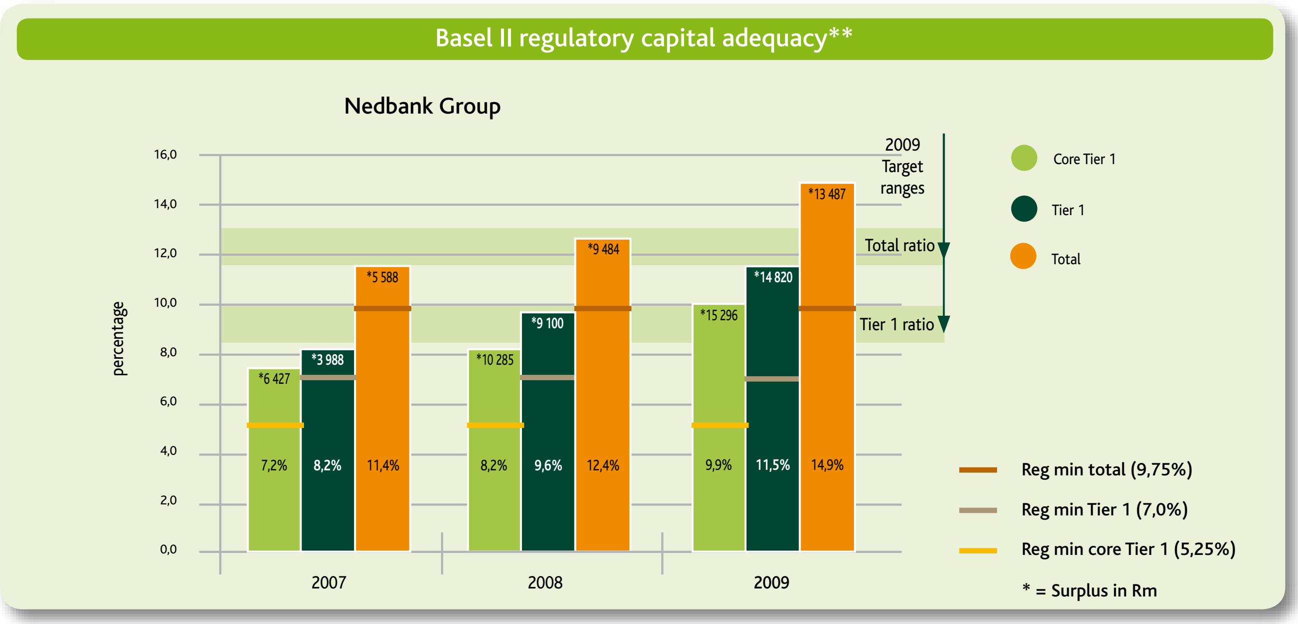
Capital management

Nedbank Group's Capital Management Framework reflects the integration of risk, capital, strategy and performance measurement (and incentives) across the group. This contributes significantly to successful enterprisewide risk management.

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

Importantly though, one should not see Nedbank Group's economic capital as divorced from Basel II regulatory capital – quite the contrary, since our economic capital is an extension of the Basel II Pillar 1 requirements to incorporate Pillar 2, together with a few other key refinements tailored to Nedbank Group and South Africa, and to incorporate the Rating Agency perspective [eg Tier 2 regulatory capital does not qualify for our economic capital definition of available financial resources (AFR)].

Regulatory capital adequacy



*** includes unappropriated profits*

Nedbank Group Limited has again strengthened its regulatory capital ratios in 2009, with a Tier 1 capital adequacy ratio of 11,5% (2008: 9,6%) and a total capital adequacy ratio of 14,9% (2008: 12,4%). The core Tier 1 capital adequacy ratio was 9,9% (2008: 8,2%).

Nedbank Limited has also strengthened regulatory capital ratios, with a Tier 1 capital adequacy ratio of 11,7% (2008: 9,8%) and a total capital adequacy ratio of 15,6% (2008: 13,1%). The core Tier 1 capital adequacy ratio was 9,6% (2008: 8,0%).

All capital adequacy ratios are now well above the group's target ranges, including core Tier 1. They include unappropriated profits at the year-end to the extent that these are not expected to reverse and are expected to be appropriated subsequent to the year-end.

Nedbank Group's capital adequacy ratios increased significantly over the past two years due to a strong focus on the optimisation of risk-weighted assets (capital), enabled by enhancing data quality and more selective asset growth using our economic-profit-based philosophy of managing for value, the retention of earnings, the profits made on the disposal of Visa shares in 2008 and the issuing of some non-core Tier 1 capital instruments.

The group's leverage ratio (total assets to ordinary shareholders' equity, excluding off-balance-sheet items) at 14,4 times is also conservative by international standards and in line with the local peer group.

Consolidation of entities for regulatory purposes is performed in accordance with the requirements of Basel II, the Banks Act and accompanying regulations. Some differences exist in the basis of consolidation for accounting and regulatory purposes. These include the exclusion of certain accounting reserves [eg the foreign currency translation (FCT) reserve, share-based payments (SBP) reserve and available-for-sale (AFS) reserve], the deduction of insurance entities and the exclusion of trusts that are consolidated in terms of IFRS but are not subject to regulatory consolidation.

The FCT, SBP and AFS reserves that arise in the consolidation of entities in terms of IFRS amounted to R1,2 billion at year-end and are excluded from qualifying regulatory capital. Restrictions on the transfer of funds and regulatory capital within the group are not a material factor. These restrictions mainly relate to those entities that operate in countries other than South Africa where there are exchange control restrictions in place.

Against the background of the group's conservative risk appetite and sound risk management discussed earlier, the group believes that its capital levels (both regulatory capital and its internal capital assessment, economic capital) and provisioning for credit impairments are appropriate and conservative, and that the group and its subsidiaries are strongly capitalised relative to our business activities, strategy, risk appetite, risk profile and the external environment in which we operate. Additionally, the group is currently not holding excess capital for major acquisitions.

Summary of risk-weighted assets (by risk type and business cluster)

	2009 Rm	**Mix %**	2008 Rm	Mix %
Credit risk	**246 099**	**75,4**	285 457	80,4
Nedbank Corporate	**67 427**	**20,7**	75 887*	21,4
Nedbank Business Banking	**33 616**	**10,3**	44 467	12,4
Nedbank Capital	**25 389**	**7,8**	34 672*	9,8
Nedbank Retail (including Bancassurance and Wealth)	**78 958**	**24,2**	94 138*	26,5
Imperial Bank	**39 914**	**12,2**	35 377	10,0
Central Management and Shared Services	**795**	**0,2**	916*	0,3
Equity risk	**13 396**	**4,1**	13 035	3,7
Market risk	**5 718**	**1,8**	7 049	2,0
Operational risk	**47 222**	**14,4**	36 497	10,2
Other assets	**14 031**	**4,3**	13 197	3,7
Total risk-weighted assets	**326 466**	**100**	355 235	100

** 2008 restated to include Africa and the United Kingdom in appropriate business clusters and to separate Nedbank Business Banking from the Nedbank Corporate cluster.*

Total risk-weighted assets decreased by R28,8 billion during 2009. The decrease was largely due to credit risk, which decreased by R39,4 billion as a result of the optimisation of risk-weighted assets, enabled by data quality enhancements and the reduction of excess conservatism, and selective asset growth under the group's 'manage for value' strategic theme.

These decreases were offset by an increase in operational-risk-weighted assets of R8 billion due to the inclusion of the 'most recent year of gross income' data in the calculation under the Standardised Approach (TSA).

Summary of risk-weighted assets (by risk type) and capital adequacy position

	Nedbank Group		Nedbank Limited***	
Risk type	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm
Credit risk	**246 099**	285 457	**184 472**	221 969
Credit portfolios subject to Advanced Internal Ratings-based Approach (ie Nedbank Limited)	**192 842**	238 480	**180 968**	218 142
Corporate, sovereign, bank (including SME)	**105 669**	131 955	**95 274**	114 050
Residential mortgage	**51 023**	70 401	**49 543**	67 968
Qualifying revolving retail	**7 385**	6 554	**7 386**	6 554
Other retail	**28 765**	29 570	**28 765**	29 570
Credit portfolios subject to Standardised Approach	**49 344**	42 829		
Corporate, sovereign, bank	**19 534**	16 849		
Retail exposures	**29 810**	25 980		
Counterparty credit risk	**3 057**	3 169	**2 908**	3 109
Securitisation exposures (Internal Ratings-based Approach)	**856**	979	**596**	718
Equity risk (market-based Simple Risk Weight Approach)	**13 396**	13 035	**10 781**	10 190
– Listed (300% risk weighting)	**1 447**	1 574	**1 447**	1 471
– Unlisted (400% risk weighting)	**11 949**	11 461	**9 334**	8 719
Market risk (Standardised Approach)	**5 718**	7 049	**4 455**	5 445
Operational risk (Standardised Approach)	**47 222**	36 497	**39 025**	30 559
Other assets (100% risk weighting)	**14 031**	13 197	**10 429**	10 170
Total risk-weighted assets	**326 466**	355 235	**249 162**	278 333
Total minimum regulatory capital requirements*	**35 097**	34 635	**27 560**	27 137
Qualifying capital and reserves**	**48 584**	44 119	**38 939**	36 577
Total surplus capital over minimum requirements	**13 487**	9 484	**11 379**	9 440
Analysis of total surplus capital**				
Core Tier 1 capital	**15 296**	10 285	**10 816**	7 695
Tier 1 capital	**14 820**	9 100	**11 691**	7 699
Total capital	**13 487**	9 484	**11 379**	9 440

* *Includes Basel II capital floor since February 2009.*
** *Includes unappropriated profits.*
*** *Nedbank Limited refers to the SA reporting entity in terms of Regulation 38 (BA700) of the SA banking regulations.*

