NEDBANK GROUP
ANNUAL REPORT 2008

MAKE THINGS HAPPEN

NEDBANK GROUP

A Member of the OLD MUTUAL Group

CONTENTS

'ISIVIVANE'

THE AFRICAN STONE CAIRN

Background to cover photograph:

Found within the Zulu and Sotho cultures, the 'isivivane' or stone cairn was used in the ancient world to mark places of spiritual, astronomical or historical significance.

Today they serve many purposes, but are commonly used as markers on hiking trails across our beloved country to guide travellers navigating their way through unknown lands.

These formations consist of rocks of various sizes and colour, all carefully placed on top of one another to form a structure strong enough to withstand even the most tumultuous conditions.

The word 'isivivane' literally translates into 'Throw your stone upon the pile'. It is customary for passers-by to add another stone to these formations for good luck.

Every stone represents a different person and it is this collective spirit that maintains the isivivane's structural integrity and growth.

At Nedbank Group we have learnt that, with a strong foundation and the right balance, even the smallest stone can contribute to the growth of a mountain.

With the 'isivivane' as a guide, we at Nedbank Group strive to achieve our vision of becoming southern Africa's most highly rated and respected bank, by our staff, clients, shareholders, regulators and communities.

2008 HIGHLIGHTS

... resilience in the face of challenges

'Nedbank Group has shown resilience in the face of the challenges posed by the crisis in global financial markets and the rapid slowdown in the domestic economy. South African banks and the domestic financial system remain structurally sound, but high interest rates and the global economic slowdown impacted earnings. In this operating environment it is pleasing that the group has significantly strengthened capital ratios and maintained earnings at a level similar to the prior year. We have continued to grow net asset value, our liquidity remains sound and the group's risk management systems are proving effective in these volatile markets.

2009 will undoubtedly be tough for the local banking sector, but we currently anticipate improved prospects for growth in the medium term.'

Tom Boardman
Chief Executive

SA BANKS AND FINANCIAL SYSTEM
REMAIN STRUCTURALLY SOUND

RESILIENT PERFORMANCE
IN CHALLENGING ENVIRONMENT

15,7% growth in tangible net asset value

R5,8 billion headline earnings

CAPITAL ADEQUACY
INCREASED SIGNIFICANTLY

Core Tier 1	from 7,2% to 8,2%
Tier 1	from 8,2% to 9,6%
Total	from 11,4% to12,4%

LIQUIDITY
REMAINS SOUND

RISK MANAGEMENT SYSTEMS
PROVING EFFECTIVE

NEDBANK GROUP

GROUP PROFILE

Nedbank Group Limited ('Nedbank Group') is a bank holding company that operates as one of the four largest banking groups in South Africa through its principal banking subsidiaries, Nedbank Limited and Imperial Bank Limited, in which Nedbank has a 50,1% interest. The company's ordinary shares have been listed on the JSE Limited since 1969.

Nedbank Group offers a wide range of wholesale and retail banking services through three main business clusters, namely Nedbank Corporate, Nedbank Capital and Nedbank Retail. After significant growth over the last few years Nedbank Business Banking was separated from the Nedbank Corporate business cluster to form a fourth business cluster from January 2009. Nedbank Group focuses on southern Africa, with the group positioned as a bank for all – from both a retail and a wholesale banking perspective.

The principal services offered by Nedbank Group comprise business, corporate and retail banking, property finance, investment banking, private banking, foreign exchange, and securities trading. Nedbank Group also generates income from private equity, credit card issuing and processing services, custodial services, unit trust administration, asset management services and bancassurance.

Imperial Bank focuses mostly on motor vehicle finance, which is marketed through its Motor Finance Corporation brand. It also offers property, professional and supplier asset finance.

Nedbank Group's headquarters are in Sandton, with large operational centres in Durban and Cape Town, which are complemented by a regional network throughout South Africa and facilities in other southern African countries. These facilities are operated through Nedbank Group's 10 subsidiary and/or affiliated banks, as well as through branches and representative offices in certain key global financial centres that serve to meet the international banking requirements of the group's South African-based multinational clients.

FINANCIAL HIGHLIGHTS

		% change 2007 – 2008	2008	2007	2006
Headline earnings	Rm	(2,6)	5 765	5 921	4 435
Income attributable to shareholders	Rm	6,4	6 410	6 025	4 533
Earnings per share					
Headline	cents	(4,2)	1 422	1 485	1 110
Diluted headline	cents	(2,0)	1 401	1 429	1 076
Basic	cents	4,6	1 581	1 511	1 135
Diluted basic	cents	7,2	1 558	1 454	1 099
Dividend declared per share	cents	(6,1)	620	660	493
Tangible net asset value per share	cents	15,7	7 179	6 207	5 106
Net interest income (NII) to average interest-earning banking assets	%		3,66	3,94	3,94
Credit loss ratio	%		1,17	0,62	0,52
Non-interest revenue (NIR) to total income	%		39,9	42,5	46,3
Efficiency ratio	%		51,1	54,9	58,2
Group capital adequacy ratio	%		12,4	11,4	11,8
Average interest-earning banking assets	Rm	23,1	441 713	358 823	279 733
Total assets	Rm	16,0	567 023	488 856	424 912
Return on total assets	%		1,09	1,30	1,14
ROE (excluding goodwill)	%		20,1	24,8	22,1
Return on shareholders' equity (ROE)	%		17,7	21,4	18,6

HEADLINE EARNINGS RECONCILIATION

		2008	2007	2006
Profit attributable to equity holders of the parent	Rm	6 410	6 025	4 533
Non-headline earnings items	Rm	645	104	98
Non-trading and capital items	Rm	756	111	124
Taxation on non-trading and capital items	Rm	(111)	(7)	(26)
Headline earnings	Rm	5 765	5 921	4 435

Refer to page 355 for definitions of terms used.

NEDBANK GROUP

INVESTMENT
CASE

Nedbank Group has identified a range of banking sector and company-specific criteria that an investor should consider when evaluating a potential investment.

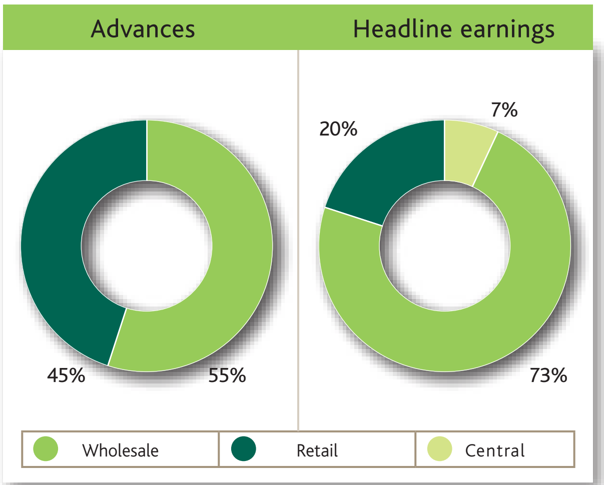
Nedbank Group
is focused on southern Africa

- The South African banking system has remained structurally sound.
- The group is positioned as a bank for all South Africans.
- Opportunity for growth exists within the Southern African Development Community (SADC) region, which currently generates approximately 65% to 75% of the financial services' economic profit in Africa. Of the financial services economic profit pool in Africa, Nedbank only has an estimated 12% to 14% share, showing the potential for growth.
- Alliance with Ecobank enables Nedbank to offer clients access to 30 countries in Africa without having to embark on a risky or expensive acquisition strategy.

Strong retail and wholesale deposit franchises

- Deposit franchises maintained amid adverse conditions.

Predominantly a wholesale bank



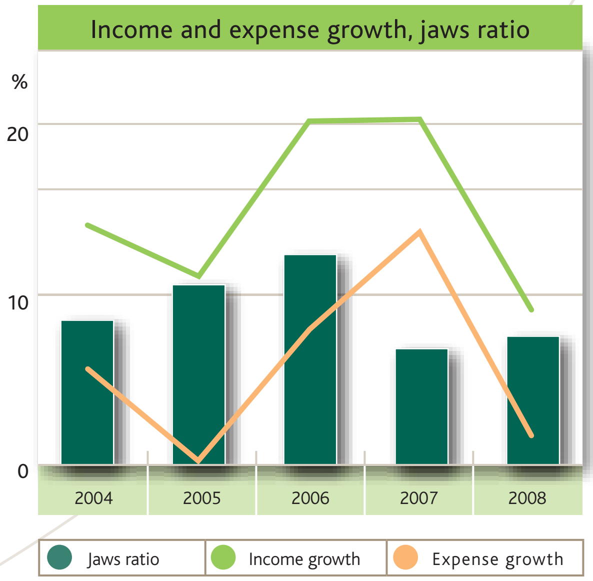
- Nedbank has a large advances base and a strong deposit base with a smaller transactional banking market share. However, good client relationships and new systems should enable Nedbank to grow its transactional banking market share off a low base. The group has made pleasing gains in government transactional banking in recent years and there is scope to grow this business further.

- The bank is a leader in commercial and industrial property financing, allowing it to be more selective in its asset acquisition strategy, thereby reducing the risk in its portfolio.

Ability to manage costs

- Demonstrated ability to manage costs while investing for longer-term growth.

- Improved efficiency ratio from 71,8% in 2004 to 51,1% in 2008.



Significant opportunities to grow non-interest revenue

- The group has implemented strategies to grow non-interest revenue off a relatively small market share position. This will also indirectly help other areas such as deposits and trading income on the back of increased client flows. It has been assisted by:
  - rationalising brands and investing in retail distribution networks;
  - positioning the group as being the most price-competitive, particularly for entry-level and mid-income clients;
  - upgrading wholesale transactional banking systems;
  - focusing on client service, which is currently being evidenced in client satisfaction surveys and through Nedbank's leadership position;
  - focusing specifically on public sector business and seeing resultant growth off a zero base; and
  - developing a unique culture, with client service and staff satisfaction as key outcomes.

A focused strategy to grow in the business banking market

- Nedbank is well-positioned to grow in this key sector.
- Business banking provides high growth and high returns in a market where clients are mostly single-banked.
- The bank can outperform in business banking through a decentralised decisionmaking process.

Worldclass capital management and risk processes

- Basel II implemented as a catalyst to ensure worldclass capital management and risk processes.
- Capital management and risk processes integrated in all bank processes.
- Capital adequacy ratios maintained above both regulatory requirements and historic internal targets.

Refer to pages 116 to 182.

Culture of governance and compliance

- Governance and compliance processes are integrated in the business.
- Nedbank Group is substantially compliant with the King ll code.

Refer to pages 94 to 109.

Leaders in sustainability

- Acknowledged as a leader in sustainability, Nedbank Group has qualified for the JSE Socially Responsible Investment (SRI) Index for five years and the Dow Jones World Sustainability Index for five years.
- Recognised as the Emerging Markets Sustainable Bank of the Year for Middle East and Africa for the second consecutive year.

Refer to pages 110 to 115.

NEDBANK GROUP

A track record of innovation

- Innovation has been demonstrated through:
  - cost-effective solutions to increase the retail distribution network (eg banking outlets within retailers, mobile banking branches and cashback at point-of-sale terminals);
  - system solutions for clients (eg NetBank within Retail and Business Banking); and
  - worldclass service initiatives such as AskOnce. Where a client query is not answered on first request it incurs a cash penalty in the form of a donation to a selected charity on behalf of the client.

Leaders in transformation

- Transformation allows the group to be well-positioned for growing its business and attracting staff in the South African environment. This is demonstrated by having one of the best transformation scorecards among the larger banks in South Africa.
- Level-three black economic empowerment contributor in terms of the Department of Trade and Industry (dti) Codes.

Nedbank has created an organisational capability to succeed in a tough environment

- Organisational learning and experience gained from the Nedbank turnaround in 2004 continues to stand the group in good stead during challenging times. Many examples of how this organisational capability contributed to key cultural shifts are evident. A few are listed alongside.

– There has been a significant shift in staff morale and culture towards a high-performing organisation.
– Service has improved to number one among South African banks.
– A cost-conscious culture has developed with accountability as the number one value being observed.

GROUP STRATEGY

The Nedbank vision is ‘to become southern Africa’s most highly rated and respected bank ... by our staff, clients, shareholders, regulators and communities’.

The vision is supported by the group’s Deep Green aspirations (long-term objectives), namely to become a great place to work, a great place to bank and a great place to invest; to unleash synergies in Nedbank and Old Mutual groups; to be worldclass at managing risk; to create a community of leaders; to have the most respected and aspirational financial services brand; to be recognised for being highly involved in the community and environment; to lead transformation; and to live our values.

Underpinning the vision and strategy is the group’s values that drive our decisions and behaviours, namely integrity, respect, accountability, pushing beyond boundaries and being people-centred.

Vision	‘To become southern Africa’s most highly rated and respected bank ... ... by our staff, clients, shareholders, regulators and communities.’
Deep Green aspirations	Great place to work
	Great place to bank; Great place to invest
	Unleashing synergies; Worldclass at managing risk; Community of leaders
	Most respected and aspirational brand; Highly involved in the community and environment; Leading transformation; Living our values
What makes us different and guides our long-term strategy?	Great at listening, understanding clients’ needs and delivering
Our brand expression	‘MAKE THINGS HAPPEN’
Strategic focus	Grow our share of economic profit; Become client-driven; Manage risk as an enabler; Enhance productivity and execution; Build a unique culture for competitive advantage; Accelerate transformation; Lead as a corporate citizen
Scope of the game	A member of the Old Mutual Group; Full-spectrum banking; Bank for all; Southern Africa focus with selected offshore expansion
Our values	Integrity; Respect; Accountability; Pushing beyond the boundaries; Being people-centred

REVIEW
OF 2008

STAFF: 'A great place to work', 'Create a community of leaders' and 'Living our values.'

Objective	Making it happen in 2008	2008 self-assessment
Improve staff satisfaction	Employee satisfaction improved by a further 3,6% in the Nedbank Employee Survey. There have been positive shifts in all of the 12 dimensions measured.	Exceeded
Build a unique culture for competitive advantage	Limiting values have been eliminated from the top 10 values in the Nedbank Culture Survey and five matches of values from existing culture to ideal culture were recorded, indicating a closer alignment between reality and what staff are seeking. This trend has been consistent over the last four years.	Exceeded
Retain our staff	Overall, staff attrition is lower than previous years.	Achieved
Improve HR effectiveness and service delivery	The HR 2010 Programme, which is dedicated to improving effectiveness, efficiencies, capability and service delivery, has reached the midway stage. 2009 sees the start of the second phase of implementation.	On track
Build our leadership and management capabilities	The rollout of the Management Development Programme and the Leading for Deep Green leadership transformation initiative has been successful and is comfortably ahead of target.	Exceeded
Transform our workforce to start to align to the demographics of the South African economically active population	Transformation of our workforce is showing good progress across key indicators. Altogether 57% of all appointments are African and demographic profiles are generally meeting or exceeding targets.	On track

The table below shows the entropy score for Nedbank Group from 2005 to 2008 as well as the graphic representation of the staff survey results.

Culture survey entropy level

2005
ENTROPY = 25%

2006
ENTROPY = 19%

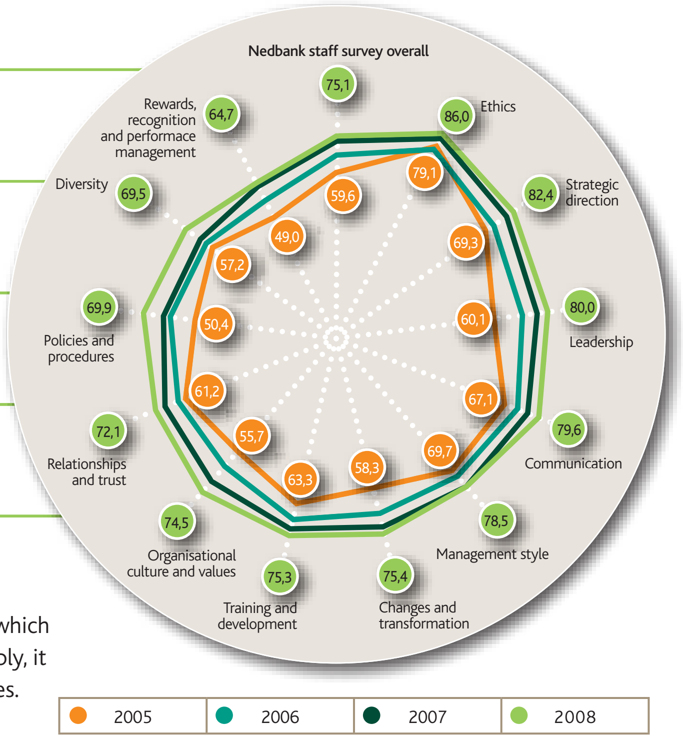
2007
ENTROPY = 17%

2008
ENTROPY = 14%

IDEAL
ENTROPY < 10%

Note: Entropy measures the level of decay in the organisation, which prevents it from becoming a high-performing culture. More simply, it is the amount of energy that is wasted on unproductive activities.

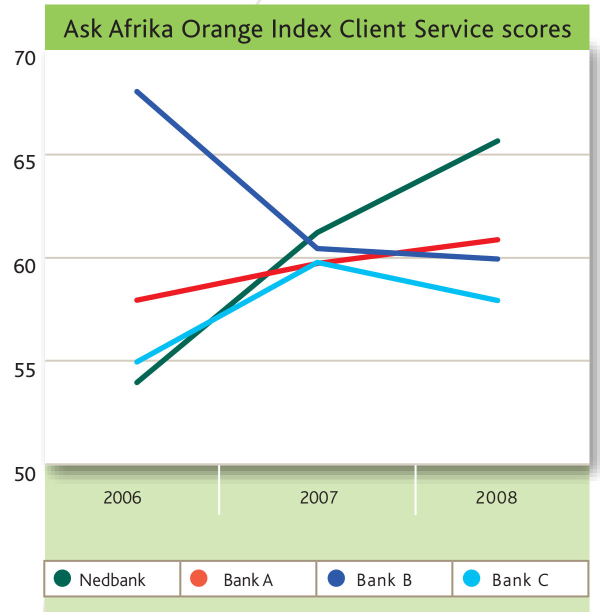
Employee satisfaction survey

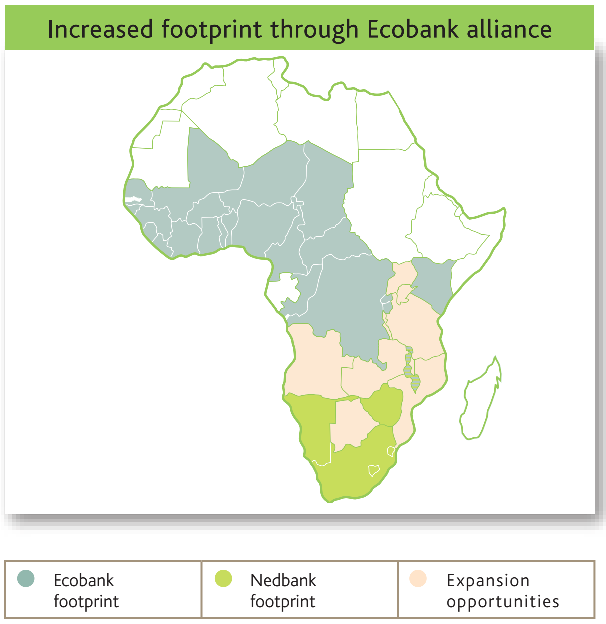


CLIENTS: 'A great place to bank.'

Objective	Making it happen in 2008	2008 self-assessment
Grow Nedbank Retail and penetrate the mass market	Market share in credit cards and home loans has been maintained during 2008, while year-on-year market share in instalment credit increased by 2%. In the latter part of 2008 all business units shifted their focus to growing profitable market share (focusing on economic-profit generation rather than advances market share growth).	Partially achieved
	Retail primary clients increased by more than 119 000 to over 1,1 million.	Achieved
	Mzansi clients reached a milestone of 1 000 000 in August 2008.	Exceeded
Retain our leading positions in key wholesale market segments and grow our business banking franchise	Retained strong market positions in property finance and domestic corporate lending. Nedbank Investor Services awarded the Top-rated Domestic Custodian for 2008 by the *Global Custodian*. The *Global Finance* Survey voted Nedbank Investor Services the Best Subcustodian for South Africa and Africa for 2008 (for the third consecutive year).	Achieved
	Increased net new client acquisition by 60% in Business Banking, compared with prior year. Gained 16 new major corporates.	Achieved
	Nedbank Capital achieved top three placings in the Dealmakers corporate finance ranking by dealflow and led the Bond Exchange of South Africa (BESA) bond market share rankings in value and volume. Forex turnover continued to increase. Nedbank recorded a higher win ratio relative to the number of deals lost in tenders.	Partially achieved
Improve service levels ultimately to achieve worldclass service over time	Nedbank has been ranked number one among South African banks in the Ask Afrika Orange Index (Banking Sector Client Service) for the second consecutive year.	Exceeded
	Client Management Assessment Tool (CMAT) scores improved to the top decile of global financial services companies, while further commitments to our AskOnce service promise were launched.	Exceeded
	Client satisfaction surveys indicate upward trends in client loyalty driven by Business Banking's decentralised, empowered delivery model.	Achieved
	Capital Corporate Finance Ratings (Dealmakers) – top three in dealflow for 2007; Spire Awards (Bond Trading) – five top-three placings; improved the Nedgroup Securities *Financial Mail* ranking by one place.	Partially achieved
Expand our distribution footprint through investment and innovation	A total of 15 new branches, 278 new automated teller machines (ATMs) and 23 instore branches were commissioned. Cashback at 2 193 additional point-of-sale devices.	Achieved
Provide value-for-money products	The reduction in retail bank fees over the past two years makes Nedbank the most affordable of the big four banks particularly in the lower-income and mass-market segments.	Achieved
	Maintained competitive pricing in wholesale banking products. NetBank Business (electronic platform) ranked first in South Africa in the BMI-T Survey for the value-for-money attribute.	Achieved
Improve our positioning in the public sector	Appointed dedicated investment banking manager for the public sector and several pitches and mandates awarded from various public sector enterprises, eg ACSA, Eskom, Public Investment Corporation.	Achieved
	On the back of winning the Western Cape government account in 2007, Business Banking has won a number of municipalities as clients in 2008.	Achieved
Grow our presence in Africa	Approvals were received to open representative branches in Angola and Kenya.	Achieved
	Announced a strategic alliance with Ecobank to provide clients access to a combined Pan-African banking network covering 30 countries (including South Africa), with over 1 000 branches and banking outlets across the continent.	New

CLIENTS: CONTINUED





SHAREHOLDERS: 'A great place to invest.'