Summary of qualifying capital and reserves

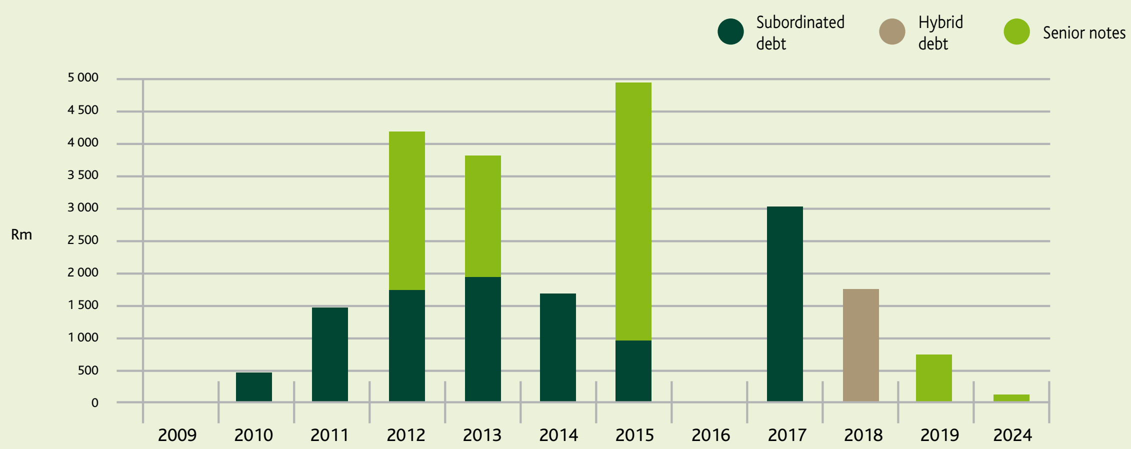
Excluding unappropriated profits

	Nedbank Group		Nedbank Limited	
Rm	**2009**	2008	**2009**	2008
Tier 1 capital (primary)	**36 627**	33 458	**28 600**	27 031
Core Tier 1 capital	**31 389**	28 427	**23 365**	22 156
Ordinary share capital	**436**	410	**27**	27
Ordinary share premium	**13 728**	11 370	**14 434**	14 434
Reserves	**25 485**	23 133	**15 610**	14 298
Minority interest: ordinary shareholders	**1 849**	1 881		
Deductions	**(10 109)**	(8 367)	**(6 706)**	(6 602)
Impairments	**(8)**	(6)	**(3 430)**	(3 608)
Goodwill	**(4 981)**	(3 894)	**(1 126)**	(1 126)
Excess of expected loss over eligible provisions (50%)	**(780)**	(588)	**(861)**	(588)
Unappropriated profits	**(1 312)**	(658)	**(798)**	(300)
Foreign currency translation reserves	**(223)**	(545)	**(9)**	(9)
Share-based payment reserves	**(875)**	(949)	**206**	(281)
Property revaluation reserves	**(1002)**	(951)	**(666)**	(668)
Surplus capital held in insurance entities (50%)	**(489)**	(387)		
Other regulatory differences	**(439)**	(389)	**(22)**	(22)
Non-core Tier 1 capital	**5 238**	5 031	**5 235**	4 874
Preference share capital and premium	**3 486**	3 279	**3 483**	3 122
Hybrid debt capital instruments	**1 752**	1 752	**1 752**	1 752
Tier 2 capital (secondary)	**10 911**	10 153	**9 807**	9 395
Long-term debt instruments	**11 500**	10 464	**10 848**	9 812
Revaluation reserves (50%)	**501**	476	**333**	334
Deductions	**(1 090)**	(787)	**(1 374)**	(751)
Surplus capital held in insurance and financial entities (50%)	**(489)**	(387)		
Excess of expected loss over eligible provisions (50%)	**(780)**	(588)	**(861)**	(588)
General allowance for credit impairment	**212**	212		
Other regulatory differences	**(33)**	(24)	**(513)**	(163)
Tier 3 capital (tertiary)	**–**	–	**–**	–
Total	**47 538**	43 611	**38 407**	36 426

Including unappropriated profits

	Nedbank Group		Nedbank Limited	
Rm	**2009**	2008	**2009**	2008
Core Tier 1 capital	**32 435**	28 935	**23 897**	22 307
Tier 1 capital	**37 673**	33 966	**29 132**	27 182
Total capital	**48 584**	44 119	**38 939**	36 577

Nedbank's subordinated debt, non-core Tier 1 and senior notes maturity profile



Dividend cover

The group has a dividend cover policy range of 2,25 to 2,75, covered by headline earnings per share. Historically the effective cover has been higher as a result of takeup under a scrip dividend alternative and also the reinvestment of dividend proceeds by black economic empowerment (BEE) shareholder trusts.

Summary of regulatory capital adequacy of all banking subsidiaries of Nedbank Group

A summary of all the group's banking subsidiaries' Basel II regulatory capital positions is provided below:

	2009		2008	
Bank	**Risk-weighted assets Rm**	**Basel II capital ratio %**	Risk-weighted assets Rm	Basel II capital ratio %
Nedbank Limited	**249 162**	**15,6***	278 333	13,1*
Imperial Bank Limited	**43 887**	**11,2**	38 074	11,1
Nedbank (Namibia) Limited	**3 864**	**14,6**	3 264	13,9
Fairbairn Private Bank (IOM) Limited	**2 327**	**15,9**	2 526	16,1
Fairbairn Private Bank Limited	**1 697**	**14,2**	1 722	14,5
Nedbank (Swaziland) Limited	**1 374**	**15,7**	619	17,4
Nedbank (Lesotho) Limited	**905**	**18,8**	320	23,3
Nedbank (Malawi) Limited	**98**	**50,1**	80	23,0

Note: The capital ratios for the African subsidiaries shown above are on a pro forma basis and contribute to Nedbank Group ratios, as Basel II is still to be implemented in these jurisdictions.
** Includes unappropriated profit.*

We conclude that the capitalisation of all these banking entities are adequate, all with conservative risk profiles and being well-managed and monitored within the group's Enterprisewide Risk Management and the Internal Capital Adequacy Process (ICAAP). Nedbank Group has approval to acquire 100% of Imperial Bank's shares and plans to integrate it fully into Nedbank Group in 2010, subject only to regulatory approval in terms of section 54.

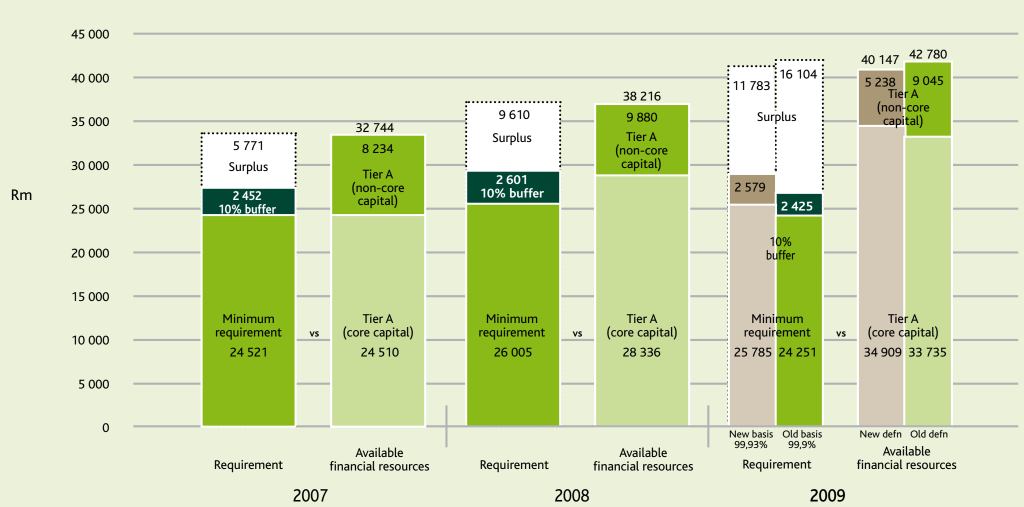
Capital impact of Nedbank Group's outright purchase of joint ventures with Old Mutual and 100% Imperial Bank Limited buyout

The capital impact on the Nedbank Group of these transactions is negligible. The transaction with Old Mutual was effective 1 June 2009 and is included in these results. The transaction with Imperial Holdings was still pending as at 31 December 2009. During February 2010 final regulatory approvals were received and Nedbank Limited acquired 100% of the ordinary and preference shares in Imperial Bank.

Economic capital adequacy

Nedbank Group's economic capital methodology has been summarised on page 110b. Set out below is a summary of the group's economic capital adequacy and capital allocation to the business clusters:

Nedbank Group summary of economic capital adequacy



The following changes were made to the group's 2008 economic capital model (used for ICAAP), which introduce even more conservatism around the group's target solvency standard:

- Increased the target debt solvency standard from A- (99,9%) (same as Basel II) to A (99,93%).
- Excluded '50% of next year's earnings' from the definition of AFR (even though business risk economic capital is still included).
- Created a Tier A and Tier B category for AFR, with Tier A having to cover at least the minimum economic capital requirement at an A rating.

Definitions:

Tier A = core Tier 1 regulatory capital and qualifying reserves*

Tier B = perpetual preference shares and hybrid debt capital

(In Tier A we include SBP, FCT and AFS reserves, as we deem this as correct and appropriate)*

The effect of the changes on required economic capital and AFR for 2009 is shown by comparing it with the required and available capital prior to and after these changes.

The impact of these changes at 2009 (with pro forma data) is highlighted in the tables below:

Available surplus at year-end

Rm	New basis (99,93%)	Old basis (99,90%)
Economic capital requirement	**25 785**	24 251
10% capital buffer	**2 579**	2 425
Economic capital requirement including capital buffer	**28 364**	26 676
AFR	**40 147**	42 780
Available surplus (after 10% capital buffer)	**11 783**	16 104

Economic capital by risk type at year-end

Rm	New basis (99,93%)	Old basis (99,90%)
Credit risk	**14 515**	13 541
Transfer risk	**142**	134
Trading risk	**442**	428
IRRBB risk	**39**	39
Business risk	**4 254**	4 133
Operational risk	**2 855**	2 548
Property risk	**1 158**	1 121
Investment risk	**1 734**	1 679
Forex translation risk	**33**	33
Other assets risk	**613**	595
Total economic capital requirement	**25 785**	24 251
10% capital buffer	**2 579**	2 425
Economic capital requirement including 10% capital buffer	**28 364**	26 676

Economic capital available financial resources at year-end

Rm	New definition	Old definition
Tier A capital	**34 909**	33 735
Ordinary share capital and premium	**14 164**	14 164
Minority interest: ordinary shareholders	**1 849**	1 849
Reserves	**25 485**	24 311
Retained income (excluding unappropriated profits)	**14 130**	14 130
Unappropriated profits	**1 309**	1 309
Distributable reserves	**7 697**	7 697
Non-distributable reserves	**173**	173
Foreign currency translation (FCT) reserves	**223**	Not In
Share-based payment (SBP) reserves	**875**	Not In
Available for sale (AFS) reserves	**76**	Not In
Property revaluation reserves	**1 002**	1 002
Deductions	**(7 827)**	(7 827)
Impairments	**(8)**	(8)
Goodwill	**(4 981)**	(4 981)
Subordinated-debt portion of unappropriated profits	**(266)**	(266)
First loss credit enhancement iro securitisation scheme (50%)	**(33)**	(33)
Surplus capital held in insurance entities (50%)	**(489)**	(489)
Holsboer and Chairman's Fund	**(330)**	(330)
Minority interest in Imperial Bank	**(1 720)**	(1 720)
Excess of IFRS provisions over expected loss (100%)	**1 238**	1 238
Tier B capital*	**5 238**	9 045
Total AFR	**40 147**	42 780

** Includes preference shares, hybrid debt capital instruments and other.*

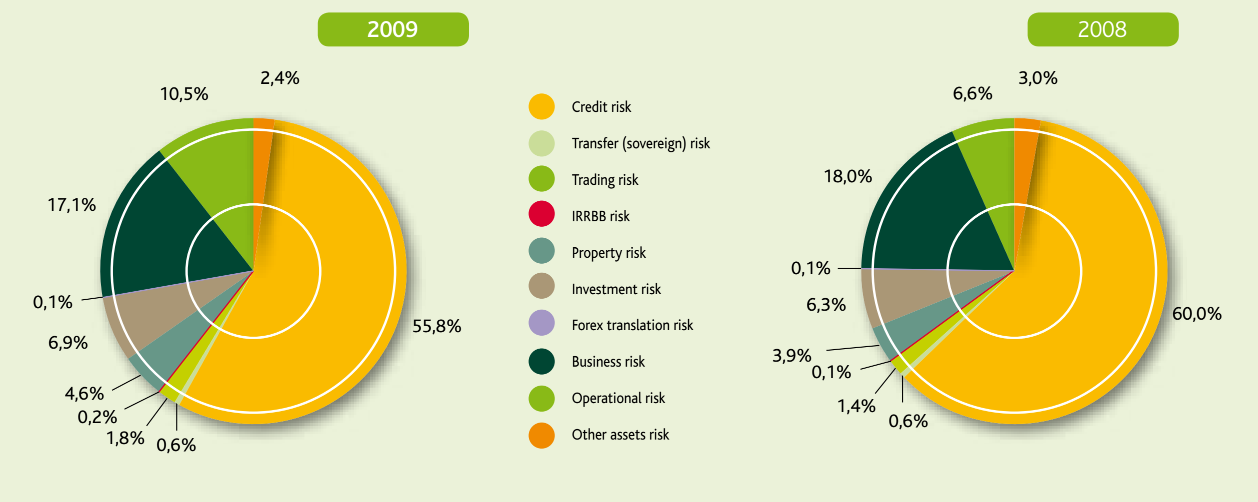
Nedbank Group's ICAAP confirms that the group is capitalised above its new, more conservative A or 99,93% target debt rating (solvency standard) in terms of its proprietary economic capital methodology set out on page 109b. This includes a 10% capital buffer, the incorporation of the group's risk appetite approved by the board and the application of comprehensive stress and scenario testing,

Economic capital requirements and available financial resources (by risk type)

Rm	2009 New basis	2009 Old basis	2008 Old basis
Credit risk*	**14 515**	**13 541**	15 605
Transfer risk	**142**	**134**	166
Market risk	**3 406**	**3 300**	3 066
Trading risk	**442**	**428**	352
IRRBB risk	**39**	**39**	33
Property risk	**1 158**	**1 121**	1 019
Investment risk	**1 734**	**1 679**	1 635
Forex translation risk	**33**	**33**	27
Operational risk	**2 855**	**2 548**	1 682
Business risk	**4 254**	**4 133**	4 798
Other assets risk	**613**	**595**	689
Minimum economic capital requirement	**25 785**	**24 251**	26 005
+ Capital buffer (10%)	**2 579**	**2 425**	2 601
= Total economic capital requirement	**28 364**	**26 676**	28 606
vs AFR	**40 147**	**42 780**	38 216
Tier A capital (shareholders' equity)	**34 909**	**33 735**	28 336
Tier B capital (non-core Tier 1-type capital)	**5 238**	**9 045**	9 880
= Surplus available after capital buffer	**11 783**	**16 104**	9 610

* *Credit risk economic capital incorporates counterparty credit risk and securitisation risk.*
** *New basis includes the new solvency standard (99,93%) and the new definition of AFR.*

Economic capital requirements (by risk type)



The total economic capital (including 10% buffer) decreased by R1,9 billion from R28,6 billion in 2008 to R26,7 billion in 2009 (old basis), owing mainly to a decrease in credit risk economic capital and business risk economic capital. The decrease in business risk is as a result of parameter updates as well as the lower projected growth, compared with the previous year.

Credit risk economic capital decreased from R15,6 billion to R13,5 billion (old basis) over the period. Both credit risk economic and regulatory capital decreased as a result of the optimisation of risk-weighted assets.

These decreases were offset by increases in property and operational risk. Property risk has increased as a result of the increase in properties-in-possession due to the worsening economic conditions. Operational risk increased due to the inclusion of the 'most recent year of gross income' data in the calculation under TSA.

In conclusion, Nedbank Group's economic capital adequacy is strong at its new A (99,93%) target debt rating (solvency standard), with surpluses at group level of R11,8 billion (R16,1 billion on the old basis at an A- target rating). This is after providing for a 10% economic capital buffer, which is subject to sophisticated stress testing.

Capital allocation (risk-based) to business clusters

A summary of economic capital requirement at year-end by business cluster (on the old basis)* is presented below:

Risk type	Nedbank Group		Nedbank Corporate		Nedbank Business Banking		Nedbank Capital		Nedbank Retail		Imperial Bank		BSM/other	
Rm	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Credit risk	13 541	15 605	3 472	3 897	1 780	3 182	816	934	5 925	6 122	1 536	1 450	12	20
Transfer (sovereign) risk	134	166	39	64			95	102						
Market risk	3 300	3 066	601	520	3	6	1 281	1 216	450	399	32	13	933	912
Trading risk	428	352					428	352						
IRRBB risk	39	33											39	33
Property risk	1 121	1 019	37	34	3	5			257	212	32	13	792	755
Investment risk	1 679	1 635	560	484		1	841	853	178	174			100	123
Forex translation risk	33	27	4	2			12	11	15	13			2	1
Operational risk	2 548	1 682	438	284	407	275	299	251	1 279	803	101	51	24	18
Business risk	4 133	4 798	702	745	616	676	627	1 241	2 031	2 009	157	127		
Other assets risk	595	689	44	176		35	19	21	177	174	25	1	330	282
Total	24 251	26 005	5 296	5 686	2 806	4 174	3 137	3 765	9 862	9 507	1 851	1 642	1 299	1 232

** (On old economic capital basis, as the new basis is effective for capital allocation purposes only from 2010.)*

The target debt solvency change will be effective for risk-adjusted performance measurement (RAPM) from 2010 and, as a result, is not effective in the business cluster results above. In addition, there are a number of economic capital allocation methodology enhancements that will be implemented for 2010, which are expected to have a significant impact on the allocation of capital across the group's business clusters. The impact of the changes by business cluster will be disclosed with the 2010 interim results. The following is a summary of the key enhancements being implemented for 2010:

- Full alignment of the group's actual book capital, with the aggregate amount allocated to the various business clusters' using bottomup economic capital.
- Updating of the credit portfolio modelling correlations and revising the credit economic capital allocation methodology taking into account recent global developments (including downturn years) and the new regulatory thinking in line with the new Basel III proposals discussed earlier.
- Measurement of operational risk for economic capital purposes using the Advanced Measurement Approach (AMA) instead of TSA.

Cost of equity

Following a shift in the constituents of the cost of equity calculated using the Capital Asset Pricing Model, Nedbank Group revised its cost of equity up to 14,15% at the beginning of 2010. The main driver of the increase in the cost of equity was an increase in the 10-year risk-free rate, which resulted from a change in expectations for the 10-year RSA government yield on the back of global and local economic developments. The cost-of-equity figure of 14,15% is roughly in line with analyst expectations and peer group comparatives.

Capital Asset Pricing Model

	Risk-free rate (R157) %	Beta	Equity risk premium %	After-tax cost of ordinary shares %
2007	7,73	1,02	5,30	13,14
2008	8,43	1,00	5,44	13,87
2009	7,75	1,00	5,50	13,25
2010	9,17	0,90	5,50	14,15

External credit ratings

External credit ratings across the banking industry were moved downwards, reflecting the effect of the global financial crisis on the banking sector. Notwithstanding strengthened capital and liquidity positions, and the much less significant impact of the global financial crisis on South Africa, local banks were all generally downgraded by the rating agencies.

Moody's

In November 2009 Moody's Investors Service (Moody's) took a number of rating actions on the major SA banks, including the ratings of Nedbank Limited, the 100%-owned subsidiary of Nedbank Group Limited (Nedbank Group).

According to Moody's these rating actions were triggered by the following factors:

- The deteriorating operating and macroeconomic conditions and the resultant challenges for the SA banking sector that has led to Moody's downgrading the bank financial strength ratings (BFSR) by one notch to C-, while changing the outlook on the BFSR from negative to stable.
- At the same time the Global Local Currency (GLC) deposit rating was also downgraded one notch to A2, with an associated change in outlook from negative to stable.

The specific impact on Nedbank Group's ratings is as follows:

Nedbank Limited

The foreign currency deposit ratings: remain unchanged at A3/P-2.

Nedbank Limited's European domestic medium-term note (EMTN) programme: rating for senior unsecured debt downgraded to A2 (stable outlook) from A1 (negative outlook) and rating for subordinated notes downgraded to A3 (stable outlook) from A2 (negative outlook).

Nedbank Limited's BFSR rating: downgraded to C-; outlook revised from negative to stable.

Nedbank Limited's GLC deposit rating: downgraded 1 notch to A2, with the outlook changing from negative to stable.

Nedbank Limited's national scale debt ratings (relating to the domestic medium-term note (DMTN) programme): downgraded to Aa2.za (stable outlook) from Aa1.za for senior unsecured debt and to Aa3.za (stable outlook) from Aa2.za for subordinated notes.

Nedbank Limited's national scale rating: downgraded to Aa2.za; outlook revised from negative to stable.

Moody's current ratings for Nedbank Limited after the ratings actions.

Moody's Investors Service

	NEDBANK LIMITED 2009
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 current deposit rating	Stable
National scale rating – long-term deposits	Aa2.za
National scale rating – short-term deposits	Prime-1.za
Outlook – national scale rating	Stable

Definitions:

Bank financial strength rating

C = Banks rated C possess good intrinsic financial strength. Typically, they will be institutions with valuable and defensible business franchises. These banks will demonstrate either acceptable financial fundamentals within a stable operating environment, or better than average financial fundamentals within an unstable operating environment.