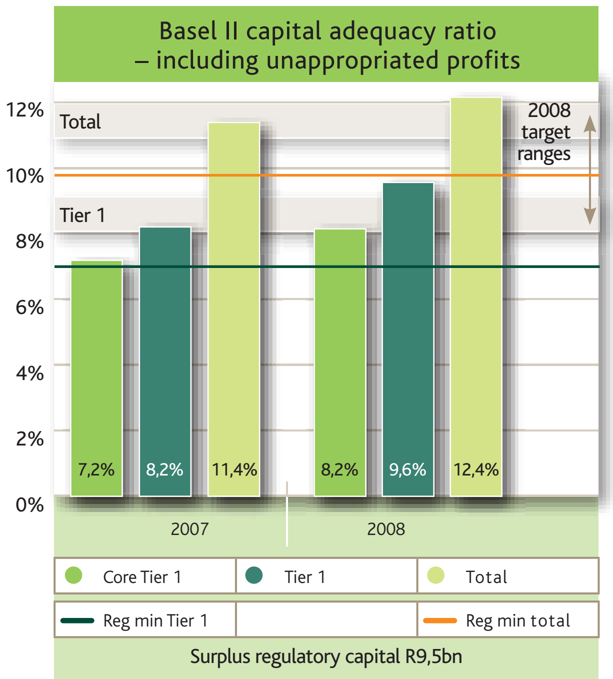
FINANCIAL TARGETS

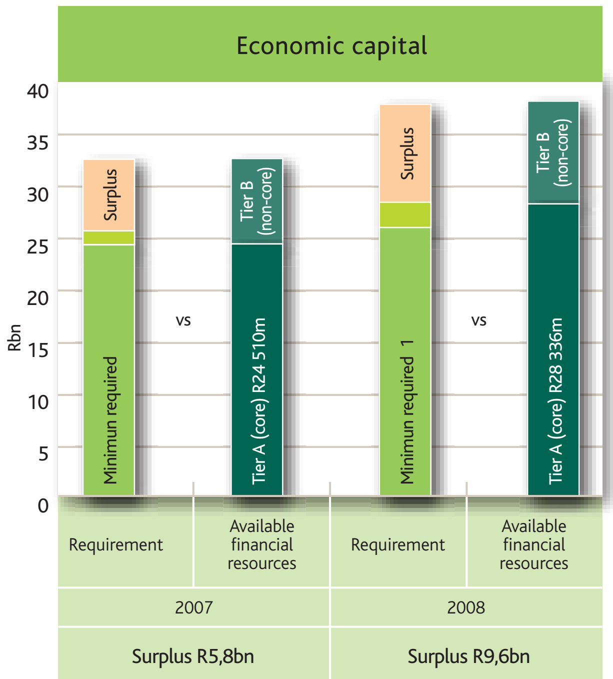
Measure	Making it happen in 2008	2008 self-assessment	2009 outlook	Medium- to long-term targets
Return on equity (ROE) (excl goodwill)	20,1%	Did not achieve	> 15%	5% (2008: 10%) above monthly weighted average cost of ordinary shareholders' equity (COE).
Efficiency ratio	51,1%	Exceeded	< 53%	< 50% (2008: <55%)
Growth in diluted headline earnings per share	(2,0%)	Did not achieve	± 10% down	At least CPIX + gross domestic product (GDP) growth + 5%.
Credit loss ratio	1,17%	Did not achieve	< 1,30%	Between 0,55% and 0,85% of average advances.
Core Tier 1 Tier 1 Tier 2	8,2% 9,6% 12,4%	Exceeded	Towards the top end of the range	7,5% – 9,0% 8,5% – 10,0% 11,5% – 13,0%
Economic capital	R9,6 billion surplus	Exceeded	A- (including 10% buffer)	Capitalised to a 99,9% confidence interval on economic-capital basis target A- debt rating (+ 10% buffer).
Dividend cover policy	2,29	Achieved	2,25 – 2,75 times	2,25 – 2,75 times.

REGULATORS: 'Worldclass at managing risk.'

Objective	Making it happen in 2008	2008 self-assessment
DELIVER WORLDCLASS RISK PRACTICES		
Manage risk as an enabler	Basel II fully implemented for the group, including Advanced Internal Ratings-based (AIRB) approval from South African Reserve Bank (SARB) for credit risk in Nedbank and implementation for operational risk on track.	Achieved
	Risk-based capital allocation (including a comprehensive economic-capital system and shareholder value-add basis) now driving strategic decisionmaking, business performance measurement and incentives.	Achieved
	Strong risk culture prevails, underpinned by sound risk governance endorsed by the Enterprisewide Risk Management Framework.	Achieved
	Across the bank we have refined our credit parameters and loan-to-value (LTV) requirements on home loans, and bolstered collections capabilities.	On track
	Relationships and feedback from regulators and government stakeholders.	Achieved
	Prudent risk management in the wake of the global credit crisis limiting losses in respect of international exposures.	Achieved
OPTIMISE CAPITAL AND LIQUIDITY		
	The group's capital levels have improved significantly during 2008 in an environment where capital adequacy is a key focus area.	Exceeded
	First South African bank to successfully execute non-core Tier 1 subordinated note of R1,8 billion in 2008.	Achieved
	Liability growth was solid, specifically deposit growth at 21,4%, which exceeded asset growth at 16,1%.	Exceeded

GROUP CAPITAL ADEQUACY



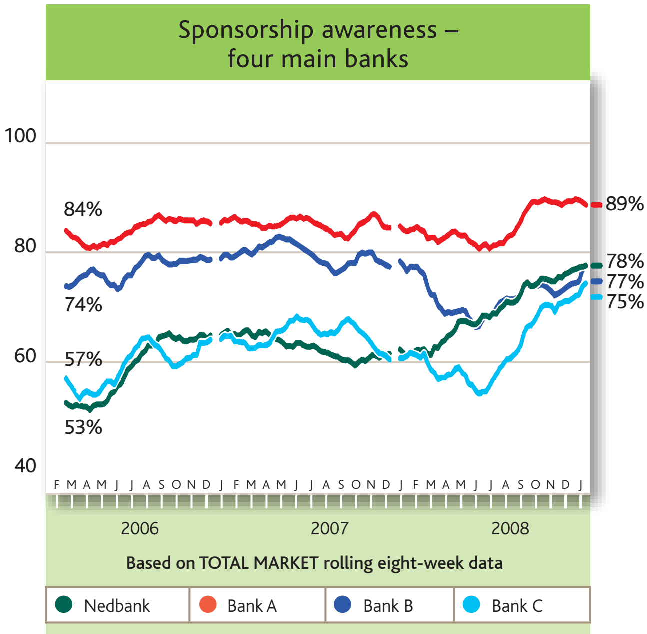


NEDBANK GROUP

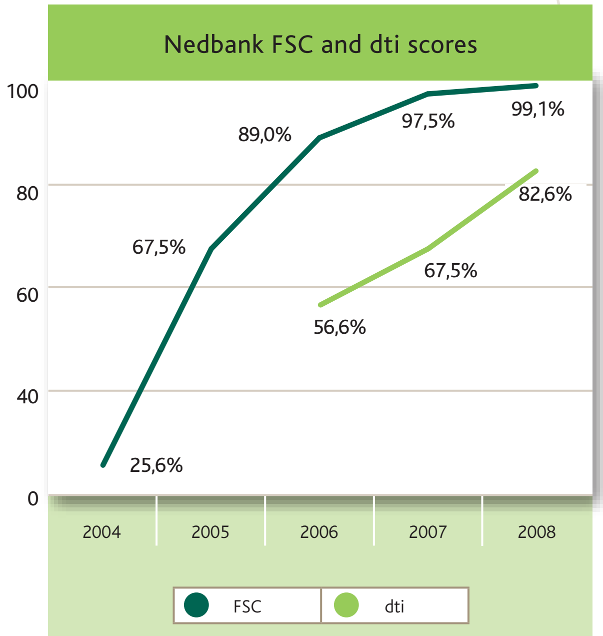
COMMUNITIES: 'Highly involved in the community and environment', 'Becoming a bank for all South Africans', 'Leading transformation', 'Most respected and aspirational brand' and 'Leading as a corporate citizen.'

Objective	Making it happen in 2008	2008 self-assessment
Build the Nedbank brand and become a bank for all South Africans	Brand equity has improved with marked increases in awareness, relevance and loyalty, particularly in the mass consumer segment of the market. It is also very encouraging that Nedbank remains the only major South African banking brand to have made positive improvements in brand equity over the year.	Exceeded
	Nedbank expanded its sponsorship profile to cover the mass market by successfully hosting the first Nedbank Cup (soccer mass-market sponsorship deal).	Achieved
	The launch of the Local Hero Programme for our clients was highly successful, with Nedbank contributing more than R1 million to our clients' charities of choice.	Achieved
Become South Africa's green and caring bank	Included in the JSE SRI Index and Dow Jones Sustainability Index for the fifth consecutive year.	Achieved
	Leading position among South Africa's banks in the South African Carbon Leadership Index, and fourth place overall in the low-carbon industries category.	Exceeded
	Added 132 000 new clients to the Nedbank Affinity Programme, which exceeded the targeted growth for 2008. Even during the tough economic times the total amount donated to various affinity trusts in 2008 grew by 8% to R10,4 million.	Exceeded
	Funding of an equity stake in an affordable-housing development, Tanganani, with the capacity to yield 12 000 housing units (developers will be reducing its carbon footprint, both during development and during occupation).	New
	Awards received: • *Financial Times* Award for Emerging Markets Sustainable Bank of the Year for Middle East and Africa. • African Bank Award for Gender Sensitivity. • Association for Advancement of Black Accountants in Southern Africa Award. • CSI Programme Award at the National Business Awards for our Client Local Hero Programme.	
Accelerate transformation	Achieved a Financial Sector Charter (FSC) score of 99,1 and level-three black economic empowerment (BEE) contributor against the dti scorecard. Significant progress across the board, with all areas exceeding FSC targets.	Exceeded
	Reached 1 million Mzansi clients in August 2008. More than 60% of all new outlets are opened in historically unrepresented areas.	Exceeded
	During 2008 Nedbank launched various internal transformation initiatives aimed at enabling and embracing diversity conversations – these included the launch of the 'Be the key' transformation booklet and diversity workshops (evolving to greatness) to expose staff to the cultural diversity and history of South Africa.	On track

SPONSORSHIP AWARENESS



FSC SCORE AND DEPARTMENT OF TRADE AND INDUSTRY (dti) SCORES



FOCUS AREAS FOR 2009

During 2008 the strategy was further refined by anticipating changing global and local events and conducting scenario planning exercises to identify the appropriate course of action. As a result the focus areas of the group for 2009 have been refined:

MANAGING FOR VALUE (GROW OUR SHARE OF ECONOMIC PROFIT)

'Managing for value' implies a true understanding of risks vs returns. Economic profit has become an important measure when deciding on where and how to grow our various business units. Our focus has shifted away from advances market share growth to growing our share of economic profit. We will deliver on our strategies to grow economic profit by focusing on liability and deposit growth, selected and profitable advances growth, appropriate asset pricing, managing our risks appropriately, transactional banking and primary client growth, cross-sell and smart cost management. These initiatives will support our Grow Retail, Lead in Business Banking and Become Public Sector Bank of Choice thrusts. In addition we will optimise and grow operations in existing South African Development Community (SADC) countries (three-tiered African strategy), leverage our recently announced Ecobank alliance and provide boutique investment banking expansion in Africa.

BECOME CLIENT-DRIVEN

Great at listening, understanding clients' needs and delivering are at the heart of our strategy and are summarised as being client-driven. We believe that there is no sustainable competitive advantage for Nedbank in product, price or distribution and as such our focus will continue to be on delivering worldclass service on a continual basis.

MANAGE RISK AS AN ENABLER

We will focus on proactive capital management and proactively managing the liquidity and funding of the bank. We will increase return on deployed capital by optimising regulatory and economic capital through granular and accurate risk assessment.

In the deteriorating economic environment we will focus on managing the bank through this downward cycle. Managing our risks, especially through our credit policies, collections activities and risk management policies will be key.

ENHANCE PRODUCTIVITY AND EXECUTION

The group will increase its focus on lean practices to improve the client experience, while saving money. Smart cost management in these uncertain times is increasingly important.

BUILD A UNIQUE CULTURE

A differentiated corporate culture can build a sustainable long-term competitive advantage and will help to attract and retain talented staff. The various management and leadership development programmes are key enablers. We need to become the employer of choice, recognising that market competition for talent is increasing. Continued focus on making Nedbank a great place to work will help us retain and attract the best people.

ACCELERATE TRANSFORMATION

Transformation is essential to our sustainability as a business and is a business imperative, and as a bank we have to remain socially relevant. Delivering key projects and initiatives to meet Financial Sector Charter (FSC), Department of Trade and Industry (dti) and Employment Equity (EE) targets will remain focus areas. Transforming our organisation into a truly South African bank as seen by all our stakeholders will set us apart from our peers, while we play an increasing role in uplifting our country and its people.

LEAD AS A CORPORATE CITIZEN

Social and environmental issues are important to clients and stakeholders. As environmental issues become more prominent and our country struggles with its socioeconomic issues, Nedbank as a leader in the sustainability space will continue to enhance its actions and increase its role in making a difference to our communities and environment. Our focus is to establish Nedbank as the caring bank – smart with heart.

OBJECTIVES FOR 2009 AND BEYOND

STAFF: 'A GREAT PLACE TO WORK', 'CREATE A COMMUNITY OF LEADERS' AND 'LIVING OUR VALUES.'

- Continue to reduce limiting values and increase current to ideal culture matches.
- Further improve staff satisfaction.
- Manage and retain our talent in a competitive market.
- Develop and grow our people.
- Build our leadership and management capabilities.
- Further improve human resources (HR) effectiveness and service delivery.
- Transform our workforce to start to align to the demographics of the South African economically active population.

CLIENTS: 'A GREAT PLACE TO BANK.'

- Grow the Retail franchise; become the leader in business banking and maintain our top-three positioning in wholesale banking.
- Grow primary client status and transactional income streams.
- Further improve service levels to worldclass standards.
- Manage for value (selective profitable growth) and increase economic profit in all businesses.
- Achieve selective advances growth.
- Selectively expand into Africa and leverage the Ecobank alliance.
- Continue building the Nedbank brand as a bank for all South Africans.

COMMUNITIES: 'HIGHLY INVOLVED IN THE COMMUNITY AND ENVIRONMENT.'

- Continue to lead as a corporate citizen in our efforts to ensure we are a green and caring bank, thereby building a sustainable business that is relevant in South Africa.
- Deliver on our transformation targets and become a truly South African bank.

SHAREHOLDERS: 'A GREAT PLACE TO INVEST.'

- Manage the bank conservatively, but profitably through the economic downturn.
- Continue focus on liability growth and our strong depositor franchise.
- Focus on high-quality, appropriately priced loans.
- Grow the group's transactional banking franchise, both wholesale and retail.
- Cross-sell into our existing client base.
- Remain agile and alert to opportunities in the current environment.
- Exercise vigilance and focus on proactively managing capital and liquidity.
- Price appropriately for risk and the increased cost of funding.
- Enhance productivity and efficiency, execution and continue smart cost management.

REGULATORS: 'WORLDCLASS AT MANAGING RISK.'

- Exercise vigilance and focus on proactively managing capital and liquidity.
- Price appropriately for risk and the increased cost of funding.
- Continually monitor and refine credit and risk parameters as appropriate.
- Further embed and leverage worldclass risk practices.
- Maintain good relationships with all regulators.

SEGMENTAL
OPERATIONAL STATISTICS

NEDBANK RETAIL	Number of clients	Number of internet banking clients	Number of branches	Banking outlets	Private bank suites	Mobile sales
2008	4 368 552	388 387	444	42	19	101
2007	3 776 869	339 149	468	50	16	91

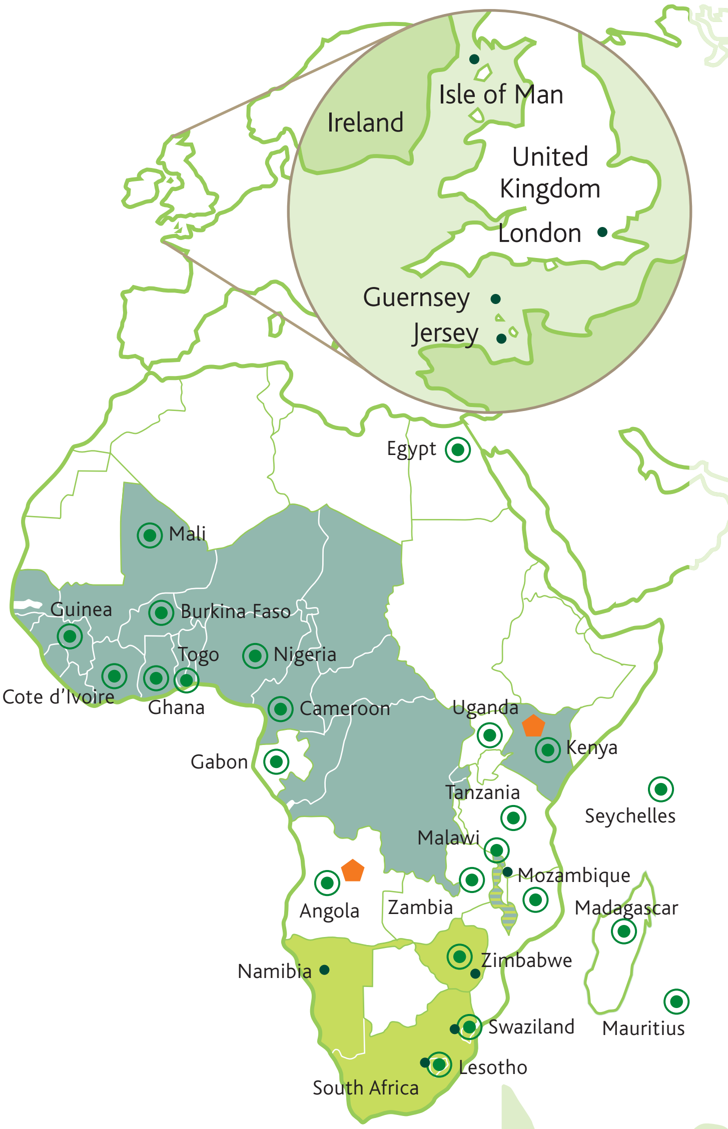
NEDBANK RETAIL	Number of personal loan kiosks	Number of personal loan branches	POS devices enabled for cash back	Number of ATMs	Number of SSTs	Number of employees
2008	230	26	3 075	1 747	374	16 461
2007	200	26	1 454	1 636	375	15 356

NEDBANK CORPORATE	Number of clients	Number of electronic banking clients/ profiles	Number of ATMs Africa	Number of locations/ branches	Number of employees
2008					
Corporate Banking (Turnover > R400 million)	523	2 831		5	302
Business Banking (Turnover > R7,5 million)	23 996	17 576		73	2 281
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	210 498	33 924	71	131	6 192
2007					
Corporate Banking (Turnover > R400 million)	523	1 625		5	268
Business Banking (Turnover > R5 million)	22 842	16 825		72	2 301
Property Finance	5 542			7	459
Africa	148 657	8 461	52	40	1 230
Other	10 954	1 621	6	5	1 885
Total	188 518	28 532	58	129	6 143

IMPERIAL BANK	Number of clients	Number of locations/ branches	Number of employees
2008	343 003	15	1 148
2007	279 521	15	1 008

OPERATIONAL FOOTPRINT

POINTS OF PRESENCE IN EUROPE



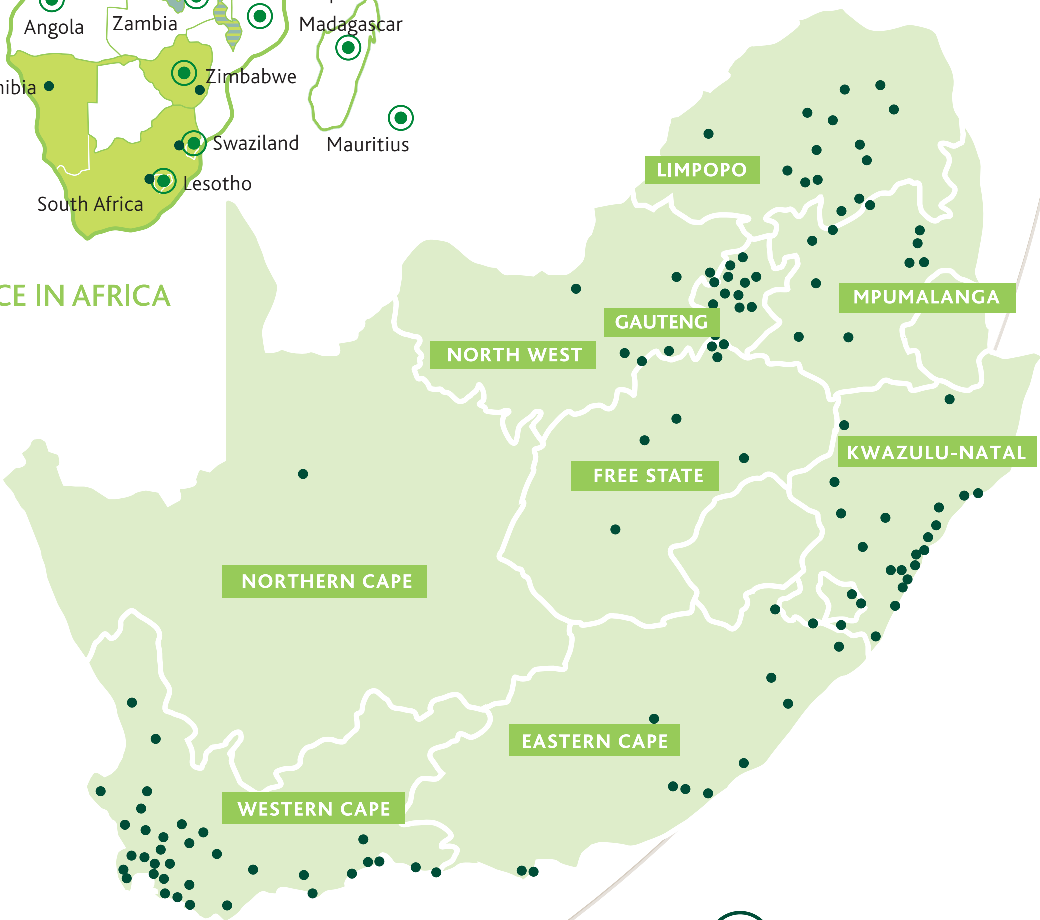
POINTS OF PRESENCE IN AFRICA

- Nedbank branches
- Deals concluded in Africa
- Nedbank footprint
- Ecobank footprint
- Representative offices opened

OPERATIONAL STATISTICS

Retail clients	2008	2007
Automated teller machines (ATMs)	1 747	1 636
Self-service terminals	374	375
Point-of-sale (POS) devices enabled for cashback transactions	3 075	1 454
ATMs in rest of Africa	71	58

Staffed outlets		
Retail branches in South Africa	444	468
Banking outlets	42	50
Private banking and client suites	19	16
Mobile banking branches and outlets	101	91
Personal-loan branches	26	26
Personal-loan kiosks	230	200
Wholesale banking outlets in South Africa	85	84
Branches in rest of Africa	46	45
Pick n Pay stores	418	383



NEDBANK GROUP

NEDBANK HISTORY

2008

Nedbank rated number one in Ask Afrika Orange Index client service survey for the second successive year.

Announced groundbreaking alliance with Ecobank to strengthen and expand Nedbank's African presence.

Client-focused restructuring and new executive appointments to include Business Banking and Corporate Banking on the Group Executive Committee.

Integrated Go Banking into Nedbank.

Eyethu black economic empowerment (BEE) scheme paid out R63 million to clients to date.

Introduced the Basel II Advanced Internal Ratings-based (AIRB) approach for credit risk management in Nedbank.

2000s

2007 The group successfully delivered on the three-year financial targets set at the start of the strategic recovery programme in 2004 of a 20% ROE and 55% efficiency ratio.

Secured the Western Cape Government transaction and five municipalities as the first successes of the public sector bank-of-choice strategy.

Integrated Old Mutual Bank into Nedbank Retail.

Nedbank came first in service delivery in the banking sector in the Ask Afrika Orange Index Survey.

Nedbank announced its first mass-market sponsorship, namely the Nedbank Cup in the Premier Soccer League.

2006 Unveiled Nedbank's BEE transaction in Namibia.

2005 Changed the name of the holding company from Nedcor Limited to Nedbank Group Limited.

Announced the group's BEE deal: 'Eyethu' – the first truly broad-based deal with tens of thousands of stakeholders.

2004 Watershed year for the group as both structural and strategic changes were implemented to restore the performance of the group and lay a foundation for sustainable growth into the future. Raised R5 billon in a rights issue.

2003 The new Nedcor Group was formed, combining Nedcor, BoE, Nedcor Investment Bank (NIB) and Cape of Good Hope Bank.

2002 Merger of Nedcor and BoE.

NIB minority shares acquired and NIB delisted.

2001 Merger of Permanent Bank and Old Mutual Bank.

2000 Acquired FBC Fidelity Bank.

1990s

1999 Nedbank Private Bank and Syfrets Private Bank merged to create the largest private bank in South Africa.
BoE merged with Natal Building Society (NBS) and Boland.

1998 BoE merged with NBS Boland.

1997 Syfrets merged with UAL Merchant Bank and Nedbank Investment Bank division to form the listed Nedcor Investment Bank (NIB).

1995 Perm split its operations into Permanent Bank and Peoples Bank.

1992 Nedfin, Perm and Nedbank became known as Nedcor Bank, a wholly owned subsidiary of Nedcor.

1990 Nedbank in association with the World Wide Fund for Nature (WWF) launched The Green Trust.

1980s

1989 Nedbank Group changed its name to Nedcor.

1988 Nedbank merged with Permanent Building Society to form NedPerm Bank.

1986 Old Mutual became the major shareholder (53%) of Nedbank.

1986 Nedbank Investment Bank was created as a result of the acquisition of Finansbank Limited.

1983 Nedbank became the first bank in South Africa to pay interest on current accounts.

1970s

1973 Nedbank Group formed from the merger of Syfrets South Africa and Union Acceptances and Nedbank.

1971 The Netherlands Bank of South Africa (NBSA) changes its name to Nedbank.

1970 The merchant bank Finansbank was established.

1960s

1969 The South African shareholding in NBSA increased to 100%. Syfrets SA was listed on The Johannesburg Stock Exchange (JSE). Boland Bank was listed on the JSE.