Where appropriate, a '+' modifier is appended to ratings below the 'A' category and a '-' modifier will be appended to ratings above the 'E' category to distinguish those banks that fall in intermediate categories.

Long-term (capped by sovereign rating)

A = Obligations rated A are subject to low credit risk and considered upper-medium grade.

Aa = Obligations rated Aa are subject to very low credit risk and considered high-quality grade.

Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category.

Short-term

P-1 = Issuers rated Prime-1 have a superior ability to repay short-term debt obligations.

P-2 = Issuers rated Prime-2 have a strong ability to repay short-term debt obligations.

Fitch

Fitch Ratings (Fitch) also revised its ratings for Nedbank Group in July 2009.

Fitch affirmed Nedbank Group's long-term foreign and local currency Issuer Default Rating (IDR) at BBB, and national long-term rating at AA-(zaf), respectively. The short-term foreign currency IDR was upgraded to F2 from F3. The outlook for all three ratings was revised to stable from negative.

Fitch downgraded Nedbank Limited's long-term foreign and local currency IDR to BBB from BBB+, and the national long-term rating to AA-(zaf) from AA(zaf), respectively. The outlook for the three ratings was revised upward to stable from negative.

In aligning Nedbank Limited's ratings with those of Nedbank Group, Fitch also reviewed the level of integration between the holding company and its bank subsidiary, and believes there is very little difference between the credit quality of the two entities. The agency considers the overall levels of integration between the two entities to be high, with insignificant external obligations within the holding company and intergroup obligations interest-free and without repayment dates.

The rating actions are summarised as follows:

Nedbank Group

Long-term foreign currency IDR: affirmed at BBB; outlook revised to stable from negative.
Long-term local currency IDR: affirmed at BBB; outlook revised to stable from negative.
Short-term foreign currency IDR: upgraded to F2 from F3.
National long-term rating: affirmed at AA-(zaf); outlook revised to stable from negative.
National short-term rating: affirmed at F1+(zaf).
Individual rating: affirmed at C.
Support rating: affirmed at 2.

Nedbank Limited

Long-term foreign currency IDR: downgraded to BBB from BBB+; outlook revised to stable from negative.
Long-term local currency IDR: downgraded to BBB from BBB+; outlook revised to stable from negative.
Short-term foreign currency IDR: affirmed at F2.
National long-term rating: downgraded to AA-(zaf) from AA(zaf); outlook revised to stable from negative.
National short-term rating: affirmed at F1+(zaf).
Individual rating: affirmed at C.
Support rating: affirmed at 2.

Latest Fitch ratings for Nedbank Group companies:

Fitch ratings	**Nedbank Group December 2009**	**Nedbank Limited December 2009**	**Imperial Bank Limited December 2009**
Individual	C	C	
Support	2	2	2
Foreign currency			
Short-term	F2	F2	
Long-term	BBB	BBB	
Long-term rating outlook	Stable	Stable	
Local currency			
Long-term senior	BBB	BBB	
Long-term rating outlook	Stable	Stable	
National			
Short-term	F1+ (zaf)	F1+ (zaf)	F1 (zaf)
Long-term	AA- (zaf	AA- (zaf)	A+ (zaf)
Long-term rating outlook	Stable	Stable	Positive

Definitions:
Individual and support
C = An adequate bank which, however, possesses one or more troublesome aspects.
2 = A bank for which there is a high probability of external support and the potential provider of support is highly rated in its own right.

Foreign and local currency (capped by sovereign risk limits of BBB+ for foreign long-term, F2 for foreign short-term and A for local long-term)
F2 = Good credit quality. The capacity for timely payment of financial commitments is satisfactory.
BBB = Good credit quality. Indicates that there is currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate.
The modifiers '+' or '-' denote relative status within major categories.

National
F1 = Indicates the strongest capacity for timely payment of financial commitments relative to other issuers or issues in the same country.
A = Denotes a strong credit risk relative to other issuers or issues in the same country.
AA = Denotes a very strong credit risk relative to other issuers or issues in the same country.
The modifiers '+' or '-' denote relative status within major categories.

SUMMARISED dti CODES SCORECARD

AT 31 DECEMBER

Ownership	Voting rights: Black people	Voting rights: Black women	Economic interest: Black people	Economic interest: Black women	Economic interest: Designated groups	Employee schemes/ broad-based schemes	Net equity value	Total score	Weighting
Target	25% + 1 vote	10,00%	25,00%	10,00%	2,50%	Dependent	Dependent		20
31 December 2009	21,63%	4,76%	21,43%	3,72%	10,65%	1,00%	21,63%	17,35	

Management control	Board (ARfG)	Black executive directors	Senior top management	Top management	Bonus: independent directors	Total score	Weighting
Target	50,00%	50,00%	40,00%	40,00%	40,00%		10
31 December 2009	44,44%	37,50%		33,33%	50,00%	9,33	

Employment equity	Senior management	Middle management	Junior management	Disabled as % of total	Total score	Weighting
Target	43,00%	63,00%	68,00%	2,00%		15
31 December 2009	24,79%	47,20%	71,19%	0,89%	10,77	

Skills development	Skills spend %	Disabled skills spend %	Category B, C, D black learners	Total score	Weighting
Target	3,00%	0,30%	5,00%		15
31 December 2009	2,97%	0,04%	3,40%	10,38	

Preferential procurement	% Spend	% Spend on QSE's and EME's	% Spend black-owned	% Black women-owned	Total score	Weighting
Target	50,00%	10,00%	9,00%	6,00%		20
31 December 2009	83,47%	21,12%	12,22%	2,37%	18,79	

Enterprise development	% Contributions of NPAT (non-recoverable)	% Contributions of NPAT (recoverable)	Total score	Weighting
Target	0,60%	2,40%		15
31 December 2009	2,84%	9,44%	15,00	

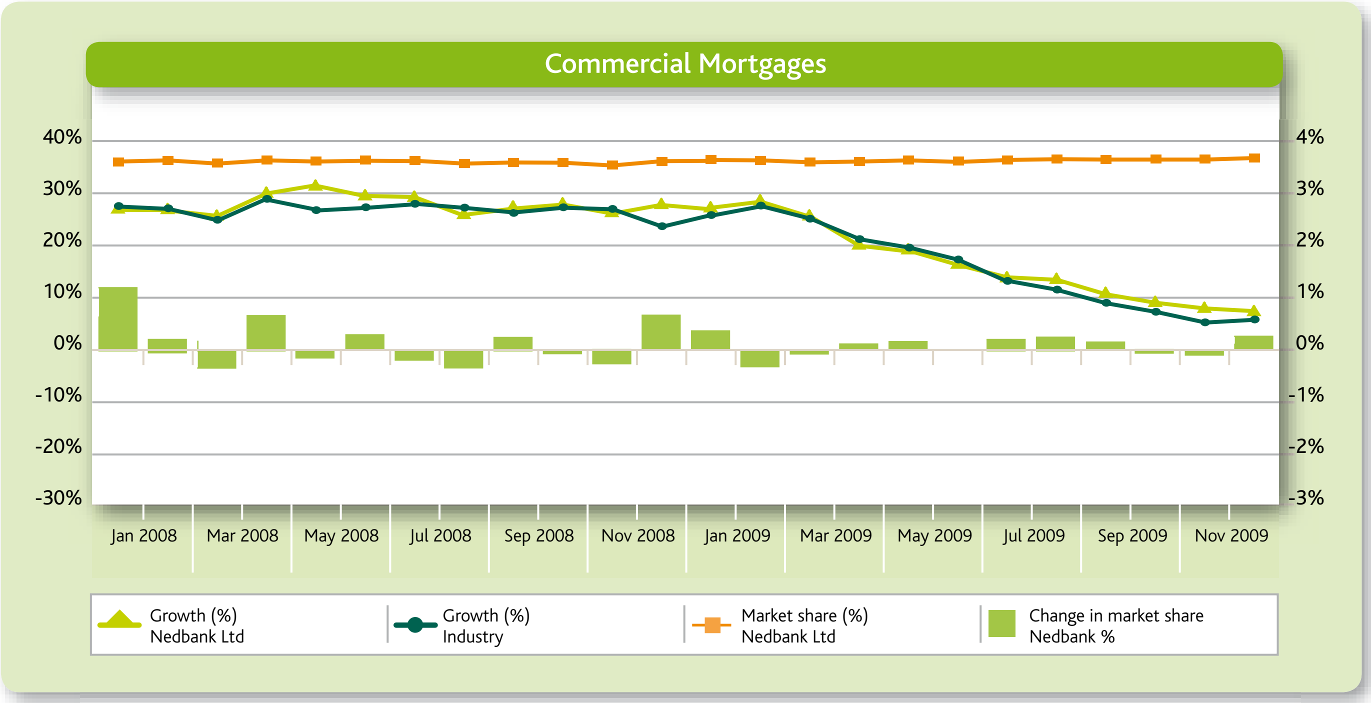
Social economic development/CSI	% Contributions of NPAT	Total score	Weighting
Target	1,00%		5
31 December 2009	1,25%	5,00	

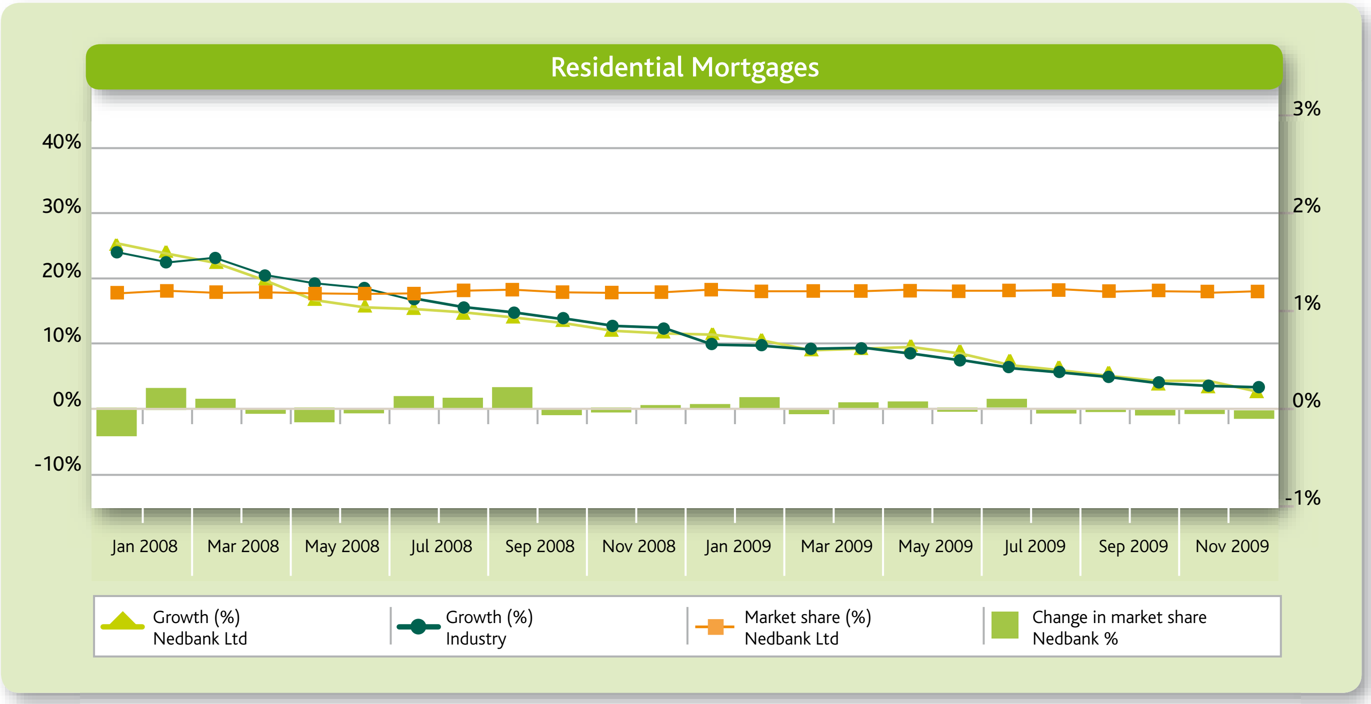
Industry commitment (For reporting purposes only)

Access to financial services	Products (active accounts)	Services (branches)	Affordable housing (R million)	Black SME financing (R million)	Agriculture financing (R million)	Consumer education (% of retail NPAT)	Total score	Weighting
Target	78 261	1	R600	R200	R45	0,20%	–	–
31 December 2009	317 286	0	R841	R759	R20	0,29%	–	–

Empowerment financing	Targeted investment (R million)	Transformational infrastructure (R million	Affordable housing (R million)	Black SME financing (R million)	Agriculture financing (R million)	BEE financing (R million)	Total score	Weighting
Target	R1 137	R400	R492	R200	R45	R911	–	–
31 December 2009	R2 319	R559	R982	R759	R20	R1 362	–	–

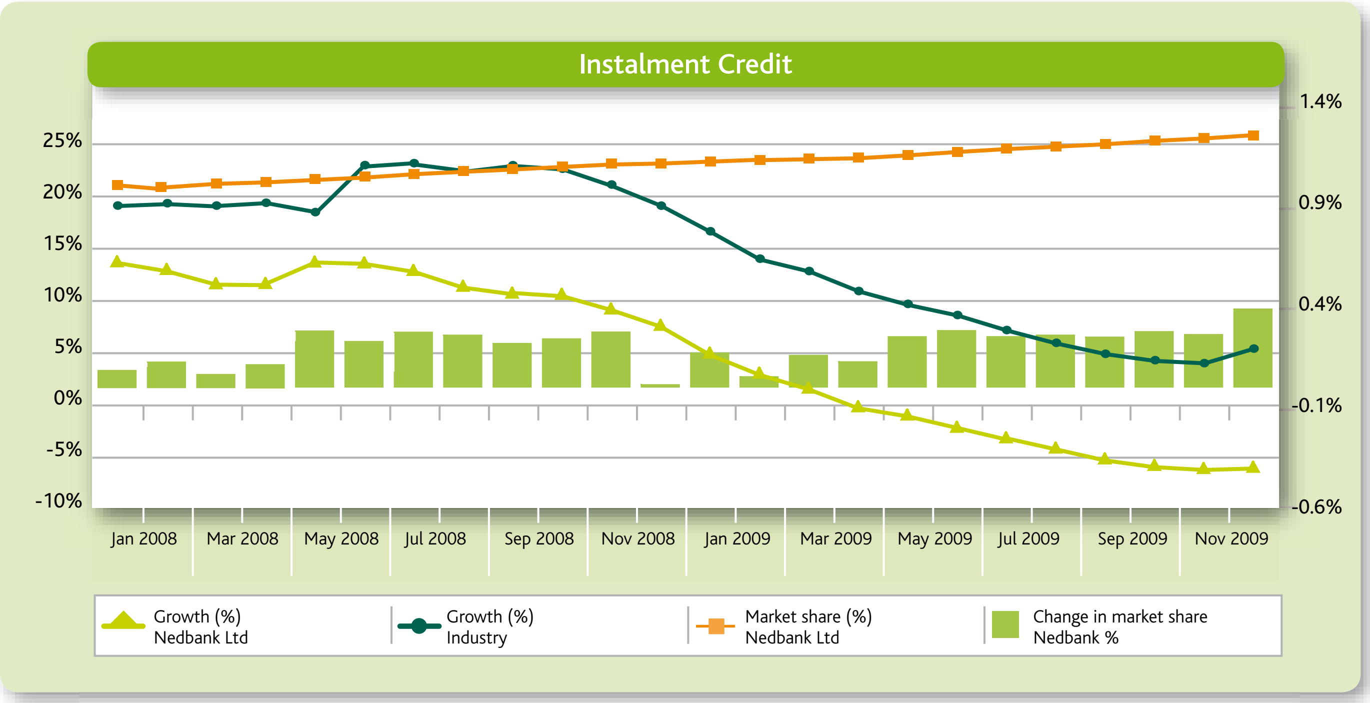
Total B-BBEE score	Verified as at 31 December 2009	dti Level 2	86,62	100

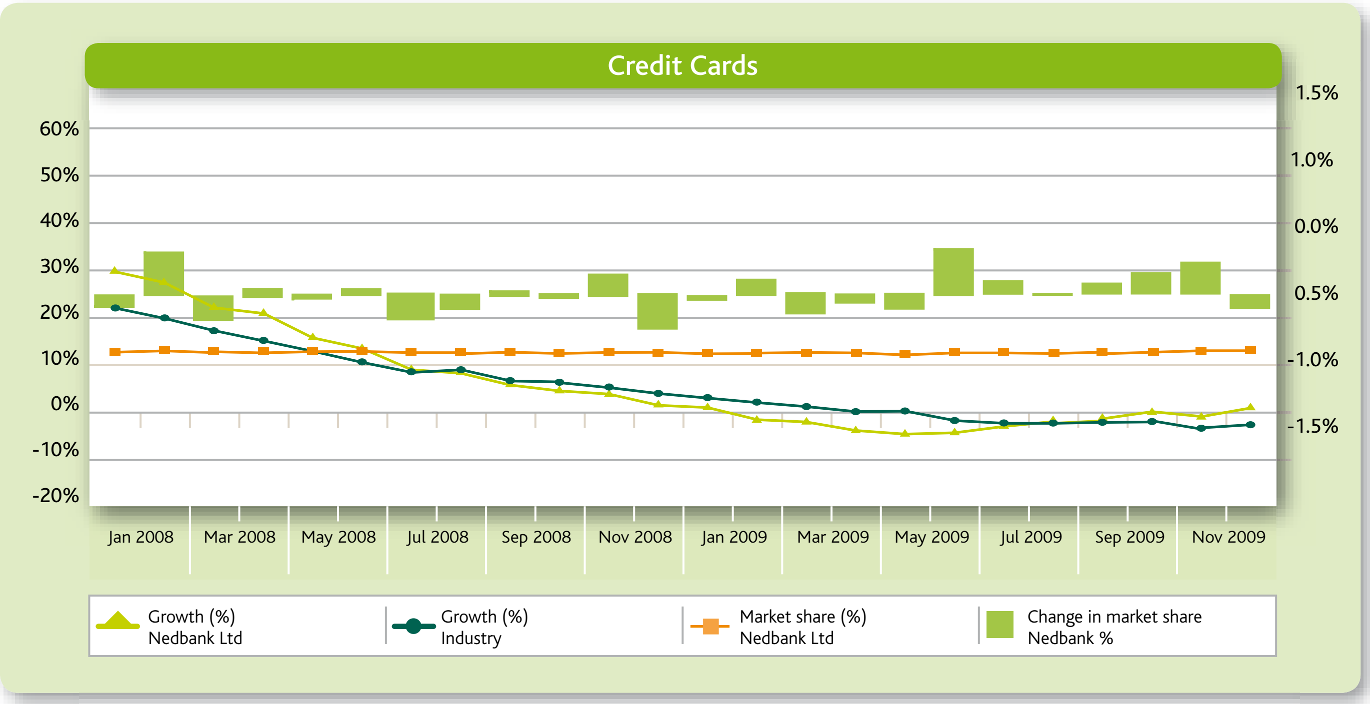

Commercial Mortgages
40%
30%
20%
10%
0%
-10%
-20%
-30%
4%
3%
2%
1%
0%
-1%
-2%
-3%
Jan 2008
Mar 2008
May 2008
Jul 2008
Sep 2008
Nov 2008
Jan 2009
Mar 2009
May 2009
Jul 2009
Sep 2009
Nov 2009
Growth (%) Nedbank Ltd
Growth (%) Industry
Market share (%) Nedbank Ltd
Change in market share Nedbank %