1967 Introduction, in Nedbank, of American Express Card Service through the issue of the American Express Gold Card.

1964 NBSA became the first bank to introduce computerised banking services.

1950s

1951 The Nederlandsche Bank voor Zuid-Afrika (NBZA) was established as a South African banking company and changed its name to the NBSA.

1940s

1946 The Credit Corporation of South Africa was established. In 1976 this became Nedfin Bank.

1920s

1925 NBZA merged with the Transvaalsche Bank en Handelsvereeniging, which was founded in 1892.

1900s

1903 The Nederlandsche Bank en Credietvereeniging voor Zuid-Afrika (NBCV) changed its name to NBZA.

1900 Boland Bank was established as a regional general bank.

1890s

1892 Transvaalsche Bank en Handelsvereeniging was formed.

1892 The Kimberley Permanent Mutual Building and Investment Society changed its name to South African Permanent Building and Investment Society, later known as Perm.

1880s

1888 NBCV was founded.

1882 The NBS was established.

1840s

1841 Kimberley Permanent Mutual Building and Investment Society inaugurated.

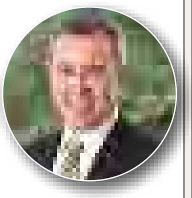
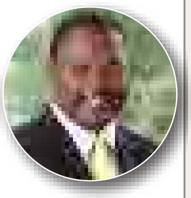
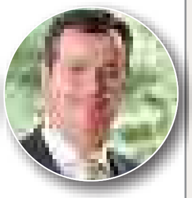
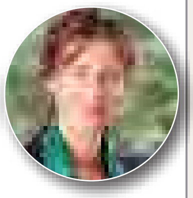
1830s

1838 The Board of Executors was established in Cape Town as a trust company.

1831 Cape of Good Hope Bank established.

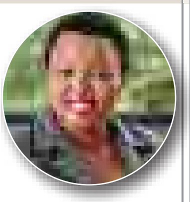
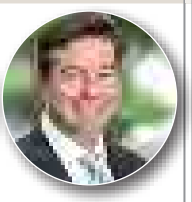
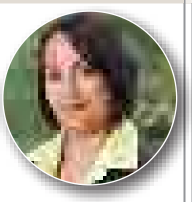
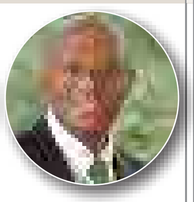
GROUP STRUCTURE

CLIENT INTERFACE

Nedbank Retail	Nedbank Corporate		Nedbank Capital	Business Banking	Imperial Bank (50,1%)
					
Rob Shuter	Graham Dempster	Mfundo Nkuhlu	Brian Kennedy	Ingrid Johnson	René van Wyk
		Deputy			

Tom Boardman – Chief Executive

SUPPORT AREAS

Group Strategy and Corporate Affairs	Group Technology	Group Human Resources	Group Finance	Enterprise Governance and Compliance	Group Risk
					
Nombulelo Moholi	Fred Swanepoel	Shirley Zinn	Mike Brown	Selby Baqwa	Philip Wessels

COMPANY STRUCTURE

AT 31 DECEMBER 2008

NEDBANK GROUP LIMITED

Nedbank Limited 100%

Local subsidiaries

- Imperial Bank Limited 50,1%
- Nedcor Investment Limited 100%
- Nedgroup Investment 102 Limited 100%
- BoE Holdings Limited 100%
- Nedgroup Collective Investments Limited 100%

Foreign Nedgroup subsidiaries

- NedEurope Limited 100%
- Nedbank (Malawi) Limited 97,1%
- NedNamibia Holdings Limited 100%
- Tando AG 100%
- Alliance Investments Limited 100%
- MN Holdings Limited 100%

Foreign Nedbank subsidiaries

- Nedbank (Lesotho) Limited 100%
- Nedbank (Swaziland) Limited 67,2%
- Nedcor Trade Services Limited 100%

BoE Limited 100%

- The Board of Executors 100%
- Nedgroup Wealth Management Limited 100%
- NBS Boland Group Limited 100%
- BoE Life Limited 100%

Nedgroup Investment Holdings 101 Limited 100%

- Nedgroup Securities (Pty) Limited 100%

OTHER COMPANIES/ENTITIES

- Depfin Investments (Pty) Limited 100%

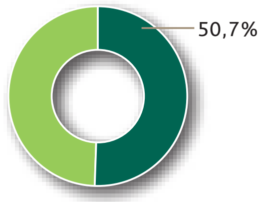
- Nedgroup Insurance Company Limited 100%
- Nedcor Group Insurance Company Limited 100%
- Nedgroup Financial Services 104 Limited 100%
- Nedcor (SA) Insurance Company Limited 100%

- Syfrets Securities Nominees (Pty) Limited 99%
- Syfrets Securities Limited 100%
- Fairbairn Trust Company Limited 100%

- BoE Management Limited 100%
- Dr Holsboer Benefit Fund 100%
- Cape of Good Hope Financial Services Limited 100%
- FTNIB Management Company Limited 100%

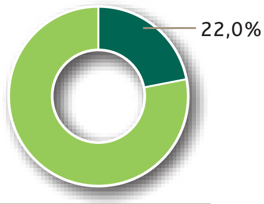
NEDBANK GROUP

BUSINESS PROFILE

<table>
<tr><th></th><th colspan="2">NEDBANK CORPORATE</th><th>NEDBANK BUSINESS BANKING</th></tr>
<tr><td>Contribution to group earnings</td><td colspan="3">
</td></tr>
<tr><td></td><td>2008</td><td>2007</td><td rowspan="7">Nedbank Business Banking has historically been a part of Nedbank Corporate, but from 1 January 2009 Nedbank Business Banking commenced operating as a separate business cluster.</td></tr>
<tr><td>Headline earnings (Rm)</td><td>2 924</td><td>2 632</td></tr>
<tr><td>Total advances (Rbn)</td><td>191,5</td><td>153,7</td></tr>
<tr><td>Total assets (Rbn)</td><td>223,1</td><td>208,4</td></tr>
<tr><td>Credit loss ratio (%)</td><td>0,27</td><td>0,11</td></tr>
<tr><td>Return on risk-adjusted capital (RORAC) (%)</td><td>28,7</td><td>26,4</td></tr>
<tr><td>Employees</td><td>6 192</td><td>6 143</td></tr>
<tr><td>Business profile</td><td colspan="2">Nedbank Corporate provides full-service corporate banking to large corporates with an annual turnover in excess of R400 million, including commercial and industrial property finance solutions.
The cluster comprises:
• Corporate Banking;
• Transactional Banking;
• Property Finance;
• Nedbank Africa; and
• Nedbank Investor Services.
Included in the cluster are the group's African operations servicing both retail and corporate market segments in Lesotho, Malawi, Namibia, Swaziland and Zimbabwe.</td><td>Nedbank Business Banking provides a full range of commercial banking solutions to medium-sized businesses with an annual turnover of R7,5 million to R400 million.</td></tr>
<tr><td>Key brands</td><td colspan="3">NEDBANK CORPORATE</td></tr>
<tr><td>Business strategy</td><td colspan="2">Nedbank Corporate aims to retain its top-two position in the corporate market through:
• improving primary banker status;
• growing NIR across all products;
• focusing on the public sector;
• delivering worldclass transactional banking solutions;
• managing client value;
• driving collaborative model across Nedbank clusters and with Old Mutual to support service excellence and cross-sell;
• expanding selectively in Africa, including leveraging its alliance with Ecobank;
• establishing a truly South African bank in terms of clients and staff; and
• continuing its focus on transformation.</td><td>Business Banking has an aspirational vision of becoming the 'leader in business banking for South Africa' through:
• leveraging the decentralised, accountable business model to partner with clients to grow their business;
• driving new client acquisition (primary-banker status);
• focusing on transformation of staff as well as people development;
• changing market perception through active advertising;
• leveraging enterprise development opportunities to support upcoming businesses; and
• continuing its focus on transformation of its client base.</td></tr>
</table>

	NEDBANK CAPITAL		NEDBANK RETAIL		IMPERIAL BANK	
	2008	2007	2008	2007	2008	2007
	1 266	1 174	1 002	1 876	166	227
	47,7	51,2	150,1	133,5	44,7	35,3
	188,7	143,4	171,0	154,1	48,8	38,2
	0,06	0,05	2,47	1,26	1,71	1,28
	38,1	40,7	10,8	22,1	13,2	23,9
	693	625	16 461	15 356	1 148	1 008

NEDBANK CAPITAL



Nedbank Capital provides comprehensive investment banking solutions to institutional and corporate clients.

It has offices in South Africa and London and is setting up representative offices in Africa.

The cluster comprises:

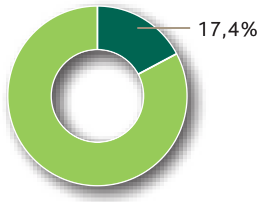
- Investment Banking;
- Treasury;
- Equities;
- Debt Capital Markets;
- Global Markets; and
- London Office.

Nedbank Capital follows an integrated investment banking business model – leveraging a unique combination of industry and product expertise with a single client interface.

Long-term strategies include:

- international and African expansion, including collaboration with Ecobank in the rest of Africa;
- collaborative model within Nedbank Capital, Nedbank clusters and Old Mutual;
- product scope and business venture expansion; and
- continued focus on transformation.

NEDBANK RETAIL



Nedbank Retail provides full-service retail banking and wealth management services to individuals and small businesses. It currently has 4,37 million clients in South Africa and in the UK.

The cluster comprises:

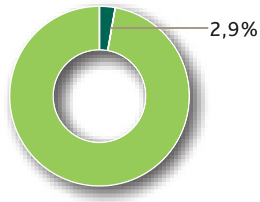
- Retail Banking Services;
- Nedbank Private Bank;
- Retail Consumer Banking;
- Retail Small Business Services;
- Nedbank Secured Lending (home loans and vehicle and asset finance);
- Nedbank Personal Loans;
- Nedbank Card;
- Retail Bancassurance and Wealth; and
- Retail Transactional and Investment Products (foreign exchange and payments).

Retail will continue to manage the business carefully through the current tougher economic cycle. It will also continue to build on the cluster's vision of becoming 'South Africa's fastest-growing retail bank'.

Overall strategic orientation includes:

- adopting a conservative credit policy and focusing on collections and impairments;
- executing 'manage for value' strategies in home loans and vehicle and asset-based finance;
- investing in high economic profit businesses;
- focusing on bancassurance;
- continuing its focus on transformation;
- controlling distribution expansion;
- entrenching the leading service position and service culture;
- targeting major channels for primary client growth; and
- increasing efforts in contributing towards the national agenda, particularly in the Imbizo process (government-initiated community meetings to discuss relevant issues), employment equity and supporting black small businesses and low-income housing.

IMPERIAL BANK



Imperial Bank is a joint venture with Imperial Holdings Limited and provides predominantly asset-based finance in selected niche markets. Motor Finance Corporation (MFC) forms the largest part of the business.

The cluster comprises:

- MFC;
- Property Finance;
- Supplier Asset Finance; and
- Professional Finance.

Imperial Bank is focused on capitalising on the niche opportunities in the banking markets, with a focus on vehicle, property, professional and supplier and asset finance.

Key elements of the strategy include:

- leveraging the Imperial Holdings footprint, dealership and network;
- taking a niche market approach;
- focusing on excellence in client service; and
- being nimble.

	NEDBANK CORPORATE	NEDBANK BUSINESS BANKING
Market position	• Strong market share in other private sector loans (excl foreign currency loans). • Largest property finance market share among banks in South Africa. • Top Crossborder and Domestic Custodian of the Year for southern Africa rating by *Global Custodian*. • Best Subcustodian Bank – Africa and South Africa rating at the *Global Finance* Awards.	• Approximately 21% primary-banker market share (with slightly higher penetration in liabilities). • Leader in Corporate Saver product (management of trust funds). • Good growth in specialist focus areas (franchising, public sector, tourism and enterprise development). • Electronic banking platform, NetBank Business, setting the standard in security and rated best value for money in South Africa (BMI-T Corp).
Review of 2008	**What went well** • Robust core banking earnings growth. • Healthy earnings generated on property investments, but down on 2007 record levels. • 'Managing for value' approach embedded in all businesses (including increasing credit spreads). • Impairments well-managed. • Number of primary clients increased. • Electronic banking platform enhanced. • Selective advances growth achieved in term products. • Improvements in staff culture and morale continued, with strong leadership attributes. • Transformation targets exceeded. • Good progress on affordable-housing projects. • Strategic alliance established with Ecobank to create the largest Pan-African network in Africa. **Challenges** • Increasing liquidity generation in tighter markets. • Preparing clients and staff for the negative effect arising from the adverse global economic environment.	**What went well** • Good deposit growth, benefiting from our strong primary-banker-client relationships. • Integration of investment management functions in Business Banking with the Corporate Saver product sales teams. • Investment in leadership development across three management levels. • Significantly improved staff morale. • Expansion of specialised finance capabilities to cater for market opportunities. • Development of the framework for implementing enterprise development in terms of the dti codes and through this supporting emerging entrepreneurs. • Rigorous credit risk management balanced with ongoing support of client's business. • Increase in net primary-client acquisition. • Completion of migration of all large-volume and valued clients to the new NetBank Business electronic banking platform. **Challenges** • Increasing impairment charges. • Improving overall asset margins with a large balance of historic longer-term loans written at lower margins. • Improving overall asset margins with a large balance of historic longer-term loans written at lower margins. • Dealing with the complexities of upgrading internal systems to improve work environment for staff and clients.
Prospects for 2009	• Continued modest advances growth and margin increase in Corporate Banking. • Transactional banking slowing in line with reduced economic activity. • Impairments, reflecting the impact of the global and domestic slowdown and delayed effects of high interest rates, increasing to top end of through-the-cycle levels. • Rollout of new electronic banking systems to the corporate market. • Continued activity in the public sector. • Property investment earnings under pressure. • Earnings impacted by higher impairments and lower endowment on capital as interest rates decrease.	• Delivery of sustainable performance through the cycle, while continuing to build the franchise in the context of global market challenges, where liquidity and capital management take priority. • Slowing economic growth, the effect of declining interest rates on endowment income and continued rising impairments will impact on earnings in 2009.

NEDBANK CAPITAL	NEDBANK RETAIL	IMPERIAL BANK
• Debt Origination: the top corporate bond issuer. • Corporate Finance: maintained its top-three placing in the mergers and acquisitions (M&A) rankings. • Top-three position as domestic institutional broker. • African Investor ICT Deal of the Year for 2008 (Seacom deal).	**South Africa's fourth largest retail bank:** • 16,97% home loans market share. • 7,17% vehicle and asset finance market share. • 12,7% card market share. • 18,7% Mzansi market share. • 24,4% individual deposit market share. • Top-bank rating in Ask Afrika Orange Index. • Client Management Assessment Tool (CMAT) score in the top decile of global banks.	• Vehicle finance market share in excess of 11% and growing. • Niche operations in residential property development finance, commercial property finance, professional finance, supplier and asset finance, and office equipment finance.
What went well • Robust trading performance, particularly in foreign exchange. • Progress on African expansion, with regional offices in Angola and Nigeria being set up. • Maintaining industry rankings. • First-phase implementation of new trading systems. • Added traction on new business opportunities and products. • Investment in skilled people and the development of sound risk, information technology and finance platforms over the last few years, combined with a prudent risk appetite, contributed significantly to the achievement of a more balanced earnings profile in extreme market conditions. **Challenges** • Increased cost and reduced availability of funding. • Challenging equity and debt markets impacting trading in these areas. • Lower equity markets negatively impacting private equity valuations. • Delaying or putting on hold of many client projects post October 2008.	**What went well** • Well-controlled expense growth. • Primary client growth of approximately 10% (+119 000 clients). • Net new client growth of 590 000. • Maintaining of market share in key categories. • Number one bank rating in Ask Afrika Orange Index service excellence survey (two years successively). • Launch of AskOnce phase II. • Remaining the most affordable bank in the middle and mass market. • Significant improvement in staff morale. • Expansion of distribution through 15 new branches, 278 automated teller machines (ATMs) and cashback facilities at 2 193 new point-of-sale (POS) devices. • Significant investment in collections areas. **Challenges** • Significant increase in bad debts, specifically in secured-debt products. • Competition Commission inquiry. • Challenging home loan and vehicle finance markets.	**What went well** • Strong balance sheet growth, particularly in MFC. • Repositioning of supplier asset finance to take advantage of financing infrastructure spend. • Increased scope to finance other professionals outside of the medical arena. **Challenges** • Significant increase in credit impairments in MFC, Professional Finance and Supplier Asset Finance. • Increased cost of funding. • Upgrade of core IT systems.
• Difficulty in attracting term foreign currency (dollar) funding. • Slowdown in global and South African economy leading to decreased dealflow. • Reasonably favourable trading environment, but volumes slowing. • Challenging environment for private-equity revaluations. • Impact of reducing commodiy prices on mining business.	• Environment of declining interest rates to impact endowment income negatively, but should provide some relief for distressed consumers. • Continued consumer pressure from high interest rates, high inflation, job losses and falling house prices. • Impairments remaining high. • Some recovery in the unsecured-lending environment. • Slowing asset growth across major asset categories. • Continued focus on cost efficiencies. • Building on client service objectives.	Ongoing uncertainty, which makes it extremely difficult to forecast, but we expect slowing advances growth and levels of impairments to remain high. The focus for the year will be on: • managing arrears and collections; • risk-based pricing; and • funding and capital.

NEDBANK

SEVEN-YEAR REVIEW – STATISTICS AND RATIOS

Share statistics		4-year CAGR* %	2008	2007	2006	2005	2004	*** 2003	*** 2002
Earnings per share									
Headline	cents	31,0	1 422	1 485	1 110	797	483	19	979
Diluted headline	cents	30,6	1 401	1 429	1 076	791	482	19	979
Basic	cents	39,0	1 581	1 511	1 135	966	423	(546)	346
Diluted basic	cents	38,6	1 558	1 454	1 099	958	422	(545)	343
Dividends/Distributions									
Declared per share	cents	50,8	620	660	493	290	120	240	515
Paid/Capitalised per share	cents		660	594	394	181	79	515	515
Dividend/Distribution cover	times		2,29	2,25	2,25	2,75	4,00	0,10	1,90
Net asset value per share	cents	16,3	8 522	7 513	6 363	5 597	4 654	4 240	6 300
Tangible net asset value per share	cents	20,9	7 179	6 207	5 106	4 351	3 361	2 247	4 012
Number of shares									
Gross shares in issue	m		469	459	451	443	394	275	271
Treasury shares	m		(59)	(57)	(56)	(41)	**	**	**
Net shares in issue	m		410	402	395	402	394	275	271
Weighted average number	m		405	399	400	397	361	293	253
Fully diluted weighted average	m		412	414	412	400	362	293	254
Share price and related statistics									
Nedbank Group traded share price									
Closing	cents		9 550	13 600	13 350	10 000	7 780	6 203	11 110
High	cents		13 975	15 810	13 950	10 280	7 999	11 850	15 400
Low	cents		7 498	12 325	9 790	6 700	5 240	5 640	9 500
JSE Banks Index – closing			30 566	35 876	36 121	29 234	22 975	14 153	12 035
JSE Allshare Index – closing			21 509	28 958	24 915	18 097	12 657	10 387	9 277
Market capitalisation	Rbn		44,8	62,5	60,2	44,3	30,7	17,1	30,1
Number of shares traded	m		305,4	232,2	191,7	168,1	245,8	216,0	143,8
Number of shares traded to weighted average number of shares	%		75,4	58,2	48,0	42,3	68,1	73,7	56,8
Value of shares traded	Rm		31 237	31 954	22 219	13 709	15 345	18 003	17 228
Value traded to market capitalisation	%		69,8	51,1	36,9	31,0	50,0	105,5	57,2
Price/earnings ratio	historical		7	9	12	13	16	326	11
Price to book	times		1,1	1,8	2,1	1,8	1,7	1,5	1,8
Dividend yield	%		6,5	4,9	3,7	2,9	1,5	3,9	4,6
Earnings yield	%		14,9	10,9	8,3	8,0	6,2	0,3	8,8
Closing price/Tangible net asset value	times		1,3	2,2	2,6	2,3	2,3	2,8	2,8
Performance ratios									
Net interest income to interest-earning assets	%		3,66	3,94	3,94	3,55	3,18	3,04	2,95
Non-interest revenue to total income	%		39,9	42,5	46,3	49,8	53,1	49,0	48,5
Credit loss ratio	%		1,17	0,62	0,52	0,49	0,55	1,02	0,63
Efficiency ratio									
Including BEE transaction expense	%		51,1	54,9	58,2	64,8	71,8	80,2	65,4
Excluding BEE transaction expense	%		50,4	54,2	57,5	62,5	71,8	80,2	65,4
Expenses to average assets	%		2,60	2,95	3,06	3,24	3,41	3,24	2,46
Effective taxation rate	%		21,6	26,3	27,8	23,4	24,2	54,8	5,1
Return on total assets	%		1,09	1,30	1,14	0,93	0,54	0,02	0,84
Return on risk-weighted assets	%		1,62	1,76	1,60	1,40	0,82	0,03	1,19
Return on ordinary shareholders' equity	%		17,7	21,4	18,6	15,5	11,0	0,4	14,9

Assets and related ratios		4-year CAGR* %	2008	2007	2006	2005	2004	*** 2003	*** 2002
Advances									
Performing advances	Rm	17,9	424 791	370 125	306 004	249 318	220 202	208 960	193 414
Defaulted/Impaired loans and advances	Rm		17 301	9 909	7 743	4 304	7 490	8 444	8 001
Gross advances	Rm	18,0	442 092	380 034	313 747	253 622	227 692	217 404	201 415
Impairment of advances	Rm		(7 859)	(6 078)	(5 184)	(5 214)	(6 684)	(7 308)	(6 553)
Net advances	Rm		434 233	373 956	308 563	248 408	221 008	210 096	194 862
Non-performing advances (NPAs) to gross advances	%		3,9	2,6	2,5	1,7	3,3	3,9	4,0
Impairment of advances to gross advances	%		1,8	1,6	1,7	2,1	2,9	3,4	3,3
Assets									
Total assets on balance sheet	Rm	14,7	567 023	488 856	424 912	352 258	327 840	313 113	324 767
Assets under management	Rm		84 381	85 438	86 212	63 925	60 369	102 090	124 343
Total assets administered by the group	Rm	13,8	651 404	574 294	511 124	416 183	388 209	415 203	449 110
Capital and related ratios									
Total equity attributable to equity holders of the parent	Rm	17,5	34 913	30 193	25 116	22 490	18 337	11 647	17 046
Regulatory capital ****									
Tier 1	Rm		33 458	26 611	22 932	21 151	17 274	10 593	14 517
Total qualifying capital	Rm		43 610	37 421	32 683	29 099	25 663	21 589	22 985
Risk-weighted assets ****	Rm		355 235	334 876	276 914	225 756	212 459	212 850	208 656
Group capital adequacy ratio ****									
Core Tier 1	%		8,2	7,2					
Tier 1	%		9,6	8,2	8,3	9,4	8,1	5,0	7,0
Total	%		12,4	11,4	11,8	12,9	12,1	10,1	11,0
Employee statistics and ratios									
Number of employees			27 570	26 522	24 034	22 188	21 103	24	25
Revenue per employee	R'000		801	846	788	713	665	466	416
Expenses per employee	R'000		498	509	495	497	518	427	289
Headline earnings per employee	R'000		209	223	185	143	83	2	111

Refer to page 355 for definitions of terms used.

* Compound annual growth rate.

** Represents amounts less than R1 million.

*** Before conversion to International Financial Reporting Standards (IFRS).

**** Ratios and balances for 2008 and 2007 were calculated according to Basel II principles, while ratios and balances for prior years were calculated according to Basel I principles.