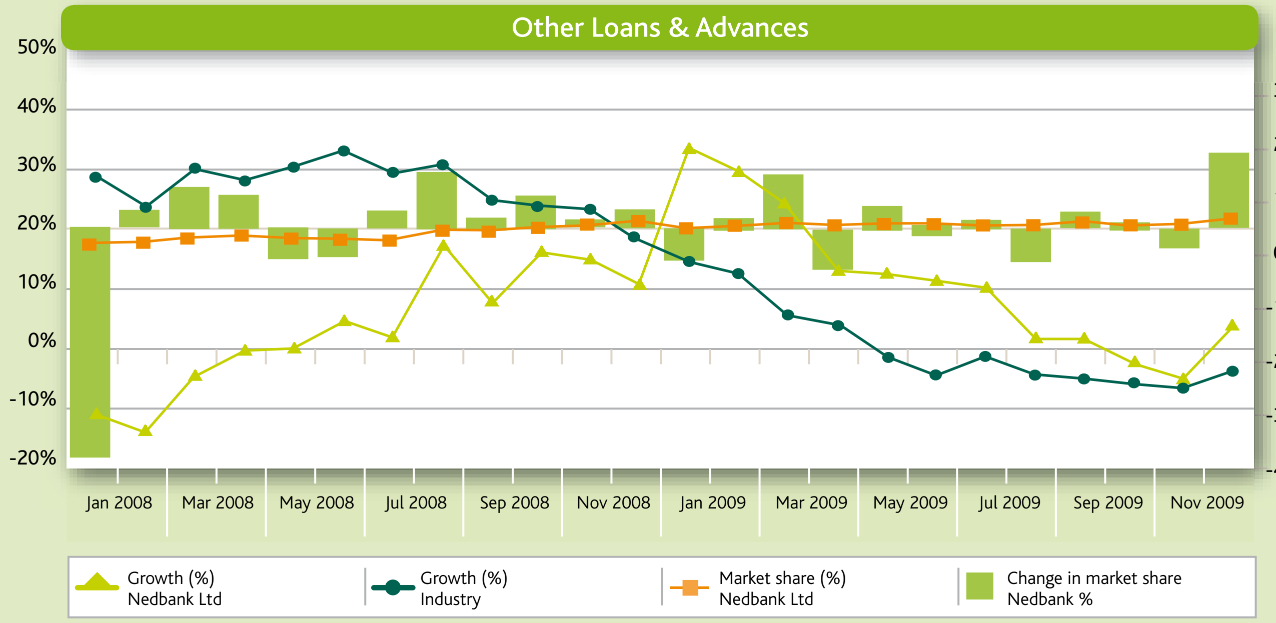

Residential Mortgages
40%
30%
20%
10%
0%
-10%
3%
2%
1%
0%
-1%
Jan 2008
Mar 2008
May 2008
Jul 2008
Sep 2008
Nov 2008
Jan 2009
Mar 2009
May 2009
Jul 2009
Sep 2009
Nov 2009
Growth (%) Nedbank Ltd
Growth (%) Industry
Market share (%) Nedbank Ltd
Change in market share Nedbank %

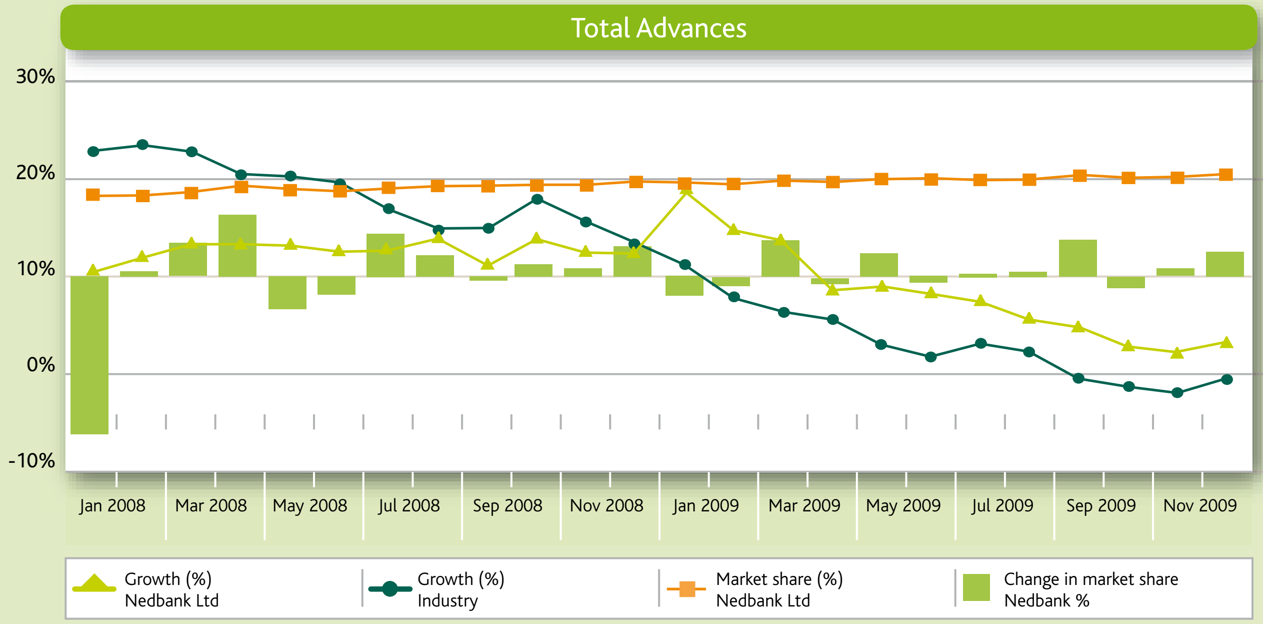
MARKET SHARE

CONTINUED



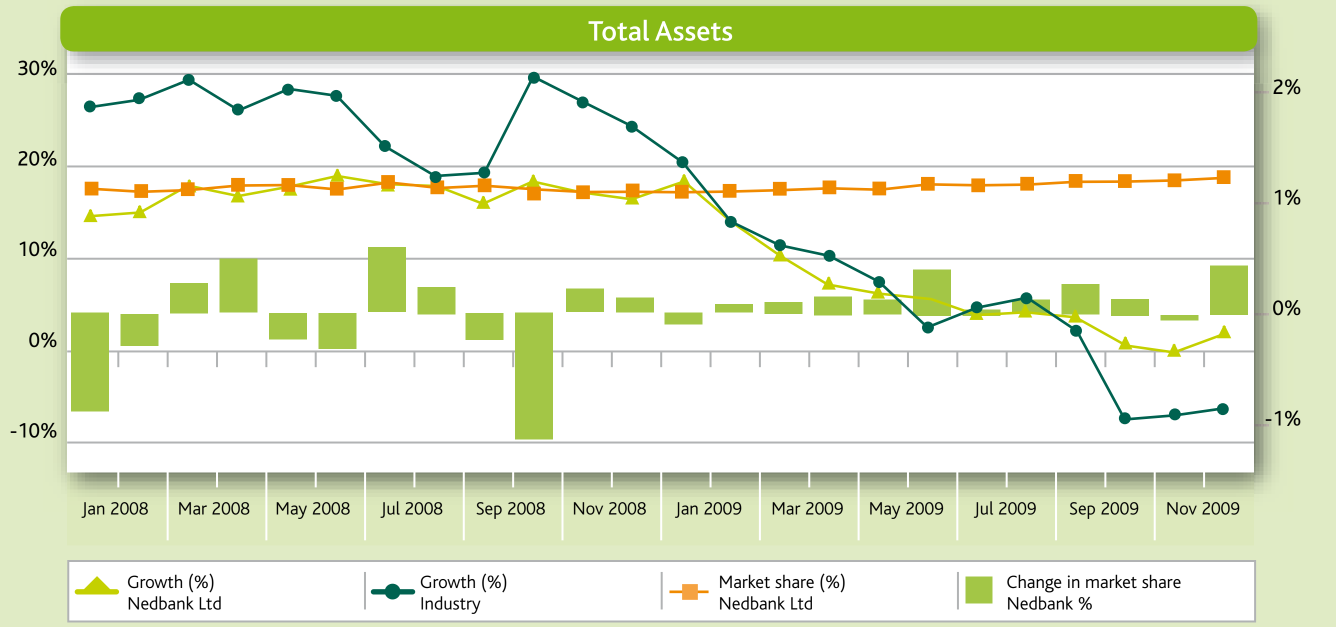


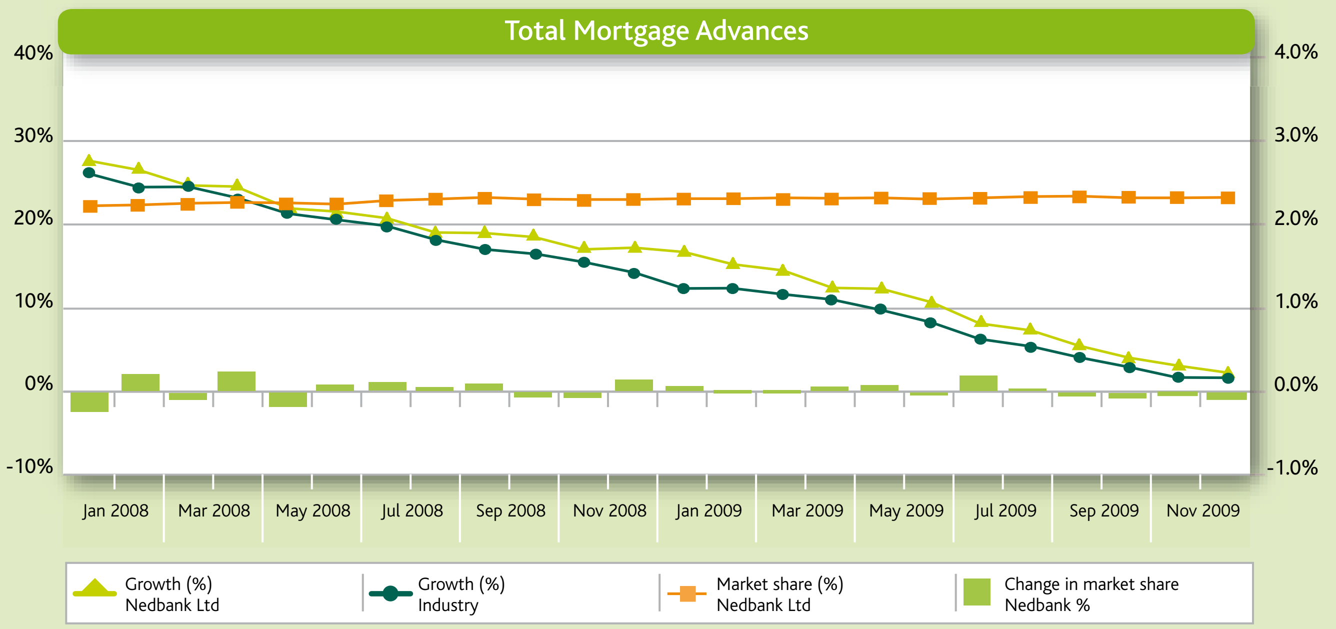

Other Loans & Advances
50%
40%
30%
20%
10%
0%
-10%
-20%
3%
2%
1%
0%
-1%
-2%
-3%
-4%
Jan 2008
Mar 2008
May 2008
Jul 2008
Sep 2008
Nov 2008
Jan 2009
Mar 2009
May 2009
Jul 2009
Sep 2009
Nov 2009
Growth (%) Nedbank Ltd
Growth (%) Industry
Market share (%) Nedbank Ltd
Change in market share Nedbank %