NEDBANK GROUP LIMITED
SEVEN-YEAR REVIEW – INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

Rm	4-year CAGR* %	2008	2007	2006	2005	2004	** 2003	** 2002
Interest and similar income	26,3	57 986	42 001	28 521	23 234	22 789	28 141	23 607
Interest expense and similar charges	27,9	41 816	27 855	17 558	14 705	15 644	21 333	17 652
Net interest income	22,7	16 170	14 146	10 963	8 529	7 145	6 808	5 955
Impairments charge on loans and advances	41,1	4 822	2 164	1 483	1 189	1 217	2 063	1 067
Income from lending activities	17,6	11 348	11 982	9 480	7 340	5 928	4 745	4 888
Non-interest revenue	7,9	10 729	10 446	9 468	8 469	8 099	6 537	5 606
Operating income	12,0	22 077	22 428	18 948	15 809	14 027	11 282	10 494
Total operating expenses	5,9	13 741	13 489	11 886	11 017	10 939	10 344	7 559
Operating expenses	7,1	13 547	13 341	11 740	10 469	10 314	9 950	7 366
Merger and recovery programme expenses					155	625	394	193
Black economic empowerment transaction expenses		194	148	146	393			
Indirect taxation	(5,6)	374	305	345	223	470	359	275
Profit from operations before non-trading and capital items	32,1	7 962	8 634	6 717	4 569	2 618	579	2 660
Non-trading and capital items		756	111	124	701	(254)	(1 655)	(1 601)
Profit from operations	38,6	8 718	8 745	6 841	5 270	2 364	(1 076)	1 059
Share of profits of associates and joint ventures	1,2	154	239	153	167	147	132	162
Profit before direct taxation	37,1	8 872	8 984	6 994	5 437	2 511	(944)	1 221
Direct taxation	31,3	1 868	2 343	1 933	1 140	629	390	143
Profit for the year	38,9	7 004	6 641	5 061	4 297	1 882	(1 334)	1 078
Profit attributable to:								
Equityholders of the parent	43,1	6 410	6 025	4 533	3 836	1 528	(1 600)	875
Minority interest – ordinary shareholders		257	344	309	233	125	133	203
Minority interest – preference shareholders	38,4	337	272	219	228	229	133	
		7 004	6 641	5 061	4 297	1 882	(1 334)	1 078
Headline earnings	34,9	5 765	5 921	4 435	3 167	1 743	55	2 476

* Compound annual growth rate.
** Before conversion to IFRS.

NEDBANK GROUP LIMITED
SEVEN-YEAR REVIEW – BALANCE SHEET

AT 31 DECEMBER

Rm	4-year CAGR* %	2008	2007	2006	2005	2004	** 2003	** 2002
Assets								
Cash and cash equivalents	16,8	8 609	10 344	12 267	11 142	4 630	12 227	16 607
Other short-term securities	3,3	18 589	25 793	25 756	17 014	16 310	10 610	14 987
Derivative financial instruments	(4,9)	22 321	9 047	15 273	16 176	27 276	28 496	50 786
Government and other securities	12,6	42 138	29 637	22 196	22 658	26 224	21 333	14 647
Loans and advances	18,4	434 233	373 956	308 563	248 408	221 008	210 096	194 862
Other assets	(3,8)	6 084	9 313	12 468	11 601	7 101	7 463	5 684
Clients' indebtedness for acceptances	19,0	3 024	2 251	2 577	1 291	1 509	835	1 120
Current taxation receivable	15,3	346	59	161	134	196	256	421
Investment securities	6,5	8 455	8 318	7 155	6 875	6 561	8 940	13 320
Non-current assets held for sale	(32,4)	10	31	490	385	48		
Investments in associate companies and joint ventures	3,4	1 167	978	907	657	1 019	1 627	1 504
Deferred taxation asset	(36,9)	200	25	120	680	1 258	3 074	1 788
Investment property	5,2	213	171	158	163	174		
Property and equipment	11,2	4 327	3 929	3 377	3 095	2 828	2 684	2 854
Long-term employee benefit assets	10,1	1 741	1 393	1 444	1 225	1 183		
Computer software and capitalised development costs	3,2	1 607	1 349	1 266	1 320	1 419	1 710	1 730
Mandatory reserve deposits with central banks	16,7	10 065	8 364	7 039	5 747	5 420		
Goodwill	1,5	3 894	3 898	3 695	3 687	3 676	3 762	4 457
Total assets	14,7	567 023	488 856	424 912	352 258	327 840	313 113	324 767
Equity and liabilities								
Ordinary share capital	1,0	410	402	395	402	394	275	271
Ordinary share premium	3,5	11 370	10 721	9 727	10 465	9 892	4 801	4 536
Reserves	30,2	23 133	19 070	14 994	11 623	8 051	6 571	12 239
Total equity attributable to equityholders of the parent	17,5	34 913	30 193	25 116	22 490	18 337	11 647	17 046
Minority shareholders' equity attributable to:								
– ordinary shareholders	29,0	1 881	1 511	1 202	1 049	680	652	503
– preference shareholders	4,3	3 279	3 421	3 070	2 770	2 770	2 802	1 987
Total equity	16,5	40 073	35 125	29 388	26 309	21 787	15 101	19 536
Derivative financial instruments	(3,9)	23 737	11 432	12 904	17 055	27 781	28 206	50 233
Amounts owed to depositors	16,8	466 890	384 541	324 685	261 311	250 747	238 404	228 209
Provisions and other liabilities	(7,0)	9 829	34 225	37 847	32 357	13 153	12 454	8 317
Liabilities under acceptances	19,0	3 024	2 251	2 577	1 291	1 509	835	1 120
Current taxation liabilities	5,0	235	337	434	466	193	144	183
Other liabilities held for sale				417				
Deferred taxation liabilities	16,4	2 100	1 616	1 649	959	1 143	2 731	1 710
Long-term employee benefit liabilities	2,6	1 231	1 157	1 215	1 071	1 109		
Investment contract liabilities	17,1	5 843	5 846	5 278	4 166	3 109	5 152	7 891
Long-term debt instruments	17,8	14 061	12 326	8 518	7 273	7 309	10 086	7 568
Total liabilities	14,5	526 950	453 731	395 524	325 949	306 053	298 012	305 231
Total equity and liabilities	14,7	567 023	488 856	424 912	352 258	327 840	313 113	324 767
Guarantees on behalf of clients	23,7	25 226	20 579	15 250	11 064	10 770	12 403	12 403

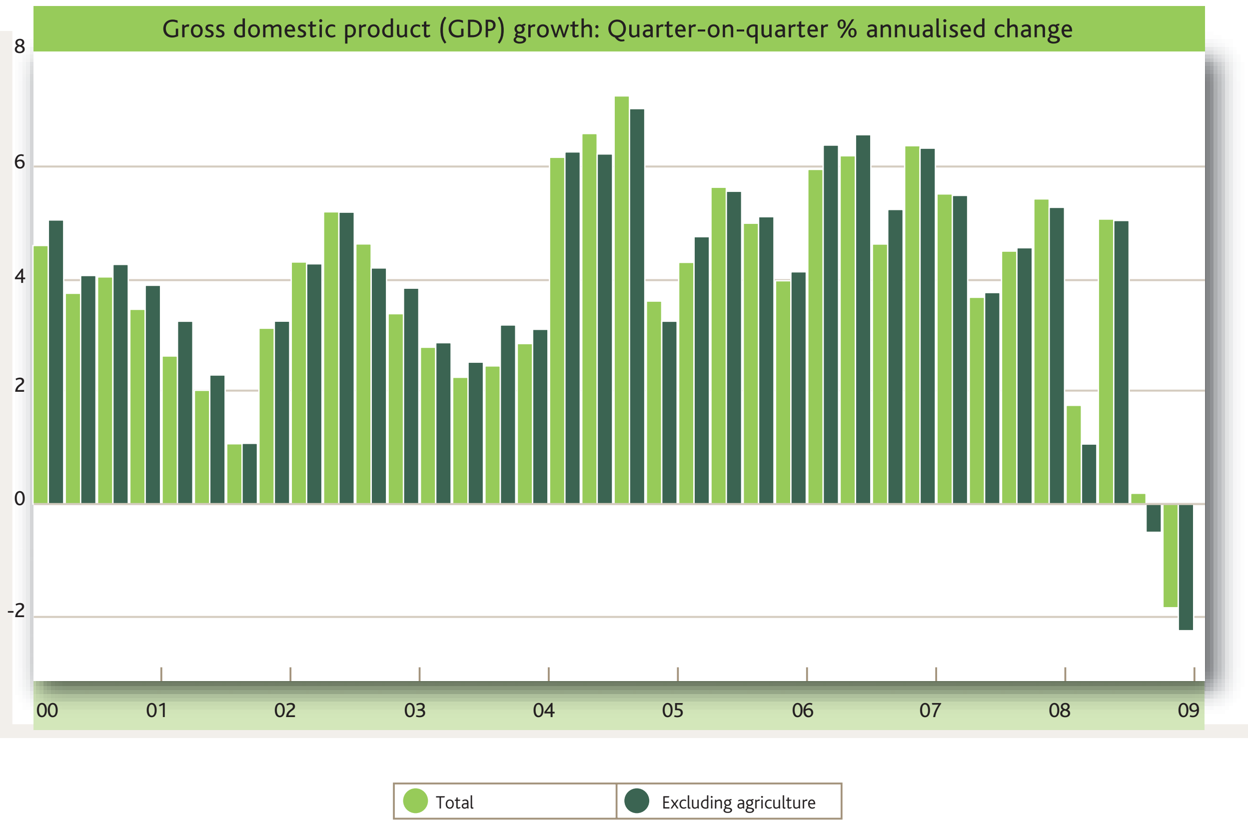
* Compound annual growth rate.
** Before conversion to IFRS.

NEDBANK GROUP

ECONOMIC
REVIEW

Dennis Dykes (49)
Chief Economist: Nedbank Group

24 years' service • MCom(Econ)
(London School of Economics, UK)



OVERVIEW

Economic conditions deteriorated markedly during the second half of 2008, bringing to an abrupt end the period of strong economic growth that had started in 2004. The slowdown had already been apparent in the household sector from late 2007, following the sharp rise in interest rates. However, falling export prices and volumes late in the year led to a broader slowdown in the domestic economy.

The key change in 2008 was the large-scale deterioration in the global financial and economic climate. Globally, massive losses stemming originally from the subprime crisis mounted as the year progressed and United States house prices continued to fall. The crisis escalated in September when the United States government was forced to take control of the largest mortgage financiers, Freddie Mac and Fannie Mae and later American Insurance Group. However, the collapse of Lehman brothers and the authorities' failure to back any rescue package resulted in the total seizure of the interbank lending market. By October non-financial companies started cancelling fixed-investment plans and cutting back employment as credit dried up and the full extent of the crisis was realised. Consumer confidence deteriorated rapidly and retail spending contracted, further reinforcing the contraction. The resulting decline in global industrial production reduced demand for minerals and metals and forced commodity prices lower. A second problem for many developing countries was that once-abundant financing also dried up, forcing adjustments.

South Africa was not immune to these unfavourable developments. The country was fortunate to escape the direct impact of the subprime crisis, as domestic banks were not holders of so-called toxic assets. Local companies, banks and government are also not that reliant on foreign currency funding, meaning that the adjustment to the new hostile environment was not that abrupt and that the monetary authorities were able to relax policy without worrying too much about the consequences for the currency. However, the effect on export-orientated sectors was immediate and dramatic. In the final quarter of last year manufacturing output fell by a seasonally adjusted annualised 21,8% as the effect of major industrialised countries slipping deeper into recession hurt industries such as motor vehicles and iron and steel. The overall economy therefore contracted by 1,8% in the quarter, bringing GDP growth for the year down to 3,1%. The contraction in the fourth quarter was the first since the third quarter of 1998 and the largest since the fourth quarter of 1992.

The difficulties in export markets added to the problems already being experienced in the household sector as a result of relatively high inflation, interest rates and debt. Interest service costs rose to around 12% by mid-year following two further hikes in official interest rates in April and June, taking prime lending rate to a peak of 15,5%. However, the ratio eased to below 11,5% by year-end, helped by a cut in the prime lending rate to 15% in December and slower growth in debt as credit demand weakened.

Growth was, however, supported by another good agricultural season and the expansion of infrastructure ahead of the FIFA 2010 World Cup as well as the drive to build up electricity and transport capacity. Private sector fixed-capital formation was also strong for much of the year, but faltered as the year progressed and the extent of the crisis became more apparent.

Balance of payments trends, unsurprisingly, were unfavourable. Although export performance was good in the first half of the year, when commodity prices were still soaring, later weakness curbed much of the gains. In contrast, import demand remained strong, initially bolstered by high energy prices and later by capital goods needs. A further widening of the services deficit meant that the current account deficit probably increased to about 8% of GDP in 2008 from 7,3% in 2007. Increased global risk aversion limited portfolio inflows and foreign direct investment, placing a stronger burden on short-term capital flows to finance the shortfall.

Inflation rose significantly into double figures as soaring energy cost and food prices were magnified by a weaker rand against the dollar. In August consumer inflation peaked at 13,6% and producer inflation at 19,1%. However, the strong fall in the oil price helped the former end the year at 10,3% and the latter at 11%.

Credit conditions tightened as the year progressed. Growth in credit extension to the private sector fell to 13,6% in December 2008 from 21,5% a year earlier, with asset-based credit (instalment sales, leasing and mortgage finance) growing by 12% over the period, compared with 22,2% a year earlier. Higher interest rates and some deterioration in household finances pushed insolvencies up by 58,3% and liquidations rose by 4,7%. However, these were off low bases and the overall levels are still well below historic highs.

OUTLOOK

The year ahead is likely to be exceptionally tough given the scale of the global crisis. South Africa will be helped by a relatively healthy financial sector, an infrastructure programme that is already in place, significant interest rate relief and lower inflation. However, household spending will be constrained by expected large employment losses in export-facing sectors and private sector fixed-investment spending will adjust to the changing environment. Much will depend on how quickly external conditions stabilise.

CHAIRMAN'S
STATEMENT

'The effects of this meltdown will be felt for some time to come. However, it is hoped that business the world over will learn valuable lessons and once again focus on sustainable business practices, underpinned by ethical behaviour.'

Dr Reuel J Khoza
Chairman

GLOBAL ECONOMY

The past year was one of unprecedented economic turmoil globally. We witnessed the start of a widespread recession, the implosion of the financial sector and the demise and even nationalisation of some of the most established and reputable global institutions. Few could have predicted the magnitude of this catastrophe.

At the core of the problem was the deteriorating credit environment that resulted in the subprime mortgage crisis which surfaced in the United States during 2007. Simplistically stated, credit was extended to people who could not afford it, based on the ill-founded assumption that property values would continue to appreciate.

These substandard mortgage loans were packaged as collateralised instruments using complex derivative structures. These loans defaulted in mounting volumes and resulted in massive writedowns for many leading financial institutions.

Nedbank had no direct exposure to the foreign subprime market or any of these related derivative instruments.

The effects of this meltdown will be felt for some time to come. However, it is hoped that business the world over will learn valuable lessons and once again focus on sustainable business practices, underpinned by ethical behaviour, which is in the interests of all stakeholders, not just the self-serving interests of a few.

DOMESTIC ENVIRONMENT

South Africa's resilience in the face of this worldwide crisis can be attributed largely to the regulatory framework and prudent fiscal policies that define our business practices and banking system and ensure companies and individuals operate within conservative bounds.

Three specific regulations warrant mention. The National Credit Act, introduced in 2006 to curb lending and shield consumers from reckless credit granting, has also sheltered the industry from the poor credit practices applied in many first-world countries. The implementation of the Basel ll risk management philosophy and discipline in January 2008 and the conservative capital adequacy requirements imposed by the Banking Regulator have ensured that local banks continued to manage risk prudently and remained well-capitalised. Finally, our foreign exchange controls, which limit the flow of funds offshore, have added further protection and provided a measure of insulation for our economy. Further details on the impact of the global crisis on South Africa and Nedbank, and the reasons why our country was largely sheltered from the turmoil, are contained in the Risk and Capital Management Report on page 116.

Domestically we have not only seen our economy slowing to the brink of a recession, but we have also seen momentous changes on the political front.

It should be reassuring to the international community that South Africa has firmly established institutions and forums such as our constitution and the rule of law that underpin our democracy. This ensures that people in leadership roles are constrained in their actions and that politicians remain accountable to their constituencies.

Recent developments on the political landscape have introduced a healthy diversity and bode well for the future of our young democracy, as well as our economy.

BANKING SECTOR

The South African banking environment is experiencing the effects of a slowing domestic economic cycle brought on by high interest rates and high levels of inflation, and the secondary effects of the global financial crisis. Across the banking sector we have seen rising bad-debt levels and lower levels of recoveries in the retail environment as household finances remain strained.

On the positive side our banks have experienced less volatility than many of their international peers, while also not facing the same liquidity challenges and levels of writedowns. Throughout the year rand liquidity remained stable, with the interbank lending market continuing to operate efficiently.

Our banking system is highly advanced with sophisticated, worldclass risk management techniques that have been more conservatively applied than has often been the case offshore.

On the regulatory front the Competition Commission's inquiry into bank charges resulted in the release of its report late in the year and it has called for comment on the recommendations. It is anticipated that the final outcome of the banking inquiry process will be finalised during 2009. We remain supportive of the objectives of the inquiry and are committed to an outcome that provides real benefit to consumers and ensures the ongoing competitiveness and stability of the financial services industry.

AN INVESTMENT CASE

While the price of banking shares has been under severe pressure over the past two years owing to the myriad of global and domestic challenges, we believe that Nedbank Group has many aspects an investor should consider when making an investment decision. Management has identified a range of sector- and company-specific criteria on page 4 that an investor could consider when making a decision on a share investment. This highlights how Nedbank Group's strategy and key strengths will favourably position the business as the prospects for the banking sector improve beyond 2010.

A key point to highlight is that we offer a broad spectrum of banking products within southern Africa. Owing to the size of the group and the high percentage of Africa's potential banking economic profit being generated from this region, we still have opportunities to grow without having to adopt a higher-risk strategy of acquiring or building businesses further afield.

FINANCIAL PERFORMANCE

Nedbank Group posted a robust performance when one considers the adverse trading environment over the past year. The board commends management for its unwavering focus on capital, liquidity and risk management during this tough time. The group's financial and operational performance is covered in further detail in both the Chief Executive's Report on page 44 and the Chief Financial Officer's Report on page 48.

BOARD OF DIRECTORS

During the year we took leave of three of our non-executive directors who had collectively served on the board for 18 years and made a profound contribution to boardroom debate at Nedbank Group. Independent non-executive director Barry Davison resigned owing to increased business commitments and fellow independent director Cedric Savage retired, while Jim Sutcliffe stood down from the board

following his resignation as Chief Executive of Old Mutual plc. We are grateful for the role they have played and wish them well into the future.

We welcomed two new independent non-executive directors. Nomavuso Patience Mnxasana joined the board in October 2008 and adds a wealth of financial knowledge garnered in the accounting profession and the corporate world. Alan Knott-Craig was appointed to the board from the start of 2009. Alan was one of the pioneers of the mobile telephone technology industry in Africa and under his leadership Vodacom became one of the most admired companies in the country. Banking is becoming increasingly dependent on technology innovation and we look forward to benefiting from Alan's expertise and strategic insight.

Following the creation of the position of senior independent non-executive director, the post held by Chris Ball, the board decided to do away with the position of vice-chairman of the board. The Joint Vice-chairmen of the board, Michael Katz and Lot Ndlovu, will formally step down from their positions at the forthcoming annual general meeting and continue to serve as directors, while also retaining their current board committee responsibilities.

Both these directors have been reclassified from non-executive to independent non-executive directors in terms of the definitions of King ll and the JSE Listings Requirements. It has now been well over three years since these directors were executives of the group and Lot Ndlovu's consultancy contract has also now expired. The board has considered the independence in character and judgement of these directors when changing their status to independent directors.

The United Kingdom's Combined Code on Corporate Governance states that independence can be compromised if a non-executive director has served on a board for more than nine years. Four of our directors have exceeded this period. To ensure sound governance the board has introduced a practice that any directors serving for more than nine years will now be required to be reelected every year.

Our board now comprises 16 directors, with nine independent non-executive directors, five non-executive directors and two executive directors. We are committed to retaining a majority of independent directors, also recognising that three of our directors, including myself, are not considered independent owing to our shareholdings in the group's black economic empowerment scheme and that another two directors represent Old Mutual plc on our board.

We plan to appoint further directors to the board in the months ahead, with a combination of seasoned directors and those new to the boardroom, bringing further diversity across ethnicity, gender and business experience.

APPRECIATION

Nedbank Group is served by a high-calibre board and I thank my fellow directors for their dedication in executing their governance and oversight responsibilities.

We thank the Registrar of Banks for his guidance of the sector through one of its most challenging years.

The group has delivered a creditable performance in trying conditions, and on behalf of the board I extend my thanks to Tom Boardman and the Group Executive Committee for their leadership and guidance over the past year.

It has been pleasing to see the commitment and teamwork of our staff in their efforts towards realising our vision of making Nedbank Group 'southern Africa's most highly rated and respected bank'.

Dr Reuel J Khoza
Chairman

Sandton
25 February 2009

BOARD OF DIRECTORS
AT 1 JANUARY 2009

Dr Reuel Jethro Khoza (59)

Non-executive Chairman
(appointed August 2005)

Qualifications:
BA(Hons) Psychology (UNIN), MA Marketing Management (Lancaster, UK), EngD (Warwick, UK), IPBM – IMD (Lausanne, Switzerland), PMD (Harvard Business School, USA), LLD (hc).

Nationality:
South African.

Reuel Khoza is Chairman of Aka Capital, Corobrik (Pty) Limited, Nepad Business Foundation and Murray & Roberts Cementation (Pty) Limited. He is a non-executive director of Nampak Limited, Protea Group Limited and Old Mutual plc. He is President of the Institute of Directors and in this capacity served on the King II and King III Committees on corporate governance. He is a founding director of the Black Management Forum and the former Chairman of Eskom Holdings.

Nedbank Group Board committees:
Nedbank Group Directors' Affairs Committee (Chairman).

Nedbank Group ordinary shares:
1 031 beneficial indirect and 1 031 non-beneficial indirect.

Nedbank Limited preference shares:
0.

Christopher John Watkins Ball (69)

Senior Independent Non-executive Director
(appointed November 2002)

Qualifications:
Dip Iuris, MA

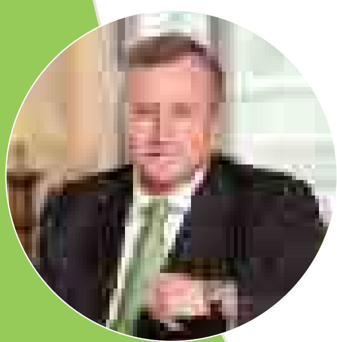
Nationality:
South African.

Chris Ball was previously a non-executive director of BoE Limited and five of its subsidiary companies, including Century City Limited. He is currently a non-executive director of Mutual & Federal Insurance Company Limited and Imperial Bank Limited.

Nedbank Group Board committees:
Group Finance and Oversight Committee (Chairman), Group Audit Committee (Chairman), Group Remuneration Committee, Group Credit Committee, Nedbank Group Directors' Affairs Committee, Nedbank Group Risk and Capital Management Committee, Group Transformation and Sustainability Committee and Board Strategic and Innovation Management Committee.

Nedbank Group ordinary shares:
10 000 beneficial direct.

Nedbank Limited preference shares:
144 300 beneficial direct.



Thomas Andrew Boardman (59)

Chief Executive
(appointed November 2002 as director and December 2003 as Chief Executive).

Qualifications:
BCom, CA (SA).

Nationality:
South African.

Tom Boardman is Chief Executive of Nedbank Group and Nedbank Limited. He was formerly the Chief Executive and an executive director of BoE. Past directorships include Boardmans and Sam Newman Limited as well as BoE International Holdings Limited and Northwind Investments (Pty) Limited. He is a non-executive director of Mutual & Federal Insurance Company Limited and the Banking Association.

Nedbank Group Board committees:
Group Credit Committee (member for purposes of the approval of large exposures only).

Nedbank Group ordinary shares:
98 936 beneficial direct and 60 167 beneficial indirect.

Nedbank Limited preference shares:
85 000 non-beneficial indirect.

Michael William Thomas Brown (42)

Chief Financial Officer (appointed June 2004).

Qualifications:
BCom, Dip Acc, CA (SA).

Nationality:
South African.

Mike Brown is the Chief Financial Officer of Nedbank Group and Nedbank Limited. He was an executive director of BoE, and after the merger between Nedbank Group, BoE, Nedcor Investment Bank and Cape of Good Hope Bank he was appointed as Head of Property Finance at Nedbank Limited.

Nedbank Group Board committees:
Group Credit Committee (member for purposes of the approval of large exposures only).

Nedbank Group ordinary shares:
39 522 beneficial indirect and 49 940 beneficial direct.

Nedbank Limited preference shares:
0.

Thenjiwe Claudia Pamela Chikane (43)

Independent Non-executive Director (appointed November 2006).

Qualifications:
CA (SA).

Nationality:
South African.

Thenjiwe Chikane is a chartered accountant by profession practising as a consultant. She was previously the Chief Executive Officer of MGO Consulting and the Head of the Gauteng Department of Finance and Economic Affairs. She was also a non-executive director of the Development Bank of Southern Africa, Telkom, Datacentrix, PetroSA and Chairperson of the State Information Technology Agency.

Nedbank Group Board committees:
Group Audit Committee, Board Strategic Innovation Management Committee and Group Transformation and Sustainability Committee.

Nedbank Group ordinary shares:
86 912 beneficial indirect.

Nedbank Limited preference shares:
0.

Mustaq Ahmed Enus-Brey (54)

Non-executive Director (appointed August 2005).

Qualifications:
BCompt(Hons), CA (SA).

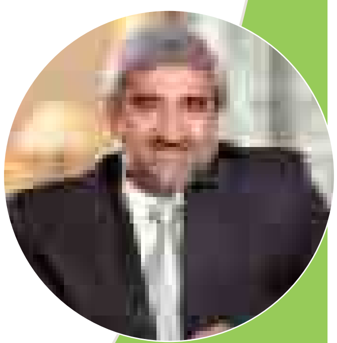
Nationality:
South African.

Mustaq Enus-Brey is a director of Brimstone Investment Corporation Limited and Oceana Group Limited.

Nedbank Group Board committees:
Nedbank Group Risk and Capital Management Committee (Chairman), Nedbank Group Directors' Affairs Committee, Group Credit Committee and Group Finance and Oversight Committee.

Nedbank Group ordinary shares:
1 650 beneficial indirect and 546 non-beneficial indirect.

Nedbank Limited preference shares:
0.



Prof Brian De Lacy Figaji (64)

Independent Non-executive Director (appointed November 2002).

Qualifications:
BSc(Eng), Dip Tertiary Edu Med, DEd (Coventry, UK), DLitt (hc) (California State, USA).

Nationality:
South African.

Brian Figaji is Chairman of I&J Limited and MARIB Holdings. He is the former Principal and Vice-chancellor of the Peninsula Technikon. He is also a director of PetroSA, Cape Lime (Pty) Limited, ASSET (Educational Trust) (Trustee) and the Development Bank of Southern Africa.

Nedbank Group Board committees:
Group Credit Committee, Group Remuneration Committee, Group Transformation and Sustainability Committee.

Nedbank Group ordinary shares:
114 579 beneficial indirect and 2 296 non-beneficial indirect.

Nedbank Limited preference shares:
0.

Rosemary Harris (50)

Non-executive Director (appointed December 2007).

Qualifications:
BA(Hons), ACA.

Nationality:
British.

Rosemary Harris is a chartered accountant by profession and joined Old Mutual in April 2007 after a 21-year career at Prudential plc. During this time she held several senior positions, including Customer Service Director and Risk Management Director, and was most recently Chief Operating Officer for Prudential UK and Europe.

Nedbank Group Board committees:
Nedbank Group Risk and Capital Management Committee.

Nedbank Group ordinary shares:
0.

Nedbank Limited preference shares:
0.

Robert Michael Head (50)

Non-executive Director (appointed January 2005).

Qualifications:
MA (Oxon), ACA, ACII, FCIB.

Nationality:
British.

Bob Head is a former non-executive director of Mutual & Federal Insurance Company Limited and Old Mutual Life Assurance Company (SA) Limited. He is now in charge of the Skandia businesses in Europe and Latin America. He joined Old Mutual plc in February 2003. Prior to that he was Chief Executive of smile.co.uk, Finance Director of egg.com (both UK internet banks) and held various directorships.

Nedbank Group Board committees:
Nedbank Group Remuneration Committee, Nedbank Group Risk and Capital Management Committee and Group Finance and Oversight Committee.

Nedbank Group ordinary shares:
0.

Nedbank Limited preference shares:
0.

Prof Michael Mervyn Katz (64)*

Independent Non-executive Vice-chairman (appointed November 1997 as Director and November 2002 as Non-executive Vice-chairman).

Qualifications:

BCom, LLB, LLM (Harvard Law School, USA), LLD (hc).

Nationality:

South African.

Michael Katz is non-executive Vice-chairman of Nedbank Group, Nedbank Limited and Chairman of Edward Nathan Sonnenbergs Inc. He was Chairman of the Commission of Inquiry into the Tax System of South Africa and Tax Advisory Committee. He is an honorary professor of Company Law at the University of the Witwatersrand. He is also a non-executive director of Nampak Limited and a member of the Securities Regulatory Panel.

Nedbank Group Board committees:
Group Credit Committee (Chairman), Nedbank Group Directors' Affairs Committee, Board Strategic Innovation Management Committee, Group Transformation and Sustainability Committee and Group Finance and Oversight Committee.

Nedbank Group ordinary shares:
4 826 beneficial indirect.

Nedbank Limited preference shares:
165 000 beneficial direct and 105 000 non-beneficial indirect.

** Reclassified as an independent non-executive director with effect from 20 February 2009.*

Alan De Villiers Charles Knott-Craig (56)

Independent Non-executive Director (appointed January 2009).

Qualifications:

BSc(Eng)(Elec), Master of Business Leadership, Doctor of Business Leadership (hc).

Nationality:

South African.

Alan Knott-Craig served as Managing Director of cellphone network operator Vodacom Limited from 1993 and was Chief Executive of Vodacom Group from 1996 until his retirement at the end of September 2008. He is currently an independent non-executive director of Murray and Roberts Holdings Limited and a member of the Board of the Council for Scientific and Industrial Research.

Nedbank Group Board committees:
Board Strategic Innovation Management Committee (effective 20 February 2009)

Nedbank Group ordinary shares:
0.

Nedbank Limited preference shares:
0.

Johannes Bhekumuzi Magwaza (66)

Independent Non-executive Director (appointed October 1996).

Qualifications:

BA, MA (Warwick, UK).

Nationality:

South African.

JB Magwaza is Chairman of Mutual & Federal Insurance Company Limited and South Ocean Holdings Limited. He is also a non-executive director of Dorbyl Limited, Rainbow Chicken Limited, Kap International Limited, Hulamin Limited and Tongaat Hulett Limited.

Nedbank Group Board committees:
Group Remuneration Committee (Chairman), Group Audit Committee, Nedbank Group Directors' Affairs Committee, Group Transformation and Sustainability Committee.

Nedbank Group ordinary shares:
160 beneficial direct, 114 529 beneficial indirect and 549 non-beneficial indirect.

Nedbank Limited preference shares:
0.

NEDBANK GROUP

Mafika Edmund Mkwanazi (55)

Independent Non-executive Director (appointed April 1999).

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

Nationality:
South African.

Mafika Mkwanazi was previously Group Chief Executive of Transnet Limited. He is currently Chairman of Hulamin Limited. He is also a director of Stefanutti and Stocks Holdings Limited, MSC Logistics Limited, MSC Depots Limited and Saatchi and Saatchi.

Nedbank Group Board committees:
Board Strategic Innovation Management Committee (Chairman), Nedbank Group Directors' Affairs Committee, Group Finance and Oversight Committee, Nedbank Group Risk and Capital Management Committee.

Nedbank Group ordinary shares:
1 768 beneficial direct, 114 579 beneficial indirect and 1 148 non-beneficial indirect.

Nedbank Limited preference shares:
0.

Nomavuso Patience Mnxasana (52)

Independent Non-executive Director (appointed October 2008).

Qualifications:
BCompt(Hons), CA (SA).

Nationality:
South African.

Nomavuso Mnxasana is a director at Imperial Bank Limited and Land Bank Limited. A chartered accountant by profession, she was a senior partner and member of the executive committee of SizweNtsaluba. She then served as group audit and risk executive at Imperial Holdings Limited.

Nedbank Group Board committees:
Nedbank Group Audit Committee.

Nedbank Group ordinary shares:
0.

Nedbank Limited preference shares:
0.

Maduke Lot Ndlovu (57)*

Independent Non-executive Vice-chairman (appointed May 1993 as Non-executive Director, November 1994 as Executive Director and May 2004 as Non-executive Vice-chairman).

Qualifications:
Dip LR, MAP, EDP (North Western, USA), AMP (Harvard Business School, USA). Holds honorary doctorate from Pretoria Technikon (now Tshwane Institute of Technology).

Nationality:
South African.

Lot Ndlovu is non-executive Vice-chairman of the Nedbank Group and Nedbank Limited. Previously he was CEO of Peoples Bank. He is Chairman of NestLife Assurance Corporation Limited, The South African National Roads Agency Limited, Nakatomi Corporation Limited, Community Growth Management Company Limited, Crystal View Consulting Limited, St Anthony's Education Centre, Jomba Investments Limited, True Class Consortium and November Ten Charities. He is a director of Mutual & Federal Insurance Company Limited, Nampak Limited, Cross Continents Investments Limited, Saxon Road Nominees Limited, Sani Pass Management Company Limited, Sani Pass Development Company Limited and Sec-Itech Limited. He is also a member of the Independent Commission for the Remuneration of Public Office Bearers, the Business Trust on Job Creation and Hope in Victory (a care-giving organisation for HIV patients). Lot is a doyen of the black empowerment movement in South Africa. He was President of both the Black Management Forum (BMF) and the Black Business Council. The Black Economic Empowerment Commission was initiated by the BMF under his presidency.

Nedbank Group Board committees:
Group Credit Committee, Nedbank Group Risk and Capital Management Committee, Nedbank Group Directors' Affairs Committee, Chairman of the Group Transformation and Sustainability Committee.

Nedbank Group ordinary shares:
246 769 beneficial indirect.

Nedbank Limited preference shares:
0.

** Reclassified as an independent non-executive director with effect from 20 February 2009.*

Gloria Tomatoe Serobe (49)

Non-executive Director (appointed August 2005).

Qualifications:
BCom (Unitra), MBA (Rutgers, USA).

Nationality:
South African.

Gloria Serobe is the Chief Executive of Wipcapital Limited and also founder and executive director of Wiphold Limited. She was previously the Executive Director: Finance at Transnet. Gloria serves on several boards, including that of JSE Limited and sits on the Financial Sector Charter Council. She is also a non-executive director of Old Mutual Life Assurance Company (SA) Limited.

Nedbank Group Board committees:
Nil.

Nedbank Group ordinary shares:
972 beneficial indirect and 2 458 non-beneficial indirect.

Nedbank Limited preference shares:
0.

CHIEF EXECUTIVE'S REPORT

'In the current volatile financial environment the group has increased its focus on capital, liquidity and risk management. We are taking a more conservative stance and are focusing on the longer-term profit potential of the group, rather than seeking to maximise short-term profitability.'

Tom Boardman
Chief Executive

A RESILIENT PERFORMANCE

While the South African banking sector has largely avoided the impact of the global banking crisis, our industry has been severely affected by the environment of high interest rates in South Africa and the downturn in the global economic cycle.

Nedbank Group has performed well in the face of these extreme challenges. Our corporate businesses have shown their resilience while our retail business has felt the impact of the consumer slowdown. At R5,8 billion the group's headline earnings are down only marginally on last year.

Over the past year we have seen the value of many global banks destroyed, so it is pleasing for Nedbank Group to report a 16% growth in our tangible net asset value.

We have understandably adopted a more conservative approach to managing the business. We have focused on increasing our capital levels, with the total capital adequacy ratio increasing from 11,4% to 12,4%, well above the regulatory minimum level of 9,75%. Our risk management systems are proving effective in volatile markets, aided by the successful implementation of Basel ll at the start of the year. Liquidity levels remain sound.

The significant investment we have made over the past four years in our people, our systems, our brand and our distribution network to service our clients has stood us in good stead and allowed us to weather the storm. Even as the economy slowed over the past year we continued to invest for growth. The progress made during the recovery programme and over the recent past to build a sustainable business continues to benefit the group.

Harsh lessons have been learnt from the global banking crisis. Early warning signals will no doubt be heeded in future and taken more seriously. There is also a realisation of the need to respond in a coordinated and coherent manner in a time of crisis, rather than businesses or even countries acting individually.

We also hope that these lessons will be applied to other pressing issues facing us, most notably the challenge of climate change that is rapidly accelerating to the point that it will become irreversible, with devastating consequences on a global scale. Hopefully the current financial and economic crisis will not see climate change relegated further down corporate and national agendas.

As with the financial crisis, early warnings have been ignored and countries continued to put national interests ahead of the greater good of humankind.

National solutions will not resolve a global crisis.

VISION-LED AND VALUES-DRIVEN

In last year's annual report I outlined how we have focused on building an organisation that is vision-led and values-driven, and on our commitment to using corporate culture as a competitive advantage.

Values are a key component of corporate culture as it is ultimately values that drive behaviour. Transformation specialist Richard Barrett in his groundbreaking book *Liberating the Corporate Soul* makes three key points based on research in over 500 companies in 35 countries. They are:

- The most successful organisations on the planet are vision-guided and values-driven.
- Organisational transformation begins with the personal transformation of the leadership group. Organisations don't transform, people do.
- Values alignment helps build sustainable, long-lasting organisations that can withstand shocks and transform under conditions of prolonged duress.

The global financial and economic crisis has shown, amid a host of other lessons, the consequences of losing the moral compass. Long-term success, for countries as much as for companies, needs a compelling vision and a solid foundation built on principles and values that act as a centre of gravity.

It is extremely encouraging that over the last five years we have achieved a significant shift in both the awareness and alignment of values across the majority of our staff at Nedbank. We have started building a cultural resilience that will equip us to withstand the type of shocks to which banks are being subjected as well as to remain sustainable under the prolonged conditions of duress that we are now facing.

The continued investment in our staff is also reflected in the results of our annual staff survey. The survey covers 12 dimensions and, as it is completed by a high proportion of our staff, provides clear insight into staff morale and highlights issues that need to be addressed. In 2008 the overall score improved to 75,1% from 71,5% in 2007 and

59,6% when we introduced the survey in 2005. The dimensions for which our staff give Nedbank the highest ratings are 'ethics', 'strategic direction', 'leadership' and 'communication'. The dimensions that reflect the greatest positive change over the last four years are 'change and transformation' and 'organisational culture and values'.

We have included in this annual report a section on our view of the causes of the current financial crisis as well as our view on why the South African banking system has avoided the worst of the fallout.

As part of our response to the crisis, we have reviewed the group's risk appetite limits, exposures and processes. We have also reviewed remuneration structures, which have certainly played a role in the crisis. Most of all we strive to ensure that ethics permeate the corporate culture and that the bank is in alignment with public opinion.

TRANSFORMATION

Transformation remains a strategic differentiator for the group and our ability to accelerate the pace of transformation is key to achieving our goal of becoming a truly southern African group.

All our transformation initiatives are driven within a framework we established called the ' 10 transformation truths'. Key to our approach is that transformation initiatives should seek to unify rather than divide and should be underpinned by our corporate values. We are committed to seeking solutions that will use all the skills of all our people.

We are ever mindful of Oliver Tambo's injunction, 'It is our responsibility to break down barriers of division and create a country where there will be neither whites nor blacks, just South Africans free and united in diversity'.

We have always said that transformation is more than compliance and numbers, but our performance against the Financial Sector Charter (FSC) scorecard and Department of Trade and Industry (dti) Codes of Good Practice targets over the past year highlight the good progress we have made.

The bank submitted an audited score of 99,07 (2007: 97,50) out of a possible 100 points to the FSC Council, while our rating under the dti Codes has been verified as a level-three black economic empowerment (BEE) contributor (2007: level four).

While employment equity is only one aspect of transformation, it is pleasing to note that the number of black staff, as a percentage of the total staff complement, has increased to 65%, up from 51% in 2004. Within the management ranks, black executives account for 60% of all management. Black directors now make up 60% of our board.

GROWTH IN BUSINESS BANKING

Our Business Banking Division within Nedbank Corporate has experienced strong growth momentum in recent years under the leadership of Ingrid Johnson. In recognising the strategic importance of this business and the major market segment it serves, Business Banking has become a standalone business cluster from the start of 2009. Nedbank Group's client-facing structures now comprise Nedbank Corporate, Nedbank Business Banking, Nedbank Capital, Nedbank Retail and Imperial Bank.

Business Banking is differentiated in the market through its decentralised, regional structure and client-centric business model, serving over 23 000 clients with annual turnovers of up to R400 million. Since 2004 headline earnings have increased at a compound annual growth rate of 32% per annum. With headline earnings of R1 369 billion, Business

Banking was the largest single contributor to group profits in 2008. The return on capital has grown from 16% to 31%, while the efficiency ratio has improved from 64% to 47% over the same period.

Business Banking is expected to remain an area of high growth for the group.

STRENGTHENED LEADERSHIP

Over the past year we have not only strengthened the Group Executive Committee (Group Exco), but also enhanced transformation and succession planning. Following the establishment of the Business Banking Division as a standalone cluster, Ingrid Johnson was appointed to the Group Exco. Mfundo Nkuhlu, the Managing Executive of Corporate Banking, was appointed Deputy Managing Executive of the Nedbank Corporate business cluster and also joined the Group Exco. We also welcomed Fred Swanepoel to the Group Exco as Chief Information Officer and Managing Executive of Group Technology following the resignation of Len de Villiers.

GROUP FOCUS

Our vision is to become southern Africa's most highly rated and respected bank. Sound progress has been made in our strategy of providing a full-spectrum banking service by driving our strong and highly competitive wholesale franchise and continuing to build our retail presence as we aim to become a bank for all southern Africans.

Late in the year the bank entered into a strategic alliance with Ecobank, the Pan-African banking group that operates mainly in West and Central Africa. The alliance will provide a seamless experience to clients of Ecobank and Nedbank in 30 countries through more than 1 000 branches across the continent.

In the current volatile financial environment the group has increased its focus on capital, liquidity and risk management. We are taking a more conservative stance and focusing on the longer-term profit potential of the group, rather than seeking to maximise short-term profitability. Our areas of focus in the year ahead will be:

- managing risk as an enabler by proactively managing capital, liquidity, risk and credit;
- enhancing productivity and efficiency, execution and ongoing smart cost management; and
- growing our share of economic profit and managing for value.

The year 2009 will undoubtedly be very tough for the local banking sector, but we currently anticipate improved prospects for growth in the medium term. We are confident that the bank is well-positioned for what lies ahead and our people are committed to Make Things Happen. At the same time we understand how difficult life is for many of our clients. This includes the small-business sector, which is the growth engine of our economy. By understanding our clients' needs and maintaining close relationships we are trying wherever possible to reach solutions together.

APPRECIATION

We are operating in an unprecedented time of global financial crisis and economic downturn. It is at times like this that our dependence on the integrity and ability of our people become more apparent than ever. I would like to thank all my colleagues on the Group Exco and all staff at Nedbank for their loyalty, commitment and hard work. I am privileged to work with one of the best teams with whom I have been associated in my 35 years in South African business.

I would like to thank all our clients for their ongoing support of Nedbank and assure you of our commitment to continually strive to improve our sevice levels.

Our Chairman, Reuel Khoza, leads the board with distinction, and in closing I thank him for the supportive role he has played in the group.

Tom Boardman
Chief Executive

Sandton
25 February 2009

CHIEF FINANCIAL OFFICER'S
REPORT

'2009 will be a very tough year, with margins coming under pressure from falling interest rates and impairments continuing to rise. The environment remains volatile and risks to assumptions underpinning any forecasts currently appear increasingly on the downside. Our priority is to maintain our solid capital ratios and strong liquidity levels.'

Mike Brown
Chief Financial Officer

INTRODUCTION

It is pleasing to report that in this challenging environment for the banking sector Nedbank Group remained solidly profitable, increased capital levels and achieved four of its seven medium- to long-term financial targets, notably the efficiency ratio, capital adequacy ratio, economic capital and dividend cover levels.

The return on ordinary shareholders' equity (ROE) target was not achieved owing to the group reporting slightly lower headline earnings – mainly as a result of increasing retail impairment levels and lower private-equity earnings that reduced the return on assets – together with higher capital levels and lower leverage as capital adequacy ratios increased during 2008. The credit loss ratio increased owing to the credit stress being experienced in the domestic banking sector and remained outside the target range of 55 to 85 basis points. While this stress was primarily in the retail portfolios as a result of affordability challenges from higher interest rates, the rapid slowdown in the domestic economy is increasingly affecting the wholesale portfolios off a low base.

After having invested significantly into a worldclass Basel II risk and capital management environment, we embarked on a programme 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, capital management activities and external-reporting capabilities. The focus on enhancing external reporting has resulted in consistently improved reporting timelines and the group reported audited preliminary results for the first time for the 2008 financial year.

The Nedbank Group Annual Report was ranked fourth out of the top 100 JSE-listed companies in Ernst & Young's annual Excellence in Corporate Reporting Awards in 2008. This ranking is adjudicated by the accounting department at the University of Cape Town in conjunction with Ernst & Young and is an external endorsement of our ongoing commitment to increasing disclosure and enhancing our levels of reporting to the investment community.

The process of reducing the complexity of the group, following the legacy mergers and business combinations, is nearing completion. The significant reduction of legal entities has, in itself, generated operating efficiencies and reduced risk.

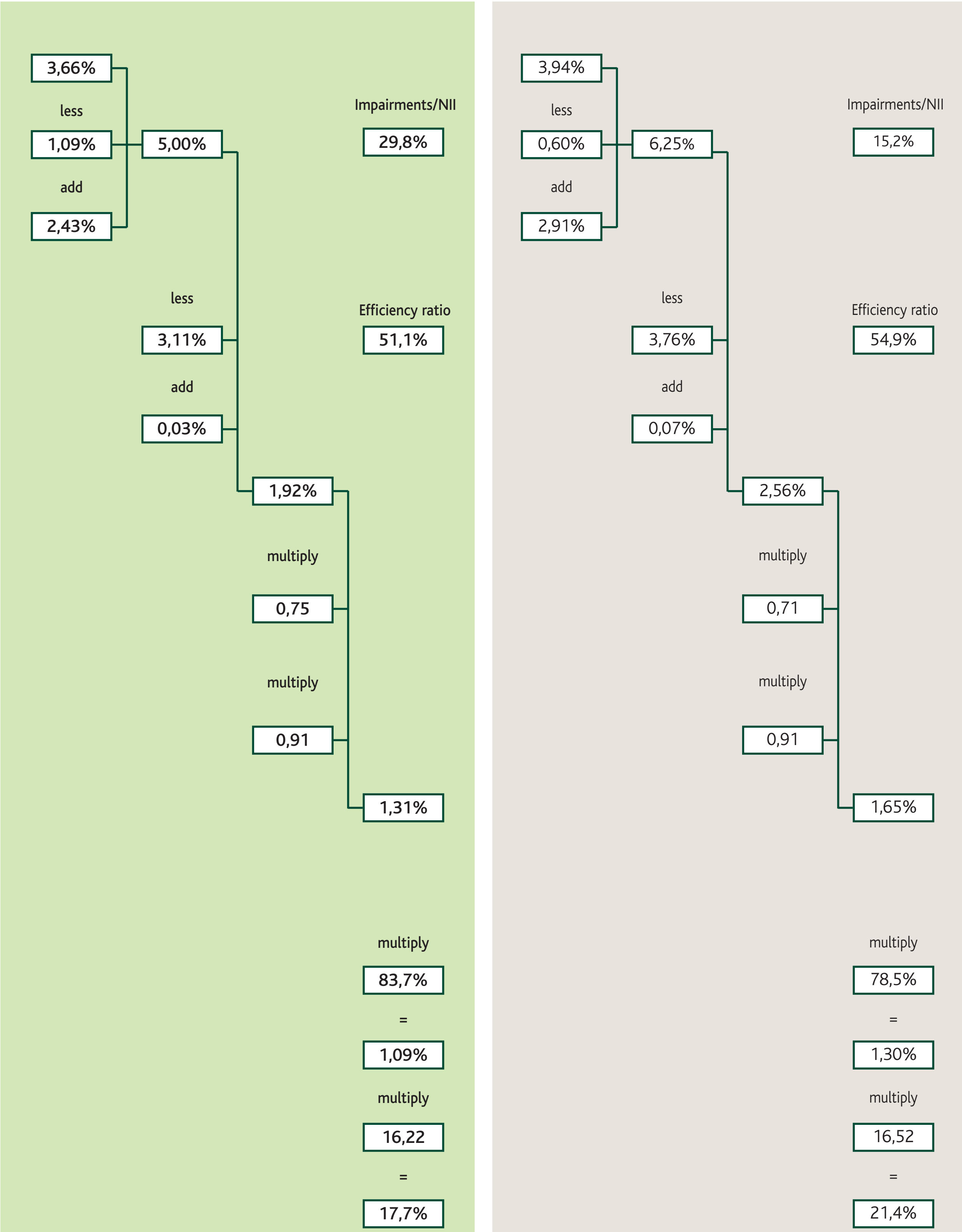
RETURN ON EQUITY DRIVERS

for the year ended 31 December

Rm	2008	2007	
Net interest income (NII)	16 170	14 146	NII/Average interest-earning banking assets
Impairment of loans and advances	(4 822)	(2 164)	Impairments/Average interest-earning banking assets
Non-interest revenue (NIR)	10 729	10 446	NIR/Average interest-earning banking assets
Income from normal operations	22 077	22 428	
Total operating expenses	(13 741)	(13 489)	Total expenses/Average interest-earning banking assets
Share of profits of associates and joint ventures	154	239	Associate income/Average interest-earning banking assets
Net profit before taxation	8 490	9 178	
Indirect taxation	(374)	(305)	
Direct taxation	(1 757)	(2 336)	1 – effective taxation rate
Net profit after taxation	6 359	6 537	
Minority interest	(594)	(616)	Income attributable to minorities
Headline earnings	5 765	5 921	Headline earnings
Daily average interest-earning banking assets*	441 713	358 824	Interest-earning banking assets/Daily average total assets
Daily average total assets*	483 419	399 049	Interest-earning banking assets/Simple average total assets
Simple average total assets	527 940	456 884	**Return on total assets**
Simple average shareholders' funds	32 553	27 655	**Gearing**
			Return on ordinary shareholders' equity

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

2008 | 2007



NEDBANK GROUP

CHALLENGES FACING THE BANKING SECTOR

Before reviewing the group's financial performance, it is useful to outline the challenges faced by the local banking sector over the past year (refer to the Economic review on page 32 for a summary of the broader economic conditions prevailing in South Africa in 2008 and the Risk and Capital Management Report on pages 116 to 182 for an indepth analysis of the causes of the international banking crisis as well as the reasons we believe South African banks have to date been relatively insulated, but not completely immune, from this).