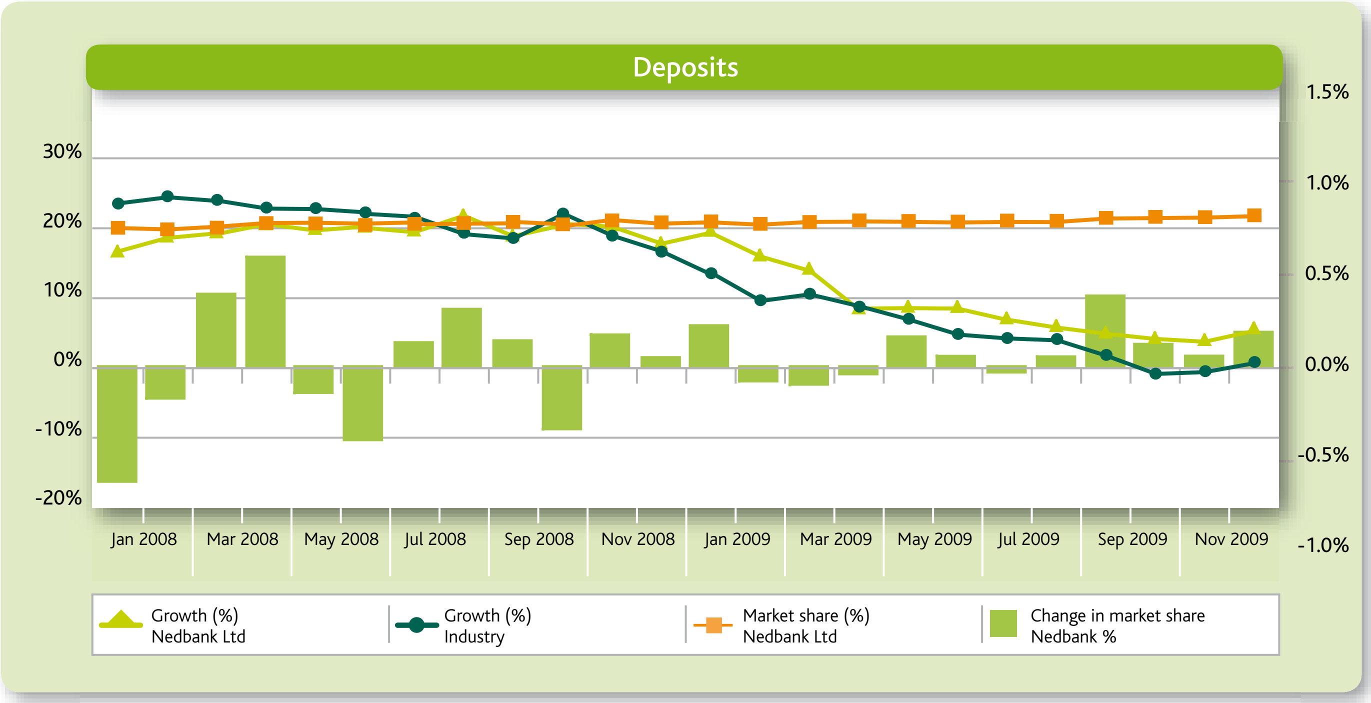

Total Advances
30%
20%
10%
0%
-10%
2%
1%
0%
-1%
-2%
Jan 2008
Mar 2008
May 2008
Jul 2008
Sep 2008
Nov 2008
Jan 2009
Mar 2009
May 2009
Jul 2009
Sep 2009
Nov 2009
Growth (%) Nedbank Ltd
Growth (%) Industry
Market share (%) Nedbank Ltd
Change in market share Nedbank %

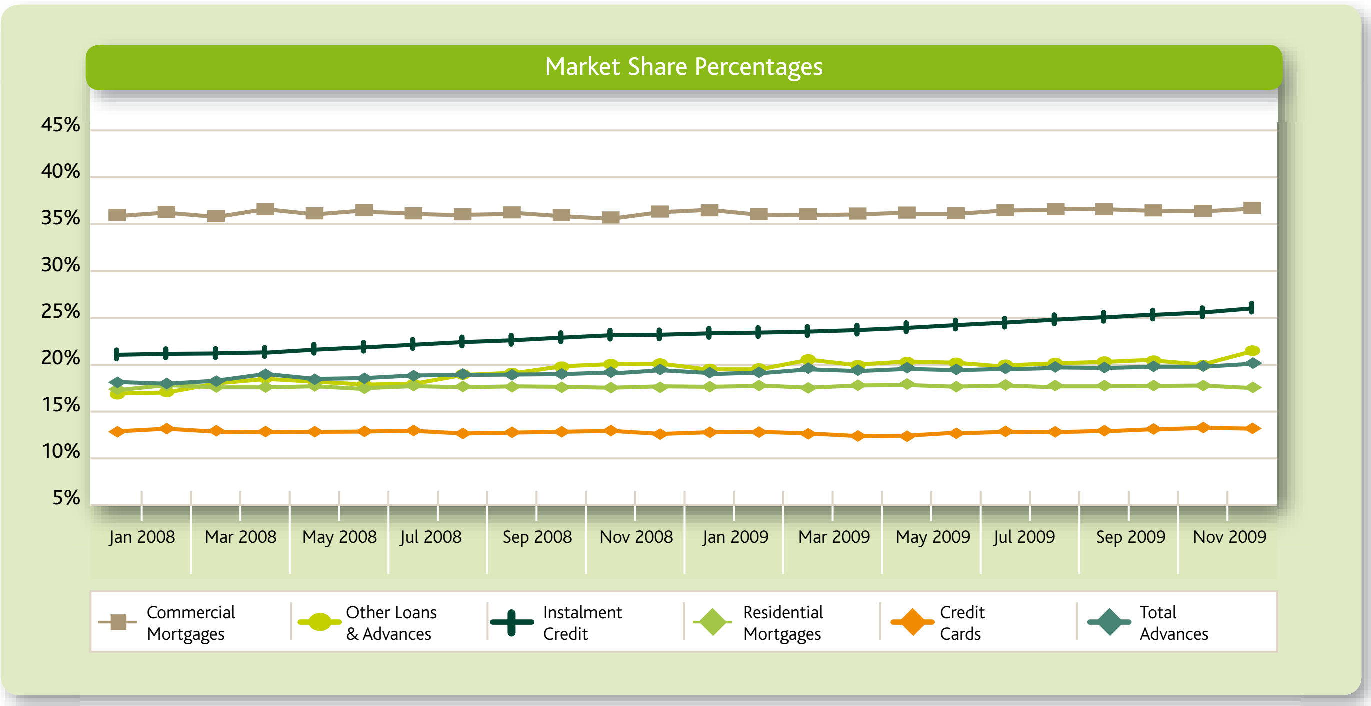
MARKET SHARE

CONTINUED






Deposits
30%
20%
10%
0%
-10%
-20%
1.5%
1.0%
0.5%
0.0%
-0.5%
-1.0%
Jan 2008
Mar 2008
May 2008
Jul 2008
Sep 2008
Nov 2008
Jan 2009
Mar 2009
May 2009
Jul 2009
Sep 2009
Nov 2009
Growth (%) Nedbank Ltd
Growth (%) Industry
Market share (%) Nedbank Ltd
Change in market share Nedbank %


Market Share Percentages
45%
40%
35%
30%
25%
20%
15%
10%
5%
Jan 2008
Mar 2008
May 2008
Jul 2008
Sep 2008
Nov 2008
Jan 2009
Mar 2009
May 2009
Jul 2009
Sep 2009
Nov 2009
Commercial Mortgages
Other Loans & Advances
Instalment Credit
Residential Mortgages
Credit Cards
Total Advances

DEFINITIONS

ADVANCED INTERNAL RATING-BASED APPROACH (AIRB)
Advanced Internal Rating-based – subject to Supervisory approval a bank may use its internal developed credit risk measurement systems to calculate the capital requirements for credit risk.

ASSETS UNDER MANAGEMENT
Assets managed by Nedbank Group, which are beneficially owned by clients and are therefore not reported on the consolidated balance sheet. The service provided in respect of these assets is discretionary portfolio management on behalf of clients.

ATM
Automated teller machine. 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 (BASEL II)
The new Basel Capital Accord (Basel II) of the Bank for International Settlements is an improved capital adequacy framework accomplished by closely aligning banks' capital requirements with improved modern risk management practices and sophisticated risk assessment capabilities. It further ensures the risk sensitivity of the minimum capital requirements by including supervisory reviews and market discipline through enhanced disclosure.

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 entities.

Specialised lending – High volatility commercial real estate (Property development)
High volatility commercial real estate (HVCRE) lending is the financing of commercial real estate that exhibits higher loss rate volatility compared to 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 cash flows generated by the asset. The primary source of these cash flows would generally be lease or rental payments or the sale of the asset.

Specialised lending – Object finance
Object finance (OF) refers to a method of funding the acquisition of physical assets (eg ships, aircraft, satellites, railcars, and fleets) where the repayment of the exposure is dependent on the cash flows 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.

SME Corporate
This asset class covers all exposures to small and medium enterprises 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, Transnet, etc.

LOCAL GOVERNMENTS AND MUNICIPALITIES
This asset class covers all exposures to Enterprises that are wholly or majority owned by the Central Government, eg Eskom, Transnet, etc

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 uncommitted (both contractually and in practice). In this context, revolving exposures are defined as those where customers' outstanding balances are permitted to fluctuate based on their decisions to borrow and repay, up to a limit established by the bank.

Retail – Other

This asset class covers all non-revolving exposures (excluding mortgage advances) to individuals.

SME Retail

This asset class covers all exposures to small and medium enterprises that are classified as corporate, based on criteria prescribed by the 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.

BEE

Black economic empowerment, as defined in the Financial Sector Charter. It means the economic empowerment of all black people (Africans, coloureds and Indians who are South African citizens), including women, workers, youth, people with disabilities and people living in rural areas, through diverse but integrated socioeconomic strategies.

BEE TRANSACTION

Nedbank Group's BEE transaction, which focused primarily on the issuing of shares to BEE partners for the purposes of BEE, equating to approximately 9,3% (43 618 748 shares) of total share capital and equating to black ownership of 11,5% of the value of Nedbank Group's South African businesses in 2005. Nedbank Namibia's BEE transaction, which focused primarily on the issuing of shares to BEE partners and affinity groups for the purposes of BEE in Namibia, equating to approximately 0,14% (665 680 shares) of total share capital of Nedbank Group Limited and equating to black ownership of 11,13% of the value of NedNamibia Holdings Limited, Nedbank Group's Namibian business in 2006.