- Pressure on margins as the overall cost of longer-term funding increased. Rand liquidity remained stable throughout the year, with the interbank lending market continuing to operate efficiently. Local banks have been able to finance new assets in the normal course of business.
- Reduced capacity and increased cost of funding in the domestic debt capital markets.
- Rising non-performing loans and lower levels of recoveries, especially in the retail environment as household finances remained strained and asset prices came under pressure. This trend intensified in the second half of 2008 and has been increasingly affecting small and medium-sized businesses, and will undoubtedly also impact some larger corporates in the year ahead.
- Sharply slower retail advances growth, partly offset by reasonable wholesale-advances growth.
- The implementation of the Basel II accord in January 2008.

RESPONSE TO ECONOMIC SLOWDOWN

In response to the turmoil in the global financial markets and the slower domestic economy, Nedbank Group adopted a more conservative approach and intensified its focus on the following:

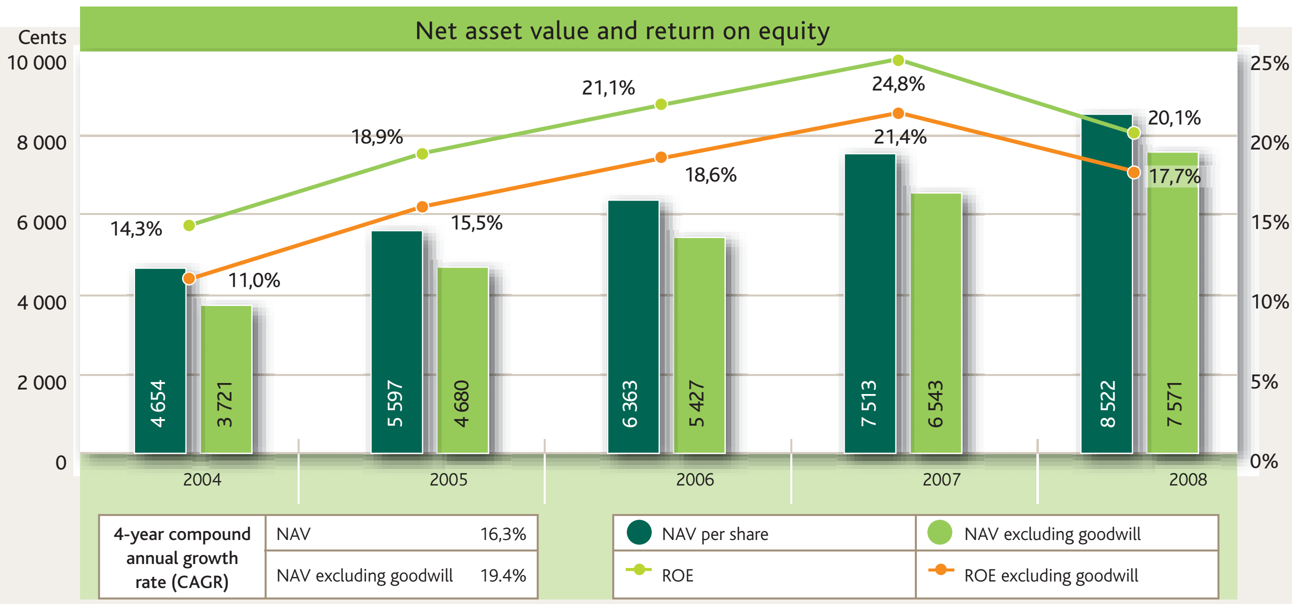
- Increasing capital adequacy levels.
- Growing deposits and liquidity.
- Proactive risk management.
- Selectively growing assets in businesses that are well-positioned to increase economic profit.
- Continuing to manage for value in those businesses that have lower economic profit profiles.
- Managing down positions in riskier lines of business.

FINANCIAL PERFORMANCE

This review provides a detailed summary of the group's performance over the past year and should be read in conjunction with the annual financial statements on pages 183 to 341.

Headline earnings decreased by 2,6% from R5 921 million to R5 765 million. Basic earnings grew by 6,4% to R6 410 million (2007: R6 025 million).

Diluted headline earnings per share (EPS) decreased by 2,0% from 1 429 cents to 1 401 cents. Diluted EPS grew by 7,2% from 1 454 cents to 1 558 cents, driven largely by the R622 million after-tax profit on the sale of Visa shares in the first half of the year.



The group's return on average ordinary shareholders' equity, excluding goodwill, decreased from 24,8% to 20,1%. ROE dropped from 21,4% to 17,7% for the year.

The tangible net asset value (NAV) per share grew strongly, increasing 15,7% to 7 179 cents. The accompanying graph highlights that, although ROE is declining owing to difficult market conditions, the underlying net asset value of the group has continued its steady upward trend, although at slower growth rates.

Credit quality deteriorated throughout 2008, with Nedbank Retail and Imperial Bank's impairments worsening significantly, while the wholesale-banking portfolios showed a moderate deterioration in the second half of 2008. Overall impairments have increased, although the impact on earnings was partially offset by controlled cost growth. The momentum built from disciplined cost management over the past few years continued into 2008 and contributed towards the efficiency ratio improving from 54,9% in 2007 (54,3% excluding Bond Choice) to 51,1 % in 2008 and the 'jaws' ratio growing to 7,5% (2007: 6,9%).

The bank continued to see a steady inflow of client deposits, resulting in retail deposits growing in line with retail advances. Pressure on short-dated maturities has been partially alleviated by market expectations of decreasing interest rates and a strategy of increasing deposit duration, particularly in the second half of the year. Given the group's domestic focus and small foreign-funding requirements (foreign deposits are 1,3% of total group deposits), the group's funding and liquidity levels have remained sound with limited impact from the global financial crisis.

The segmental performance of the group's operating units is covered in the respective operational reviews from pages 64 to 93.

NII

NII grew 14,3% to R16 170 million (2007: R14 146 million) on the back of growth in average interest-earning banking assets of 23,2%.

The group's net interest margin for the year under review was 3,66%, down from 3,94% in 2007. The positive endowment impact of interest rate increases on capital and current and savings accounts was offset by the following:

- Liability margin compression reflecting the higher cost of term funding.
- Asset margin compression from a changing asset mix. Asset pricing continues to be a key focus for improving margins, with higher margins being generated on new assets.
- The cost of holding additional liquidity buffers deemed prudent in the current environment.
- Debits relating to the accounting for historic structured-finance transactions, with related credits offset in taxation.

NII – margin analysis

% of daily average interest-earning banking assets	%	Rm
December 2007	3,94	14 146
Asset growth		3 268
Endowment movement	0,06	278
– Positive net endowment effect	0,13	587
– Increased cost of funding properties in possession	(0,02)	(79)
– Cost of reducing interest rate sensitivity (benefits in 2009/10)	(0,05)	(230)
Liability price movement	0,02	79
– Current and savings accounts	0,20	894
– Increased cost of funds	(0,18)	(815)
Asset price movement	(0,25)	(1 104)
– Personal loans (move to lower risk assets and National Credit Act caps)	(0,04)	(165)
– Secured products margin	(0,10)	(445)
– Other loans	(0,07)	(305)
– Structured deals	(0,04)	(189)
Cost of carrying additional liquidity buffers in government bonds	(0,04)	(165)
Other	(0,07)	(332)
December 2008	3,66	16 170

Average banking balance sheet and related interest

at 31 December

Rm	2008 Average balance	2008 Margin statement interest		2007 Average balance	2007 Margin statement interest	
	Assets	Received	%	Assets	Received	%
AVERAGE PRIME RATE			15,1			13,1
Loans and advances and customers' indebtedness for acceptances						
– Home loans (including properties in possession)	134 703	17 798	13,2	112 132	12 798	11,4
– Commercial mortgages	64 954	8 857	13,6	51 900	6 230	12,0
– Lease and instalment debtors	57 122	8 301	14,5	47 101	6 130	13,0
– Credit cards	7 459	1 332	17,9	6 502	1 003	15,4
– Bills and acceptances*	3 666	67	1,8	3 244	99	3,1
– Overdrafts	15 882	2 271	14,3	13 416	1 727	12,9
– Term loans and other**	113 769	14 592	12,8	89 830	10 613	11,8
– Impairment of loans and advances	(6 881)			(5 722)		
Government and other securities	31 211	3 210	10,3	20 455	1 926	9,4
Short-term funds and trading securities	19 828	1 558	7,9	19 966	1 475	7,4
Interest-earning banking assets	441 713	57 986	13,1	358 824	42 001	11,7
Net interdivisional assets – trading book	5 436			6 765		
Revaluation of FVTPL-designated assets***	(588)			(21)		
Derivative financial instruments	271			282		
Insurance assets	6 118			5 670		
Cash and banknotes	1 921			1 662		
Other assets	6 288			6 628		
Associates and investments	2 883			3 063		
Property and equipment	4 122			3 562		
Intangible assets	5 416			4 861		
Mandatory reserve deposit with central banks	9 839			7 753		
Total assets	483 419	57 986	12,0	399 049	42 001	10,5
	Liabilities	Paid	%	Liabilities	Paid	%
Deposit and loan accounts	245 060	25 941	10,6	197 326	17 161	8,7
Current and savings accounts	57 981	2 027	3,5	55 966	1 708	3,1
Negotiable certificates of deposit	72 513	8 413	11,6	54 729	5 177	9,5
Other interest-bearing liabilities****	41 784	3 906	9,3	33 740	2 746	8,1
Long-term debt instruments	13 750	1 529	11,1	10 244	1 063	10,4
Interest-bearing banking liabilities	431 088	41 816	9,7	352 005	27 855	7,9
Other liabilities	9 721			9 313		
Revaluation of FVTPL-designated liabilities***	(588)			(21)		
Derivative financial instruments	815			1 084		
Investment contract liabilities	6 118			5 669		
Ordinary shareholders' equity	31 165			26 233		
Minority shareholders' equity	5 100			4 766		
Total equity and liabilities	483 419	41 816	8,7	399 049	27 855	7,0
Interest margin on average interest-earning banking assets	441 713	16 170	3,66	358 824	14 146	3,94

Where possible, averages are calculated on daily balances.

* *Includes clients' indebtedness for acceptances.*
** *Includes term loans, preference shares, factoring debtors and other lending-related instruments and interest on derivatives.*
*** *FVTPL – fair value through profit or loss.*
**** *Includes foreign currency liabilities and liabilities under acceptances.*

Impairments charge on loans and advances

The credit loss ratio increased from 0,62% in 2007 (1,02% when reported for the nine months to September 2008) to 1,17% for the full year. The growth in advances and the increase in the credit loss ratio are reflected in a 122,8% increase in the impairments charge from R2 164 million to R4 822 million. Retail credit loss ratios have deteriorated since June 2008 and remain above expected through-the-cycle levels, largely as a result of continuing increases in defaulted advances in the Nedbank Retail Home Loan and Vehicle and Asset Finance Divisions. Wholesale-banking credit loss ratios remain below expected through-the-cycle levels, although the credit loss ratio in Business Banking increased as expected. The credit quality in the Corporate and Investment Banking books remains good, but is expected to be impacted by worsening credit quality in the year ahead, resulting in increased credit loss ratios on these books. Notwithstanding seasonal effects, the unsecured retail portfolio reflected encouraging signs of improvement in the latter part of 2008.

Impairment charge

Rm – year ended	% of average advances	2008	2007
Impairment charge		**4 822**	2 164
As % of NII (%)		**29,8**	15,3
Credit loss ratio (%)		**1,17**	0,62
– Nedbank Capital	13,7	**0,06**	0,05
– Nedbank Corporate	41,6	**0,27**	0,11
– Nedbank Retail	35,0	**2,47**	1,26
– Imperial Bank	9,7	**1,71**	1,28

Defaulted advances increased by 74,6% from R9 909 million to R17 301 million and total impairment provisions increased by 29,3% from R6 078 million to R7 859 million.

NIR

NIR, excluding Bond Choice's commission and sundry income from the 2007 base, grew by 8,7% on a like-for-like basis. Total NIR (including Bond Choice in the 2007 base) increased by 2,7% to R10 729 million (2007: R10 446 million).

Commission and fee income grew by 13,8% on a like-for-like basis (5,1% including Bond Choice), mainly from volume growth and transactional price increases. Cheque processing fees continue to decrease with the NetBank electronic banking system now implemented for all Business Banking clients and a process of migration initiated for Corporate Banking clients. Cash handling fees and transactional banking volumes grew strongly due to the growth in client numbers, reflecting the success of Nedbank's strategy to increase delivery channels, improve client service and strengthen brand positioning. The sale of Bond Choice reduced commission and fee income by R578 million.

Trading income increased by 16,4% from R1 334 million in 2007 to R1 553 million in 2008, reflecting good trading activity in the foreign exchange and global market businesses, although equity and debt trading both had a disappointing year. Adjusting for the loss in the first six months of 2007 in respect of the Macquarie business alliance, trading income would be at similar levels year-on-year.

The sharp fall in equity markets resulted in historic unrealised gains in mark-to-market private-equity positions reducing. In spite of these challenging markets the group managed to record a positive NIR of R303 million from its private-equity portfolios on the back of revaluations, realisations and dividend income.

Fair-value adjustments included an amount of R207 million from the widening of credit spreads on the hedged portfolios of our subordinated debt and related interest rate swaps. This is not high-quality income and will reverse over the life of the underlying hedges, and has not been attributed to capital.

Nedbank Retail's Bancassurance and Wealth Division performed well, considering the dramatic fall in equity markets, with headline earnings – mainly derived from NIR – up 28,2% to R441 million for the year. In particular both BoE Private Clients and the short-term insurance businesses of Nedgroup Insurance Company and Nedgroup Insurance Brokers recorded strong volume and earnings growth.

Non-interest revenue

Rm – year ended	% change	2008	2007 excl Bond Choice	Bond Choice	2007
Commission and fees	13,8	**7 911**	6 950	578	7 528
Trading income	16,4	**1 553**	1 334		1 334
Private-equity income	(66,9)	**303**	915		915
– Nedbank Capital private equity		**127**	608		608
– Nedbank Corporate property private equity		**176**	307		307
Fair-value adjustment on bonds/swap	>100	**291**	(24)		(24)
– Credit spread		**207**	47		47
– Basis		**84**	(71)		(71)
Other fair-value adjustments	>100	**76**	29		29
Other investment income	(13,8)	**69**	80		80
Rental income		**51**	51		51
Sundry income	(10,9)	**475**	533		533
– Non-banking subsidiaries	(16,6)	**226**	271		271
– Other	(5,0)	**249**	262		262
Total NIR	8,7	**10 729**	9 868	578	10 446

Expenses

Nedbank Group continues to invest in its franchise while maintaining a disciplined approach to expenses. Despite high inflation and the increased distribution footprint, expenses continued to be tightly controlled, increasing by 1,9% to R13 741 million (2007: R13 489 million). On a like-for-like basis, excluding Bond Choice, expenses increased by 5,4%.

- Staff expenses declined by 0,6%, notwithstanding a 4,0% increase in staff numbers. Key reasons for this decline were the sale of Bond Choice, lower bonus provisions and an adjustment of R313 million to account for the growth in the Nedgroup Pension Fund asset and a change in the pension fund rules in 2007 in terms of surplus apportionment.
- Marketing costs decreased by 1,1% and include the group's successful investment in soccer through the sponsorship of the Nedbank Cup to increase Nedbank brand awareness.
- Information technology costs grew by 10,0%, largely attributable to investment in systems development for business-, compliance- and risk-related projects as well as higher ATM network costs.
- Other expenses include the share-based payments charge in respect of the group's black economic empowerment (BEE) transaction, which increased from R147 million to R181 million.
- Cooperation with other Old Mutual Group companies continues to yield benefits.

Expenses

Rm – year ended	% change	Dec 2008	Dec 2007 excl Bond Choice	Bond Choice	Dec 2007
Staff costs	0,1	**7 040**	7 034	45	7 079
Computer processing	10,5	**1 841**	1 666	7	1 673
Communication and travel	16,9	**636**	544	15	558
Accommodation	6,1	**1 122**	1 057	11	1 068
Marketing and public relations	1,6	**877**	863	24	887
Fees and insurance	15,3	**1 326**	1 150	348	1 498
Other	23,9	**705**	569	8	578
Operating expenses	5,2	**13 547**	12 883	458	13 341
BEE	31,1	**194**	148	–	148
Total expenses	5,4	**13 741**	13 031	458	13 489

Associate income

Associate income decreased from R239 million in 2007 to R154 million. This was primarily as a result of Nedbank Group's R65 million share of the profit on the sale of JSE Limited shares by BoE Private Clients in the prior year as well as the sale of the group's interests in Whirlprops and Kimberley Clark during 2007.

Taxation

The taxation charge (excluding taxation on non-trading and capital items) decreased by 24,8% from R2 336 million in 2007 to R1 757 million. The effective tax rate decreased from 26,3% in 2007 to 21,6% due largely to the following:

- A reduction in the corporate taxation rate in South Africa from 29% to 28%.
- Accounting for a change in tax legislation impacting investments held in the private-equity portfolios. The proceeds from disposal of qualifying investments held for longer than three years are now defined as capital in nature and the group now accounts for taxation on revaluations of such investments at 14%. In 2008 the taxation charge was reduced by an amount of R153 million (1,9% of the effective tax rate), reflecting the impact of this change in legislation on cumulative revaluations of qualifying investments held at 31 December 2007.
- Accounting for historical structured-finance transactions, which reduced the effective taxation rate by 1,8% (the other side of this entry reduced margin with no overall effect on earnings).
- An increase in dividend income due largely to higher yields from preference share investments linked to prime and higher levels of investment in preference shares issued by clients.

Non-trading and capital items

Income after taxation from non-trading and capital items increased from R104 million in 2007 to R645 million for the year. The main contributions were the R622 million after-tax profit on the sale of Visa shares and the R15 million profit on the sale of 33,5% in Bond Choice.

BALANCE SHEET

Capital

Nedbank Group has strengthened capital ratios significantly, with a Tier 1 capital adequacy ratio of 9,6% (December 2007: 8,2% pro forma Basel II) and a total capital adequacy ratio of 12,4% (December 2007: 11,4% pro forma Basel II). These ratios are now above the group's historic target ranges. The core Tier 1 capital adequacy ratio was 8,2% (December 2007: 7,2% pro forma Basel II). The group currently holds a surplus of R9,6 billion against its calculated economic capital requirements, calibrated to an A- debt rating (including a 10% buffer), and a surplus of R9,5 billion against its regulatory capital adequacy requirements.

Capital adequacy ratios include unappropriated profit at year-end.

Capital adequacy ratios increased due to the issue of the first hybrid Tier 1 capital instruments in South Africa amounting to R1,75 billion, the profits made on the disposal of Visa shares, the retention of earnings and a strong focus on the optimisation of risk-weighted assets, enabled by enhancing data quality and much more selective asset growth using the group's economic profit-based 'managing for value' philosophy. This resulted in risk-weighted asset growth of 6% being below overall balance sheet growth of 16%.

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

In response to the global financial crisis the group increased its levels of surplus capital, extended its target regulatory capital ranges and introduced a target capital adequacy range for core Tier 1 capital. In the current environment the group's objective is to be at or at about the top end of these new targets in the medium term.

	2008 ratio	Revised range	Previous range	Regulatory minimum
Core Tier 1 ratio	8,2%	7,5% to 9,0%	N/a	5,25%
Tier 1 ratio	9,6%	8,5% to 10,0%	8,0% to 9,0%	7,00%
Total capital ratio	12,4%	11,5% to 13,0%	11,0% to 12,0%	9,75%

Further detail on the group's capital management is included in the Risk and Capital Management Report on pages 116 to 182.

Total assets

Total assets increased by 16,0% to R567 billion (2007: R489 billion). Growth in average interest-earning banking assets slowed to 23,2% (2007 growth: 29,0%).

Advances

Advances increased by 16,1%, reflecting ongoing growth in Nedbank Corporate but slower growth from Nedbank Retail and a drop in advances in Nedbank Capital. Nedbank Capital's client loan book grew strongly, but this growth was more than offset by a reduction in advances in the trading portfolio. Imperial Bank showed strong growth through most of the year, specifically in motor vehicle finance. Details of advances growth by division are as follows:

Rm	2008	2007	Increase (%)
Nedbank Corporate	**191 543**	153 718	24,6
Nedbank Capital	**47 686**	51 233	(6,9)
Nedbank Retail	**150 107**	133 492	12,4
Imperial Bank	**44 734**	35 320	26,7
Other	**163**	193	(15,5)
Total	**434 233**	373 956	16,1

BALANCE SHEET – BANKING/TRADING CATEGORISATION

at 31 December

Rm	2008 Banking	2008 Trading	2008 Eliminations	2008 Total	2007 Banking	2007 Trading	2007 Eliminations	2007 Total
ASSETS								
Cash and cash equivalents	8 598	11		8 609	10 712	(368)		10 344
Other short-term securities	11 867	14 549	(7 827)	18 589	11 509	15 946	(1 662)	25 793
Derivative financial instruments	363	23 650	(1 692)	22 321	166	9 192	(311)	9 047
Government and other securities	40 977	4 603	(3 442)	42 138	24 646	5 693	(702)	29 637
Loans and advances	423 822	10 411		434 233	347 979	25 977		373 956
Other assets	4 826	1 258		6 084	5 167	4 146		9 313
Customers' indebtedness for acceptances	3 024			3 024	2 251			2 251
Current taxation receivable	346			346	59			59
Investment securities	8 167	288		8 455	7 926	392		8 318
Non-current assets held for sale	10			10	31			31
Investments in associate companies and joint ventures	1 167			1 167	978			978
Deferred taxation asset	47	153		200	44	(19)		25
Property and equipment	4 526	14		4 540	4 085	15		4 100
Long-term employee benefit assets	1 741			1 741	1 393			1 393
Mandatory reserve deposits with central banks	10 065			10 065	8 364			8 364
Intangible assets	5 501			5 501	5 246	1		5 247
Interdivisional assets		5 596	(5 596)	–	1 044		(1 044)	–
Total assets	525 047	60 533	(18 557)	567 023	431 600	60 975	(3 719)	488 856
EQUITY AND LIABILITIES								
Total equity attributable to equity-holders of the parent	33 015	1 898		34 913	27 654	2 539		30 193
Minority shareholders' equity attributable to:								
– ordinary shareholders	1 881			1 881	1 511			1 511
– preference shareholders	3 279			3 279	3 421			3 421
Total equity	38 175	1 898	–	40 073	32 586	2 539	–	35 125
Derivative financial instruments	1 960	23 469	(1 692)	23 737	804	10 939	(311)	11 432
Amounts owed to depositors	447 287	27 430	(7 827)	466 890	368 491	17 712	(1 662)	384 541
Provisional and other liabilities	5 602	7 669	(3 442)	9 829	6 175	28 752	(702)	34 225
Liabilities under acceptances	3 024			3 024	2 251			2 251
Current taxation liabilities	226	9		235	345	(8)		337
Deferred taxation liabilities	2 042	58		2 100	1 619	(3)		1 616
Long-term employee benefit liabilities	1 231			1 231	1 157			1 157
Investment contract liabilities	5 843			5 843	5 846			5 846
Long-term debt instruments	14 061			14 061	12 326			12 326
Interdivisional liabilities	5 596		(5 596)	–		1 044	(1 044)	–
Total liabilities	486 872	58 635	(18 557)	526 950	399 014	58 436	(3 719)	453 731
Total equity and liabilities	525 047	60 533	(18 557)	567 023	431 600	60 975	(3 719)	488 856

NEDBANK GROUP

Deposits

Overall deposits increased by 21,4% from R385 billion to R467 billion at December 2008, with higher interest rates increasing demand for savings and investment products.

Despite strong growth in retail funding, deposit growth was still largely concentrated in the wholesale market. Management has remained focused on optimising the funding mix and profile of the group through utilising alternate funding sources, concentrating especially on the retail and business banking deposit bases, while pricing competitively for term deposits.

Nedbank's liquidity remains sound. The impact of the global financial crisis on South African markets has, to date, been largely limited to an increased cost of international funding as a result of the reduction in international liquidity. This decreased the bank's ability to access such funding and has led to an increase in the cost of – and decrease in appetite for – capital market debt. Given Nedbank's domestic focus, international funding has traditionally not been a large portion of the group's funding base, while the increase in the pricing of capital market debt has increased the cost of rolling over conduit paper and new subordinated-debt issues, with volumes issued in this market also being lower.

During 2008 Nedbank successfully issued hybrid debt, raising R1,75 billion. In addition, the following programmes were undertaken to diversify the funding base, raise further foreign funding and lengthen the bank's existing funding profile:

Financial Drivers – 2009	
NIII	• Advances growth upper single digits • Margin compression around 10 to 15 basis points
Impairments	• Wholesale up but within through-the-cycle levels • Retail worsen from 2008 (as economy worsens) • Overall to remain below 1,30%
NIR	• Mid single digit growth for year
Expenses	• Growth to be held in upper single digits
Capital and liquidity	• Targeting to improve capital adequacy ratios • Ongoing focus on funding & liquidity

- Issuing of foreign syndicated club loans of $165 million and €165 million.
- Registering of a $2 billion European medium-term note (EMTN) programme.
- Obtaining a $100 million credit line from African Development Bank.
- Focusing on the retail deposit base through competitive products and pricing.

DIVIDEND

A final dividend of 310 cents per share was declared, in line with the interim dividend, bringing the total dividend to 620 cents per share (2007: 660 cents). This reduction of 6,1% reflects the reduced headline earnings per share level over the past year and the tougher conditions expected in 2009. The dividend cover at 2,29 times remains within the target range of 2,25 to 2,75 times headline EPS. Shareholders have again been offered a scrip dividend alternative to enable the group to further bolster capital levels.

OUTLOOK AND PROSPECTS

The domestic economy is expected to continue slowing in 2009, with gross domestic product (GDP) growth currently forecast by the group at 0,4%. The global financial crisis and resultant recessionary conditions will place more pressure on an already slowing domestic economy. Weaker international trade, lower commodity prices and continued volatility on major financial markets are expected to restrict corporate activity. Consumer finances are likely to remain strained as a result of continued pressure on disposable income, falling asset prices, increasing unemployment and the weaker rand. Lower economic activity is also placing increasing strain on corporates.

Further interest rate cuts are anticipated during the course of 2009. The benefits of these would be expected to impact positively on the South African banking environment only in 12 to 18 months' time. In the short term decreases in interest rates will have a negative endowment effect on banking interest margins, while impairments are likely to continue to deteriorate. The reversal of the higher impairment trend typically takes longer to be reflected in earnings following reduced interest rates.

Nedbank Group's performance in 2009 is currently expected to reflect the following:

- Advances growth in the upper single digits. Retail advances growth is expected to continue slowing, with reasonable growth in wholesale advances, albeit at a slower rate than in 2008.
- Margin compression, on the 2008 margin, of around 10 to 15 basis points. Improvements as the margin

benefits from higher asset pricing will be offset by the endowment turning negative as interest rates decrease and by continued market pressure on retail funding volumes.

- The group credit loss ratio is likely to increase, although it is currently targeted to remain below 1,30%.This will be a tough target in the current environment.
- NIR growth for the year in mid single digits, with
  - modest transactional banking fee increases,
  - a slowing of transactional volumes, and
  - continuing market pressures, which will not be conducive to private-equity gains.
- Expense growth for the year in upper single digits.
- A continued strengthening of capital adequacy ratios and an ongoing focus on funding and liquidity.
- Further enhancements of the business in line with the 'manage for value' strategy.

FINANCIAL TARGETS

In the light of progress made by the group and taking into account the current economic environment and the group's interest rate expectations, the group has revised its medium- to long-term financial targets and set short-term objectives for the 2009 financial year. The economic environment remains uncertain and this, together with heightened market volatility, ongoing global uncertainty and the potential for an extended global recession, increases forecast risk. This short-term outlook for 2009 is management's current best estimates for the year ahead and assumes a reduction of 227 basis points in the average prime rate.

Based on the below, the current outlook for headline earnings in 2009 is approximately 10% lower than the headline earnings for the 2008 financial year. The outlook for basic earnings and diluted earnings per share is approximately 20% lower, as the group does not anticipate a capital profit similar to the profit on the sale of Visa shares in 2008.

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

ACKNOWLEDGEMENTS

In closing, I thank the investment community both locally and internationally for their interest in Nedbank Group and for sharing their valuable insights in our ongoing interactions. I also extend my thanks to the members of the finance teams across Nedbank for their commitment to producing quality financial information and for continually striving to enhance disclosure.

Mike Brown
Chief Financial Officer

Sandton
25 February 2009

	2009 outlook	Medium- to long-term targets
ROE (excl goodwill)	> 15,0%	5% above monthly weighted average cost of ordinary shareholders' equity
Efficiency ratio	< 53,0%	< 50,0%
Growth in diluted headline EPS	Approximately 10% down	At least CPIX + GDP growth + 5%
Impairment charge	< 1,30%	Between 0,55% and 0,85% of average advances
Basel II core Tier 1 capital adequacy ratio	Towards the top end of the range	7,5% to 9,0%
Basel II Tier 1 capital adequacy ratio	Towards the top end of the range	8,5% to 10,0%
Basel II total capital adequacy ratio	Towards the top end of the range	11,5% to 13,0%
Economic capital	A- (including 10% buffer)	Capitalised to 99,9% confidence interval on economic capital basis (target debt rating A- including 10% buffer)
Dividend cover policy	2,25 to 2,75 times	2,25 to 2,75 times

SHAREHOLDERS' ANALYSIS
FOR THE YEAR ENDED 31 DECEMBER

Register date: 24 December 2008
Authorised share capital: 600 000 000 shares
Issued share capital: 468 939 397 shares

Shareholder spread	No of shareholdings	%	No of shares	%
1 – 1 000 shares	12 685	80,02	2 738 106	0,58
1 001 – 10 000 shares	2 421	15,27	6 871 348	1,47
10 001 – 100 000 shares	562	3,55	18 855 821	4,02
100 001 – 1 000 000 shares	147	0,93	40 394 136	8,61
1 000 001 shares and over	37	0,23	400 079 986	85,32
Total	15 852	100,00	468 939 397	100,00

Distribution of shareholders				
Banks	148	0,93	52 122 153	11,12
Close corporations	114	0,72	223 112	0,05
Empowerment	33	0,21	45 418 292	9,69
Endowment funds	73	0,46	382 797	0,08
Individuals	12 467	78,65	8 117 165	1,73
Insurance companies	57	0.36	10 379 862	2,21
Investment companies	67	0,42	7 664 556	1,63
Medical schemes	14	0,09	210 144	0,04
Mutual funds	310	1,96	25 569 374	5,45
Nominees and trusts	1 892	11,93	3 211 665	0,68
Old Mutual Life Assurance Company (SA) Limited and associates	44	0,28	252 690 746	53,89
Other corporations	115	0,73	372 233	0,08
Private companies	245	1,55	954 945	0,20
Public companies	25	0,16	276 963	0,06
Retirement funds	244	1,53	43 315 390	9,24
Share trusts*	2	0,01	3 082 771	0,66
Treasury shares	2	0,01	14 947 229	3,19
Total	15 852	100,00	468 939 397	100,00

Public/Non-public shareholders				
Non-public shareholders	104	0,66	316 664 622	67,52
Directors and associates of the company**	12	0,08	954 368	0,20
Old Mutual Life Assurance Company (South Africa) Limited and associates	44	0,28	252 690 746	53,89
Treasury shares	2	0,01	14 947 229	3,19
Nedbank/Nedbank Group pension funds	3	0,02	121 612	0,03
Nedbank Group Limited and associates (share trusts)*	2	0,01	3 082 771	0,66
Nedbank Group Limited and associates (mutual funds)	17	0,11	583 468	0,12
Nedbank Group BEE trusts – South Africa*	13	0,08	43 618 748	9,30
Nedbank Group BEE trusts – Namibia	11	0,07	665 680	0,14
Public shareholders	15 748	99,34	152 274 775	32,47
Total	15 852	100,00	468 939 397	100,00

* *Excludes shares held by directors in share trusts (executive directors only) and Eyethu schemes. Refer to pages 204 and 205.*
** *Includes shares held by directors in share trusts (executive directors only) and Eyethu schemes.*

Major shareholders/managers	No of shares	Dec 2008 % holding	Dec 2007 % holding
Old Mutual Group	254 616 529	54,30	53,20
Old Mutual Life Assurance Company (SA) Limited and associates (SA)	252 690 746	53,89	52,95
Old Mutual Investment Group (SA)	1 925 783	0,41	0,25
Nedbank Group treasury shares (SA)	59 231 657	12,63	12,48
BEE trusts:			
– Eyethu Scheme – Nedbank South Africa	41 190 909	8,78	9,09
– Omufima Scheme – Nedbank Namibia	665 680	0,14	0,14
Nedbank Group (2005) Share Option, Matched Share and Restricted Share Scheme	2 427 839	0,52	
Nedbank Group Limited and associates (Capital Management)	14 715 049	3,14	3,20
NES Investments (Pty) Limited	232 180	0,05	0,05
Public Investment Corporation (SA)	23 562 600	5,02	5,31
Lazard Asset Management (US)	14 702 051	3,14	1,29
Sanlam Investment Management (SA)	13 770 167	2,94	2,74
RMB Asset Management (SA)	9 440 374	2,01	0,47
Barclays Global Investors (US)	5 448 456	1,16	1,04
Boston Company Asset Management (US)	5 235 837	1,12	1,36

Beneficial shareholders holding 5% or more	No of shares
Old Mutual Life Assurance Company (SA) Limited and associates (SA)	252 690 746
Public Investment Corporation (SA)	30 433 723
Total	283 124 469

Geographical distribution of shareholders	No of shares	Dec 2008 % holding	Dec 2007 % holding
Domestic	411 730 572	87,80	89,55
– South Africa	405 190 165	86,41	88,37
– Botswana	65 241	0,01	
– Namibia	3 104 919	0,66	0,40
– Unclassified	3 370 247	0,72	0,78
Foreign	57 208 825	12,20	10,45
– United States of America	41 833 966	8,92	7,09
– United Kingdom and Ireland	4 125 969	0,88	0,82
– Europe	1 980 813	0,42	1,51
– Other countries	9 268 077	1,98	1,03
	468 939 397	100,00	100,00

OPERATIONAL REVIEW:
NEDBANK CORPORATE

Graham Dempster (53)
Group Executive: Nedbank Corporate

28 years' service • BCom, CTA, CA (SA), AMP (Harvard, USA)

Graham joined the group in 1980 in the Corporate Finance Division of UAL Merchant Bank. He was appointed General Manager of the division in 1987 and Joint Head of the Special Finance Division in 1989. In 1992 he was transferred to Nedbank, initially in a general management role in respect of strategy, and in 1998 was appointed Head of the International Division. He assumed responsibility for the Corporate Banking Division in 1999 and Nedbank Corporate late in 2003.

MANAGEMENT TEAM

Frank Berkeley (52)
Managing Executive: Property Finance
14 years' service • BCom, BAcc, CA (SA)

Denys Denya (44)
Managing Executive: Nedbank Africa
11 years' service • BAcc, CA (Zim), ACIS, MBA

Adriaan du Plessis (49)
Executive Head: Transactional Banking
18 years' service • BCom(Hons), (CTA), CA (SA), HDip (Co Law), CAIB (SA)

Keith Hutchinson (50)
Executive Head: Risk Management
19 years' service • BCom, BCompt(Hons)

Ingrid Johnson (42)
Managing Executive: Business Banking
15 years' service • BCom, BAcc, CA (SA), AMP (Harvard, USA)

Priya Naidoo (36)
Executive Head: Finance
8 years' service • BCom, BCom(Hons), CA (SA)

Mfundo Nkuhlu (42)
Deputy Managing Executive: Nedbank Corporate; Managing Executive: Corporate Banking
5 years' service • BA(Hons), Strategic Management in Banking (Insead), AMP (Harvard, USA)

Anton Redelinghuis (59)
Executive Head: Strategy and Marketing
21 years' service • MCom, CA (SA)

Murray Stocks (42)
Executive Head: Shared Services and Nedbank Investor Services
17 years' service • BCom

Ashley Sutton-Pryce (55)
Executive Head: Human Resources and Communications
35 years' service • BA, Business Strategy for HR Leaders (Insead)

OVERVIEW

Nedbank Corporate comprises the client-focused businesses of Business Banking, Corporate Banking, Property Finance, Nedbank Africa and the specialist businesses of Transactional Banking and Shared Services. These businesses focus mainly on providing lending, deposit-taking and transactional banking execution services to the wholesale-banking client base of Nedbank. From 1 January 2009 Business Banking, which has been a business unit within Nedbank Corporate, will commence operating as a separate business cluster with a direct reporting line to the Group Chief Executive (CE).

The year 2008 was generally challenging for banks globally. Notwithstanding the difficult economic environment, Nedbank Corporate has been able to produce good results, with all the banking businesses performing well. The property investment business generated positive earnings in a difficult climate, albeit down from the record levels of 2007 when the market was buoyant.

STRATEGY

Nedbank Corporate's core strength is to provide a personalised relationship-based banking service by thoroughly understanding our clients' needs and delivering banking solutions to wholesale banking clients through our teams of highly qualified, experienced professionals, who are dedicated to providing the highest-quality service to their clients.

We seek to achieve our strategy by ensuring that we attract the best-quality people in the market, develop a full suite of banking products and services, and support this through outstanding service delivery. In executing this strategy we seek to be a significant market share player in each of our market segments.

FOCUS AREAS

Nedbank Corporate adopts a consistent set of principles in terms of efficient deployment of capital, risk propensity and decisionmaking, pricing, marketing and rewards to enhance its returns on economic capital employed. This approach is based on the similarities of the market segments it operates in – specifically the specialist relationship management philosophy, service standards and discretionary credit decisionmaking, which rely on indepth personalised knowledge of our clients.

We continue to be committed to focusing on client acquisition and retention through best-practice client satisfaction, the highest service standards and innovative solutions, and by reducing problem incidence and improving problem resolution.

Our focus is on transforming the businesses in line with the objective of being a truly South African bank in terms of culture and employment equity in all respects, and aspirational targets have been set in this regard. We also seek to leverage our black economic empowerment (BEE) financing strengths, striving to become the custodian of empowerment initiatives in terms of BEE financing and enterprise development, underpinned by the Nedbank Group Eyethu Corporate BEE Scheme, which was implemented in 2005.

REVIEW OF THE YEAR

Nedbank Corporate has produced robust core banking earnings growth with all the business units showing growth in headline earnings. The property investment business generated positive earnings in difficult market conditions, albeit down from the record levels of 2007, which were generated in a buoyant market.

Key to the performance of Nedbank Corporate is outstanding leadership and management and an emphasis on personal growth and team effectiveness, which have been focus areas for the last three years. Progress is evidenced by a further improvement in the overall staff morale as reflected by a further 4% increase in the positive mean in the Nedbank Employee Survey. The material increase in the alignment of our staff corporate culture for the fourth consecutive year highlights the positive shift in attitudes and perceptions of our people, who are crucial to client service and ultimately market growth.

As referred to earlier Business Banking became a separate cluster with effect from 1 January 2009 and the Managing Executive, Ingrid Johnson, now reports directly to Tom Boardman, the Group CE, and has been appointed to the Group Executive Committee (Group Exco). This is an acknowledgement of the leadership strengths of Ingrid and her impeccable track record in building a high-quality, sustainable, large business in an area of strategic importance for the bank. In addition to his current responsibilities as Managing Executive of Corporate Banking, Mfundo Nkuhlu was appointed as Deputy Managing Executive of Nedbank Corporate and joined the Group Exco on 1 January 2009. The Nedbank Corporate Executive team is very proud of these appointees and wishes them great success in their new roles, and will continue to support them fully through their specialist functional roles.

Nedbank Corporate's commitment to transformation is demonstrated by it having exceeded all its employment equity and BEE lending targets.

Nedbank Corporate is benefiting from the image and positioning of the Nedbank brand and continues to contribute to the strengthening of the brand through various media campaigns.

The risk management function in Nedbank Corporate had an outstanding year, managing risk in an exceptionally difficult environment. The proactive hands-on approach enabled Nedbank Corporate to achieve a credit loss ratio of 0,27%, which is below the low end of the forecast through-the-cycle impairment range.

Notwithstanding the economic slowdown, the wholesale-lending activity provided the opportunity to grow wholesale lending, assisted by the demand for financing capital projects. We have been able to increase the number of primary-banked transactional banking clients in line with our stated strategy.

We continue to focus on building our public sector client base and have contributed to the financing needs of our public sector clients. A number of municipalities were added to the list of existing public sector clients.

The migration of our Business Banking clients onto NetBank Business, the new electronic banking platform, continued with the vast majority of new clients now being able to benefit from the enhanced functionality. NetBank Business plays an important part in new-client acquisition and improved client retention. The focus for 2009 will be on providing the remaining functionality required for Corporate Banking clients and migrating the corporate clients onto the new platform.

Electronic banking volumes in the wholesale market continue to grow strongly, whereas a further decline in revenue and volumes from cheque processing occurred, in line with the market experience, as processing switches to electronic and card platforms.

Business Banking managed the growth level of average advances carefully, positioning the business to focus on the quality of the book.

Average advances in Corporate Banking grew strongly at 29%, with the annuity nature of the book strengthening by a substantial shift from short-term advances. The strong growth in net interest income (NII) is driven by both volume growth and improved credit margins.

Non-interest revenue (NIR) grew strongly in line with the strategy of focusing on increasing our primary-banker market share to deepen our transactional banking cross-selling and enhance returns on capital in Corporate Banking and Business Banking.

Transactional Banking provided the drive for investment in transactional banking products in line with the strategy to enhance Nedbank's wholesale-banking product offering to clients with the implementation of the first phase of the letters-of-guarantee system and further enhancements to the electronic banking platform.

Shared Services had another good year in delivering accurate and efficient processing during volatile and uncertain global banking conditions. Nedbank Investor Services received the top rating as Crossborder and Domestic Custodian by *Global Custodian* for the third year running and was rated the Best Subcustodian Bank – Africa and South Africa by *Global Finance* for the second consecutive year.

Nedbank Africa had a solid performance, building on the investment in prior years in governance and risk frameworks, information technology, employee skills and the streamlining of operations.

Towards the end of the year Nedbank entered into a strategic business cooperation agreement with Ecobank, the largest Pan-African banking group, creating a network of more than 1 000 branches in 30 countries in Africa. Ecobank has the largest geographic banking coverage in Africa in terms of number of countries. It operates in 25 countries, mainly in west, central and east Africa (including Ghana, Nigeria and Kenya).

The alliance will enable the two banks to extend their coverage across Africa on a cooperative basis while managing costs and risk effectively. Ecobank will retain its focus on expansion into less mature, growing markets and will also enhance its service offering in southern Africa. Nedbank will continue focusing on establishing banking operations in the Southern Africa Development Community and, together with Ecobank, provide its clients with comprehensive banking services in west, central and east Africa and grow its banking services in these markets.

The strategic alliance with Ecobank is a very exciting development. It provides Nedbank with the opportunity to expand its sphere of activity significantly in a low-risk, low-capital-intensive manner, which is the preferred approach to adopt during these challenging times in global financial services.

This significant step forward for Nedbank will enable its clients to access banking services in many countries across the African continent through one integrated banking group operating under the Ecobank brand.

FINANCIAL REVIEW

Nedbank Corporate increased headline earnings by 11,1% to R2 924 million and achieved a return on risk-adjusted capital (RORAC) of 28,7%. During 2007 the investments in Bond Choice and Lion Match were sold down and, excluding this, headline earnings grew by 13,4%.

The core banking activities generated strong headline earnings growth of 20,1% in 2008 on top of the growth of 28% in 2007. It is pleasing to note that all the core banking businesses performed well, with each business growing headline earnings. Impairments were well-managed and expense growth was controlled significantly below the level of income growth.

Overall, Property Finance generated R800 million in earnings, which was down 12% on 2007, with the core banking operations showing an increase in earnings and the property investment activities generating earnings of R154 million at a good return on capital, but down from the record level of R272 million in 2007.

NII and NIR on core banking business grew 16% and 13,5% respectively, mostly from the volume increase in transactional banking products and gains in primary-banking clients in both the public and private sectors in all the businesses. Average advances increased by 21,2%.

The credit loss ratio of 0,27% is up from the unsustainably low level of 0,11% in 2007, but below the through-the-cycle benchmark, which is very pleasing in the current difficult economic and business environment.

In line with the key strategy to be a leader in the attractive business banking market, Business Banking increased headline earnings strongly by 22,6% and 2008 is the fourth consecutive year of consistent strong performance.

Corporate Banking had an excellent year with headline earnings up 44%, resulting from strong asset growth, increased credit margins and good NIR growth across all sectors.

Nedbank Africa increased headline earnings by 20,5% with solid performances from all the underlying businesses.

PROSPECTS

The global economic crisis will have a negative effect on the performance of Nedbank Corporate. This, coupled with the expected decrease in interest rates, which will reduce income on capital, and the likelihood of higher impairment levels, will constrain growth. Further infrastructure development is likely to benefit Nedbank Corporate.

Each business in Nedbank Corporate has clear strategies and plans for the future, and the leadership teams are well positioned to respond to the challenges ahead.

The business cooperation agreement with Ecobank has opened up new avenues for business creation. Generating value from this agreement will be an important focus area for 2009.

Nedbank Corporate's position in the market place will be maintained through sound underlying business practices and continued focus on developing the quality and capability of all our people, products and services to provide the highest level of service and delivery to our clients.

It is also well-placed to grow and optimise business opportunities in the private and public sector markets by leveraging off its strong and valued client base and by providing innovative solutions through skilled, dynamic teams.

OUR BUSINESS

Business Banking services companies with an annual turnover from R7,5 million to R400 million and is differentiated by its decentralised, empowered, accountable business model and client-centric approach.

Corporate Banking services companies with an annual turnover in excess of R400 million and generates business through lending, transactional banking, structuring and advisory fee income opportunities, significant wholesale funding, treasury execution, custodial services and global trade activities.

Property Finance specialises in commercial and industrial property finance in the middle to large corporate market. The division also invests in property equities and in large property developments in partnership with selected clients.

Nedbank Africa has banking operations in Lesotho, Malawi, Namibia, Swaziland and Zimbabwe. Nedbank Africa operates in the retail and wholesale-banking segments in each country. The Ecobank alliance enables Nedbank to extend its coverage across more than 1 000 branches in 30 countries in Africa.

Transactional Banking provides product development and support, and specialist transactional banking solutions and services to Business Banking and Corporate Banking clients, working closely with the relationship-banking teams.

Corporate Shared Services provides transaction execution services for local and foreign payment and trade activities, client service centres and client onboarding project migration teams.