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 South African banks is measured in terms of the South African Banks Act requirements. The ratio is calculated by dividing the 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 South African 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, 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.

DEFINITIONS

CONTINUED

CASH FLOW

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.

CREDIT RISK

The risk arising from the probability of borrowers and/or counterparties failing to meet their repayment commitments (including accumulated interest).

Credit risk has the following sub risks:

- Collateral risk
- Concentration risk
- Counterparty risk
- Country risk
- Issuer risk
- Industry risk
- Settlement risk
- Transfer risk

Counterparty credit risk

The risk that a counterparty to a financial transaction will fail to perform according to the terms and conditions of the contract, thus causing financial loss.

DEFAULTED ADVANCE

Any advance or group of advances that has triggered relevant definition of default criteria for that portfolio which is in line with the amended BA 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 default, 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 period 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 (Act No. 53 of 2003), establishes the rules, targets and stipulations for the measurement of Broad-Based Black Economic Empowerment within South Africa based on three scorecard classifications for organisations: Emerging Micro Enterprise (EME), Qualifying Small Enterprise (QSE), or Generic Enterprise. Nedbank is scored as a Generic Enterprise under the published codes.

EARNINGS PER SHARE (EPS)
Basic earnings basis
Income attributable to equity holders for the period divided by the weighted average number of ordinary shares in issue (net of shares held by group entities) during the period.

Headline earnings basis
Headline earnings divided by the weighted average number of shares in issue (net of shares held by group entities) during the period.

Fully diluted basis
The relevant earnings figure is adjusted for the assumed adjustments to income that would have been earned on the issue of shares issued from dilutive instruments. The resultant earnings are divided by the weighted average number of ordinary shares and other dilutive instruments (ie potential ordinary shares) outstanding at the period-end, assuming they had been in issue for the period.

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

ECONOMIC CAPITAL (ECAP)
Economic capital is the quantification of risk and an internal assessment of the amount of capital required to protect the group against economic losses with a desired level of confidence (solvency standard or default probability) over a one-year time horizon. In other words, it is the magnitude of economic losses the group could withstand while still remaining solvent.

EFFECTIVE TAXATION RATE
The taxation charge in the income statement, excluding taxation relating to non-trading and capital items, as a percentage of profit before taxation.

EFFICIENCY RATIO (COST-TO-INCOME RATIO)
Total expenses as a percentage of income from normal operations (net interest income plus non-interest revenue).

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
EL is the expected value of portfolio losses due to default over a specified time horizon.

EXTREME TAIL LOSS
Measures the expected losses in the tail of the distribution.

FINANCIAL SECTOR CHARTER (FSC)
A transformation charter, as contemplated in the broad-based BEE legislation, that was voluntarily developed by the financial sector and constitutes a framework and establishes the principles on which BEE will be implemented in the financial sector.

FOREIGN EXCHANGE TRANSLATION GAINS/LOSSES
The results and assets/liabilities of all foreign entities controlled by the group that have a rand-functional currency are translated at the closing exchange rate and the differences arising are recognised in the income statement as foreign exchange translation gains/losses.

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.

DEFINITIONS

CONTINUED

IFRS
International Financial Reporting Standards, as adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB. Nedbank Group's consolidated financial results are prepared in accordance with IFRS.

IMPAIRMENT CHARGE TO AVERAGE ADVANCES
Impairment charge on loans and advances for the period 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.

JIBAR
Johannesburg Interbank Agreement Rate, which is the rate that South African 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 South African companies and organisations.

LIBOR
London Interbank Offered Rate, which is the rate that banks participating in the London money market offer each other for short-term deposits.

LIFE ASSURANCE EMBEDDED VALUE
The embedded value of the life business is the discounted present value of the projected stream of future after-tax shareholder profits from business in-force at the valuation date, as well as the shareholders' net assets. Shareholders' net assets are the excess of the assets of the life business, less current liabilities, over the actuarial value of policy liabilities, as determined using the statutory valuation method adjusted to add back inadmissible assets.[1]

LIFE ASSURANCE VALUE OF NEW BUSINESS
This is a measure of the value added to a company as a result of writing new business. This is calculated as the discounted value, at the date of sale, of projected after-tax shareholder profit from new business written during the 12-month period – net of the opportunity cost of the solvency capital requirements for new business.

LOSS GIVEN DEFAULT (LGD)
Estimate of the amount of the exposure at default that will not be recovered. It also includes other economic costs such as legal costs.

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.

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.

ON-BALANCE-SHEET EXPOSURE

Advances that have either been fully or partially utilised by a borrower.

PRICE/EARNINGS RATIO

The closing price of ordinary shares divided by headline earnings (for the previous 12 months) per share.

PROBABILITY OF DEFAULT (PD)

Quantification of the likelihood of a borrower being unable to repay.

PROPERTIES IN POSSESSION (PIPS)

Properties acquired through payment defaults on loans secured by properties.

RETURN ON ORDINARY SHAREHOLDERS' EQUITY (ROE)

Headline earnings expressed as a percentage of average equity attributable to equity holders of the parent.

RETURN ON ORDINARY SHAREHOLDERS' EQUITY (ROE) EXCLUDING GOODWILL

Headline earnings expressed as a percentage of average equity attributable to equity holders of the parent less goodwill.

RETURN ON RISK-ADJUSTED CAPITAL (RORAC)

Headline earnings expressed as a percentage of economic capital.

RETURN ON TOTAL ASSETS (ROA)

Headline earnings expressed as a percentage of average total assets.

RISK-WEIGHTED ASSETS

Risk-weighted assets are determined by applying risk weights to balance sheet assets and off-balance-sheet financial instruments according to the relative credit risk of the counterparty. The risk weighting for each balance sheet asset and off-balance-sheet financial instrument is regulated by the South African Banks Act or by regulations in the respective countries of the other banking licences.

SARB 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 (BA).

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 BEE transaction.

DEFINITIONS

CONTINUED

SST
Self-service terminal, similar to an ATM, but designed for non-cash transactions.

STANDARD(ISED) APPROACH
A standard approach (foundation approach) to calculate capital requirements for banks, prescribed by the Supervisor, used in lieu of the AIRB approach.

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.

THROUGH-THE-CYCLE RATING
Credit rating based on through-the-cycle measures. Through-the-cycle measures evaluate the financial condition of the borrower over a longer term that incorporates a full economic (or business) cycle.

Compare to point-in-time rating.

The group uses through-the-cycle ratings. Therefore PD, LGD and EAD estimates are based on long term averages of the group's historical risk experience.

TOTAL COLLATERAL
Total monetary value of all collateral held by a bank as security for an advance(s), limited to exposure.

TOTAL CREDIT EXTENDED
Total of all advances extended by a bank, including unutilised facilities.

TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT
Ordinary share capital, share premium and reserves.

VALUE-AT RISK (VaR)
Formally, the probabilistic bound of losses over a given period of time (the holding period) expressed in terms of a specified degree of confidence (the confidence interval). Put more simply, VaR is the worst-case loss expected over the holding period within the probability set out by the confidence interval. Larger losses are possible but with a lower probability.

For example: if a portfolio has a VaR of R10 million over a one-day holding period with a 95% confidence interval, the portfolio would have a 5% chance of suffering a one-day loss greater than R10 million.

WEIGHTED AVERAGE NUMBER OF SHARES
The number of shares in issue increased by shares issued during the period, weighted on a time basis for the period during which they participated in the income of the group, less shares held by group entities, weighted on a time basis for the period during which the entities held these shares.

These definitions should be read in conjunction with the group's accounting policies, which also clarify certain terms used.

DISCLAIMER

SHARE AND BOND INFORMATION

Company details

Nedbank Group Limited
Incorporated in the Republic of South Africa
Registration number: 1966/010630/06
Registered address:
  Nedbank Sandton, 135 Rivonia Road, Sandown, 2196, Johannesburg
  PO Box 1144, Johannesburg, 2000
Transfer secretaries:
  South Africa:
    Computershare Investor Services (Pty) Limited
    70 Marshall Street, Johannesburg, 2001
    PO Box 61051, Marshalltown, 2107
  Nambia:
    Transfer Secretaries (Pty) Limited
    Shop 8, Kaiserkrone Centre, Post Street Mall, Windhoek, Namibia
    PO Box 2401, Windhoek, Namibia

Instrument codes

Nedbank Group ordinary shares

JSE share code:	NED
NSX share code:	NBK
ISIN code:	ZAE000004875
ADR code:	NDBKY
ADR CUSIP:	63975K104

Nedbank Limited non-redeemable, non-cumulative preference shares

JSE share code:	NBKP
ISIN code:	ZAE000043667

Imperial Bank Limited non-redeemable, non-cumulative preference shares

JSE share code:	IBLP
ISIN code:	ZAE000081675

Nedbank Limited Senior unsecured debt

Listed on the Bond Exchange of South Africa	ISIN code:
NBK1B	ZAG000071366
NBK2A	ZAG000071341
NBK2B	ZAG000071358
NBK3A	ZAG000071408
NBKI1	ZAG000071374
NBK4	ZAG000072729
NBKI1U	ZAG000073792

SHARE AND BOND INFORMATION

CONTINUED

Nedbank Limited sub-ordinated debt

Listed on the Bond Exchange of South Africa	ISIN code:
NED5	ZAG000029810
NED6	ZAG000033358
NED7	ZAG000036831
NED8	ZAG000036849
NED9	ZAG000041120
NED10	ZAG000043191
NED11	ZAG000044272
NED12A	ZAG000047937
NED12B	ZAG000047945
NEDH1A	ZAG000053703
NEDH1B	ZAG000053711

Listed on the London Stock Exchange

USD100m 13 NC 8 (EMTN01)	XS0415508307

Imperial Bank Limited sub-ordinated debt

Listed on the Bond Exchange of South Africa	ISIN code:
IPB2	ZAG000029422
IPB3	ZAG000062605

Imperial Bank securitisation issue

Listed on the Bond Exchange of South Africa	ISIN code:
OCT1A1	ZAG000040361
OCT1A2	ZAG000040379
OCT1A3	ZAG000040387
OCT1A4	ZAG000040395
OCT1B1	ZAG000040403
OCT1C1	ZAG000040411
OCT1D1	ZAG000040429
OCT1E1	ZAG000040437

Nedbank Limited securitisation issue

Listed on the Bond Exchange of South Africa	ISIN code:
GR1A2A	ZAG000047218
GRN1A1	ZAG000047192
GRN1B	ZAG000047234
GRN1C	ZAG000047176
GRN1D	ZAG000047184

About this report

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these results and additional information are available on

www.nedbankgroup.co.za

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