Nedbank Investor Services provides custodial services to entities trading on JSE and facilitates share-lending activities.

Brian Kennedy (48)
Group Executive: Nedbank Capital

13 years' service • MSc(Eng)(Elec), MBA, AMP (Harvard, USA)

Brian started his career in engineering before joining FirstCorp Merchant Bank in 1988. He joined BoE Merchant Bank in 1996 and was appointed Managing Director in 1998. He was appointed an executive director of BoE in 2001. Brian led Capital Markets following the merger and in November 2003 was appointed to the Group Executive Committee of Nedbank Group and Managing Executive of Nedbank Capital. He has 21 years of investment banking experience.

MANAGEMENT TEAM

Anél Bosman (42)
Executive Head: Risk
8 years' service • BCom(Hons), MPhil (Cantab)

Bedelia Theunissen (36)
Executive Head: Human Resources and Transformation
2 years' service • BA(Social Sciences), Hons(Psyc), MA(Ind Psyc)

John Chemaly (44)
Managing Executive: Global Markets
9 years' service • BCom

Peter Lane (52)
Managing Executive: Treasury
18 years' service • BCom, FIFM, CAIB

Eureka Redelinghuys (49)
Executive Head: Finance and Operations
4 years' service • BCompt(Hons), CTA

Mark Sardi (39)
Managing Executive: Investment Banking
3 years' service • BBusSci(Hons), CA (SA)

Terence Singh (40)
Executive Head: Strategy and Marketing
7 years' service • MSc(Chem), MBA

Mark Weston (45)
Managing Executive: Investment Banking and UK Country Head
19 years' service • BCA, CA (New Zealand), AMP (Harvard, USA)

Dan Zulu (45)
Executive Head: IT
10 years' service • BSc

OVERVIEW

Nedbank Capital comprises the group's investment banking businesses that together manage the structuring, lending and underwriting activities and all trading and broking activities in the equity, capital, interest rate, and foreign exchange and derivative markets.

With a full product spectrum that stretches from equity research to the provision of long-term project financing, Nedbank Capital is able to compete effectively in the southern African market.

Market environment and overview

Notwithstanding very difficult market conditions, as well as significantly lower income from private equity, earnings in Nedbank Capital increased by 7,7%. Equity continues to be well-deployed with return on equity (ROE) at 38,4% and costs well-controlled with the cost-to-income ratio at 52,2%. Increased client activity and market volatility enabled foreign exchange and interest rate sales and trading to produce very strong growth in earnings. The investment in skilled people and the development of sound risk, IT and finance platforms over the past few years, combined with a prudent risk appetite, have contributed significantly to these results and the achievement of a more balanced earnings profile in extreme market conditions.

STRATEGY

- The key differentiator embedded in the Nedbank Capital vision is that of sector expertise used in developing multidisciplinary solutions, which requires cooperation between different product areas.
- The vision of an integrated investment bank necessitates creating a culture of collaboration, which itself enables cross-pollination of ideas and aids origination.
- Collaboration ensures optimal information flow, shared deal opportunities and creating the maximum value for our clients.

The overall strategic orientation set out below remains the same for 2009 and beyond.

- Optimise scarce resources, including liquidity and capital, away from traditional activity. Success will be driven by the ability to sell solutions rather than products.
- Link sector-focused teams [resources, power, infrastructure, black economic empowerment (BEE), diversifieds] with product expertise.
- Link new business opportunities to regulatory/market trends – in this case metals, hedging, trading, credit/portfolio management, syndication and export credit.
- Implement a boutique international strategy where Nedbank Capital has sector expertise – mostly in the region, but in the case of resources internationally driven off the London platform.
- Establish an origination presence (representative office) in Lagos, Luanda and Nairobi to selective new-product opportunities in equity and debt markets. This will be enhanced with the Ecobank alliance.
- Utilise the Wall Street Programme to complete the system scalability initiative (in forex and money market products).
- Continue to focus on skills development, attraction and retention of highly specialised staff.
- Focus on economic profit (EP) growth in Investment Banking, including trading in the domestic market.

REVIEW OF THE YEAR

Within an integrated Investment Bank an effective portfolio is of utmost importance to weather the external storms. Within our trading business, both Treasury and Global Markets experienced very strong growth of 405% and 129% respectively, optimising increased volatility, widening spreads and increased client activity.

Debt Capital Markets (DCM) were adversely affected by widening credit spreads, which cost approximately R95 million. Equity profits were adversely affected by reduced volumes, sharply lower market levels and a reduced portfolio size as well as a reduction in book size and concentration risk resulting from management decisions in October when markets deteriorated.

The investment in and development of strong support functions such as risk, finance, IT and human resources over the past five years have contributed significantly to the results and the achievement of a more balanced, less volatile and robust earnings profile in extreme market conditions.

When Treasury, Equity Capital Markets (ECM) and DCM are combined to create a trading view of Nedbank Capital's business, trading represents 59% of Nedbank Capital's earnings, compared with only 20% in 2007.

FINANCIAL REVIEW

Interest income growth has been strong, growing at 71% and originated in the following business units:

- Investment Banking contributed R49 million through strong asset growth and margin expansion.
- Treasury added R96 million as it stepped into the role of liquidity provider for the group and Nedbank Capital in difficult times.

- The preference share book added R100 million as its business activities expanded.

Through all the financial turmoil experienced in the markets over the 2008 financial year, diligent credit control and risk processes helped limit the cost of credit-related impairments in the financial statements.

Impairments grew by R10,4 million, resulting in a credit ratio of 0,06%, which is slightly higher than the 0,05% at the end of 2007.

Nedbank Capital's ability to maintain or grow non-interest income was hampered by the following four significant contributing factors:

- The private-equity portfolio, which contributed 22,9% of total income in 2007, could not maintain its growth in 2008 as equity markets declined significantly.

- The trading income line was adversely impacted by mark-to-market reduction in equity upsides on some BEE deals with hedges of R40 million.
- Credit default swap exposure caused losses in the DCM area of R95 million, which was as a result of the unexpected widening of credit spreads. The underlying exposure of this credit remains healthy and within acceptable risk appetite.
- Volatile equity markets in the second half resulted in management taking a more conservative stance. Equity arbitrage and single stock and contracts for different books were significantly reduced. Difficult broking and trading conditions as well as the reduced value of the JSE share investment caused a R199 million decline.

Capital's expense base grew by 10,4%, which includes R330 million of indirect transfer pricing growth of 17,1%. Nedbank Capital's own cost base grew by 7,1% in an inflationary environment where CPIX was at 12% at the end of December 2008, indicating adequate action by management to curtail significant spending in difficult circumstances.

Nedbank Capital's effective tax rate of -2,67% was driven by:

- preference share dividends being a significant portion of income generated in investment banking mainly through BEE funding structures;
- the cluster's ability to claim credits in respect of secondary tax on companies; and
- the change in section 9C of the Income Tax Act, allowing certain private-equity investments to be taxed at capital gains tax levels (once-off adjustment of R98,9 million).

The effective use of capital has been a continued focus for Nedbank Capital. The economic profit contribution has increased from R778 million in 2007 to R806 million in 2008 and now contributes 45% of the total economic profit generated by the group, compared with 29% in 2007.

Nedbank Capital's return on risk-adjusted capital (RORAC) remains healthy at 38,1%.

PROSPECTS

Nedbank Capital's results are highly dependent on levels of corporate activity and new prospects, as well as volatility in foreign exchange and interest rates and levels of commodity prices and equity markets.

With available liquidity, a full-spectrum service offering, and highly skilled staff, Nedbank Capital remains well-positioned to participate in Corporate and public sector activity in the region.

While the business employs a broad and diversified set of risk monitoring and risk-mitigating techniques, these systems and their application cannot anticipate every financial outcome or the timing thereof.

The global economic crisis could have a negative impact on the performance of Nedbank Capital and the likelihood of higher impairment levels will constrain growth.

Each business in Nedbank Capital has clear strategies and plans to take the business forward and contribute to the development of the region. The leadership team remains vigilant and ready to respond to the challenges ahead.

OUR BUSINESS

Nedbank Capital seeks to provide seamless specialist advice, debt and equity raising and execution, and trading capabilities in all the major South African business sectors. Principal clients include the top 200 domestic corporates, parastatals, leading financial institutions, non-South African multinational corporates and clients undertaking major infrastructure and mining projects in Africa, as well as emerging BEE consortiums.

Debt Capital Markets deals with securitisation, credit derivatives, the asset-backed conduit and bond origination businesses and provides interest rate solutions.

Equity Capital Markets, the equity derivatives operation, provides hedging and structuring services to corporate, institutional and retail clients. This division exploits the synergies between trading and structuring equities and facilitates BEE transactions.

Global Markets focuses on providing the bank's client base with currency, interest rate derivative and bond-related products as well as proprietary trading in the various markets.

Investment Banking includes the group's corporate finance, private-equity and coverage teams.

Specialised Finance provides debt-financing solutions with a portfolio of services, including project finance, leveraged debt, acquisition finance, structured trade and commodity finance and structured financial solutions. The division also has three sectoral specialist teams that serve as Nedbank Capital's knowledge hub in energy, infrastructure, and mining and resources. In addition, the division covers retail, healthcare and diversified industrials.

Treasury is the group's funding interface with financial and investment markets, locally and internationally. All the group's local and foreign currency funding requirements are executed and managed through this unit.

Nedcor Securities (Pty) Limited is the institutional equities business of the group. It provides research, sales and trading services to major institutions.

OPERATIONAL REVIEW:
NEDBANK RETAIL

Rob Shuter (41)
Group Executive: Nedbank Retail

9 years' service • BCom, CA (SA)

After completing his articles at Deloitte & Touche, Rob joined BoE Merchant Bank. In 1994 he joined the Corporate Finance Division of Standard Corporate and Merchant Bank (SCMB), and was appointed Head of Investment Banking in April 1998. Rob joined the Nedbank Group as Head of Mergers and Acquisitions early in 2000, and was appointed Managing Director of Nedbank Retail in September 2004. He is a member of the Nedbank Group Executive Committee and a director of the Operating Board of The Banking Association South Africa.

MANAGEMENT TEAM

Sydney Gericke (50)
Managing Executive: Nedbank Card
20 years' service • BCom(Acc), BCom(Hons), MCom, CPA, SEP (Insead)

Ingrid Hindle (44)
Managing Executive: Retail Shared Services
19 years' service • BCompt(Hons), CA (SA)

David Macready (50)
Managing Executive: Retail Bancassurance and Wealth
11 years' service • BCom(Hons), CA (SA), SEP (Harvard, USA)

Manelisa Mavuso (38)
Managing Executive: Retail Marketing
4 years' service • BEcon

Sibongiseni Ngundze (39)
Managing Executive: Small Business Services
4 years' service • BCom, SMDP, Credit Diploma

Sakhiwo (Saks) Ntombela (41)
Managing Executive: Retail Banking Services
5 years' service • BSc(Eng), MBA

Alfred Ramosedi (39)
Managing Executive: Nedbank Private Bank
14 years' service • BCom, MBA, FCMA

Phumla Ramphele (46)
Managing Executive: Retail Risk
2 years' service • CAIB (SA), BCom(Acc), Postgraduate Certificate in Business Administration

Sarel Rudd (53)
Managing Executive: Nedbank Personal Loans
5 years' service • BCom(Acc), BCompt(Hons), CA (SA)

Mohamed Saloojee (41)
Managing Executive: Consumer Banking
18 years' service • MDP, LDP, EDP

Clive van Horen (42)
Managing Executive: Retail Secured Lending
9 years' service • BCom, CA (SA), BSocSci(Hons), PhD(Econ)

REVIEW OF 2008

Solid progress has been made over the past few years in rebuilding and repositioning Nedbank Retail. We now have a focused strategy, high-performing and motivated staff, a competitive product set, much-improved distribution, very competitive pricing structures and the most highly rated service levels in South Africa for two consecutive years.

High interest rates, slowing volumes, declining house prices and low consumer confidence made 2008 a very challenging year in retail banking. Headline earnings have consequently decreased by 46,6% from R1 875 million to R1 002 million for the period to December 2008.

Net interest income (NII) grew by 11,0%, while non-interest revenue (NIR) was up 14,1%. As anticipated in this environment, Nedbank Retail's credit loss ratio worsened to 2,47% (2007: 1,26%). This has been the main cause of the decline in return on risk-adjusted capital (RORAC) of 11,29% (2007: 22,09%). Expense growth has been controlled at 8,0%, which has led to an improved efficiency ratio of 61,09% (2007: 63,52%).

At Nedbank Retail our focus during 2008 has been firstly on managing through these more difficult times and secondly on making sure that we continue to improve the business across all aspects, so that, as markets normalise, we are in an even better position to compete. Our 2008 strategic initiatives were grouped under the categories of risk, sales and growth, service, enhanced productivity, distribution, transformation and our people.

Our biggest challenge in 2008 has been the credit risk environment. A number of mitigating actions have been taken to lessen the impact, including our 'manage for value' initiatives, scorecard and loan-to-value tightening, investment in all of our collections environments and application and collection process redesign.

We have made steady progress this year on growing our client base, particularly in the mass-market segment. During 2008 Nedbank attracted 590 000 (2007: 470 000, 2006: 276 000) new clients. We are growing our primary clients at about 10% a year, which we believe is above industry standards. We have maintained market share across all key product categories and also remain very well-positioned on product pricing.

We have seen significant progress in our journey to be worldclass at client service, both in our internal measure using the Client Management Assessment Tool (CMAT) framework, and also in external surveys. We again won the banking section of Ask Afrika's poll of service excellence, the Orange Index, and have opened up a significant gap between our competitors and ourselves. The key remaining service issues continue to revolve around banking fees, communication (callbacks and replies) and turnaround times. AskOnce phase 2 was launched in July 2008 with a number of enhanced service promises, directly addressing communication and waiting times in branches.

In 2008 we embarked on a number of initiatives aimed at simplifying our client-facing processes in order to improve overall client experience and enhance productivity and execution via our channels. These projects included the redesign of our sales and service processes, 'hassle-free fulfilment', card electronic channels and vehicle finance operational process enhancements.

The year 2008 was the final year of the Nedbank Retail Three-year Distribution Plan announced in 2006. Over the past three years Nedbank Retail has invested more than R1 billion in a range of channels, most notably automated teller machines (ATMs) and low-cost physical distribution points, which has led to a significant increase in our branded outlets. During the past year we installed 278 ATMs, 32 self-service terminals (SSTs) and enhanced our branch footprint by 22 additional Nedbank branches. We also further extended our reach into previously underserviced communities by growing our mobile sales operations to a total of 101 teams as well as opening 31 new personal-loan outlets. Cashback at point-of-sale (POS) functionality was introduced to an additional 1 621 POS devices, while the number of Nedbank-in-retailer outlets was grown to a total of 42. Continuous investment and expansion will be needed as we grow our client base.

In the second half of 2008 the decision was taken to integrate the Go Banking operation into Nedbank. While Go Banking has always been competitively priced and offered numerous benefits to its clients, it has been unable to grow its active client base of about 90 000 clients to a sustainable level. Go Banking was run as a separate business, in association with Pick n Pay, from 2002. While continuing to enjoy the same features and benefits to which they are accustomed, Go Banking clients now also enjoy access to the expanded Nedbank product range offered through our branch and other banking channels.

Transformation remains a key focus area for Nedbank Retail. We acknowledge that building a great place to work and a great place to bank requires a successful and sustainable transformation programme. During 2008 we rolled out a comprehensive transformation programme, including recruitment target setting, diversity workshops, transformation dialogue and entrenching our employment equity forums. Nedbank Retail has exceeded its targets in all categories and significant progress has been made in our employment equity plans.

We continue to make progress with staff morale and with building a differentiated culture. The Barrett framework is used to measure culture and we are delighted to see an increasing alignment between the Nedbank culture and our people's view of the ideal culture. The feedback from the Nedbank staff survey also showed that Nedbank Retail had improved across all dimensions.

PROSPECTS AND STRATEGY

For 2009 we anticipate ongoing consumer pressure from relatively high interest rates, job losses and declining house prices. Although some recovery is expected in the unsecured-lending environment, impairments will remain high. Declining interest rates will negatively impact endowment income, but should provide some needed relief for distressed consumers. We expect slower growth across all of our major asset categories.

We will continue to maintain our focus on managing through the current challenging economic cycle, with particular emphasis on:

- conservative credit policy and focus on collections and impairments;

- execution of 'manage for value' strategies in our secured-lending products, with a strong focus on risk-based pricing and economic profit;
- investing in our businesses that contribute most to economic profit;
- focusing on bancassurance;
- continued focus on transformation;
- controlled distribution expansion;
- stringent expense control, with headcount broadly kept constant;
- entrenching our leading service position and rollout of the service culture;
- building our primary-client base through focused strategies in each segment and targeting our major channels on primary-client growth; and
- increasing our efforts to contribute to the national agenda, particularly in the Imbizo process and employment equity, and supporting black small businesses and low-income housing.

OUR BUSINESS

Nedbank Retail serves the financial needs of individuals and small businesses by providing transactional, card, lending, investment and insurance products and services. Nedbank Retail clients have been grouped into five primary client segments in order to tailor product and service solutions to their specific needs. These segments are the high-net-worth, affluent, middle, mass and small-business segments.

Target markets are clearly defined, ranging from entry-level transactional banking to the high-net-worth segment. The Nedbank Retail cluster also services merchants and large corporates in respect of card-acquiring services. Our target markets are serviced through the brands within the Nedbank Retail stable, being Nedbank, Nedgroup Investments, BoE Private Clients, Fairbairn Private Bank and Fairbairn Trust Company.

Our retail product portfolio includes transactional accounts, home loans, vehicle and asset-based finance, card (both card-issuing and merchant-acquiring services), personal loans, bancassurance, investments and specialised products such as wills, stockbroking and portfolio advice. Nedbank Retail continues to build on our competitive product and price offerings while driving the delivery of a superior client service experience across all our client segments and channels.

The Nedbank Retail business operating model is organised around our product and client segment areas, overlaid by servicing and delivery channels. In addition three support services divisions underpin our business operating model.

The Retail Shared Services Division provides support, including human resources, finance, project office, strategic planning, credit lab and business intelligence services.

Retail Risk is responsible for the monitoring of compliance and risk as well as providing legal services to the cluster.

Retail Marketing provides marketing support to the business divisions and assists in coordinating marketing activities across the broader Nedbank Group.

OPERATIONAL REVIEW:
IMPERIAL BANK

René van Wyk (52)
Chief Executive

15 years' service • BCom, BCompt(Hons), CA (SA), AMP (Insead)

After being with KPMG for 17 years, of which the last five years as a partner, René joined Nedbank on 1 January 1993 as General Manager: Risk and chaired the executive credit committees in the Corporate and Commercial Divisions. In 1997 he was appointed General Manager: Corporate and International Credit and in 1999 he was transferred to Nedcor Investment Bank Limited as Managing Executive: Risk. In April 2002 René was transferred to Nedbank Group as General Manager: Enterprisewide Risk. In September 2004 he was seconded to Imperial Bank and in May 2005 he was appointed Chief Executive of Imperial Bank.

OVERVIEW

Imperial Bank Limited (Imperial Bank or the bank), was incorporated into Nedbank Group in 1996 and is primarily engaged in asset-based financing. Nedbank Limited (Nedbank) and Imperial Holdings Limited (Imperial Holdings) respectively hold 50,1% and 49,9% of the ordinary share capital. In terms of a memorandum of understanding signed by the shareholders in 2001, Nedbank provides the funding for the bank, as well as risk management support, and Imperial Holdings provides the bank with access to its extensive South African footprint. A new shareholders' agreement has been concluded by Nedbank and Imperial Holdings, which will come into effect on 1 January 2011 when the current agreement ends. The new agreement is for an indefinite period.

The bank has four operating divisions. Motor Finance is the largest division comprising 62,7% of group loans and advances, followed by Property Finance with 17,9%, Professional Finance (formerly Medical Finance) with 11,1% and Supplier Asset Finance with 8,3%.

REVIEW OF THE YEAR

The year 2008 was extremely challenging and was characterised by high interest rates and high food, electricity and oil prices, as well as a rapidly deteriorating world economy and slowing domestic economy in the final quarter. Under these circumstances the bank produced a net profit after tax of R361,2 million, down 24,6% from the R479,2 million in the previous year. Nedbank's share of net profit decreased from R227 million to R166 million. Return on equity (ROE) declined from 23,9% to 13,2%. The efficiency ratio, however, improved from 30,2% to 28,8%. Loans and advances grew from R35,3 billion to R44,7 billion as the bank continued to attract good-quality new business.

Motor Finance had a testing year. Although loans and advances grew 29,0% from R21,7 billion to R28,0 billion, impairment losses on loans and advances increased 63,7% and represent 2,5% of average gross loans and advances compared with 1,9% in the previous year. The board confirmed through an indepth independent analysis that the Motor Finance business model remains sound in a tough market, evidenced by the efficiency ratio improving from 29,5% to 27,3% in the current year. Net profit after tax declined 35,0% from R206,8 million to R134,5 million. Motor Finance strengthened its position in its market.

Property Finance achieved good results, benefiting from a pipeline of business approved in the latter half of 2007. In line with the current strategy the commercial and industrial mortgage book grew 50,0% from R3,8 billion to R5,7 billion. Net profit after tax decreased 11,2% from R170,5 million to R151,4 million.

Supplier Asset Finance disposed of the debt collection business and repositioned itself to take advantage of financing equipment. Loans and advances growth of 37,0% and net profit after tax of R32,1 million were in line with forecasts.

Medical Finance, which changed its name to Professional Finance, had a disappointing year. Impairment losses on loans and advances increased from R3,8 million to R26,7 million and margins remained under pressure. The efficiency ratio, however, was well above target. During the past quarter the division commenced a restructuring initiative, which should improve the efficiency ratio and restore margins to levels required to achieve an acceptable return. Net profit after tax declined 33,2% from R19,6 million to R13,1 million.

The effective tax rate increased from 30,0% to 33,5% due to a change in the estimated liability for deferred tax in a subsidiary company.

No material events occurred after 31 December 2008 that might have had an impact on the group's reported financial position at this date.

PROSPECTS

Recent months saw a dramatic change in the world economy. The speed and severity of the decline is unprecedented and has inevitably had a severe impact on the South African economy. Although interest rates are anticipated to decline through the year, bringing welcome relief to hard-pressed consumers, it is possible that the effects of retrenchments will overshadow the benefits of lower interest rates. Accordingly, trading conditions are likely to remain difficult and unpredictable.

Motor Finance will focus on managing the growth of the book within the constraints of the market, while ensuring that risk-based pricing is further enhanced.

Property Finance will continue to focus on growing the book of commercial and industrial loans and advances, while selectively servicing the residential development market. Demand for property finance has significantly reduced and is unlikely to be restored during 2009.

Professional Finance will focus on improving margins and efficiencies and on maintaining a good-quality book, while expanding the market footprint to include other professions.

Supplier Asset Finance will focus on increasing its presence in the financing of equipment and assets related to infrastructural spend, while continuing to serve its traditional office equipment, trucking and aviation markets.

IMPERIAL BANK

GROUP TECHNOLOGY

Fred Swanepoel (45)
Chief Information Officer: Nedbank Group and Group Executive: Group Technology

12 years' service • BCom(Hons), MBA, SEPSA (Harvard and Wits Business School), AMP (Harvard, USA)

Fred has 20 years' experience in finance, banking and IT. He joined Nedbank in 1996 as Assistant General Manager of Western Cape Operations. Since 2004 Fred has gained experience at the highest level of Nedbank's Operations and Technology Cluster, holding the position of Divisional Director in Finance, Risk and Compliance, Projects and Programme Management, and Group Software Services. After a rigorous recruitment process Fred was appointed to his current role in November 2008.

Group Technology is Nedbank's centralised technology unit with responsibility for all components of the group's technology processing, development and systems support. The group's IT systems, databases, technology infrastructure, software development and IT project/programme management are centrally managed to provide economies of scale and to facilitate a cohesive groupwide service-oriented architecture (SOA) technology strategy.

REVIEW OF 2008

In an economic environment in which household debt increased client spending slowed and impairment levels rose. Group Technology faced very different business requirements (eg flexible and stable credit and collection processes and systems) to maintain service excellence in the business clusters. This increased the scale and complexity of the group's IT operations. Group Technology supported and serviced the following areas in 2008:

- In terms of volumes Group Technology processed on average 4,8 million financial transactions daily across 384 systems in its mainframe and UNIX environments, running more than 32 000 online and batch programs daily. The number of Wintel servers grew to over 3 200.
- A total of 27 300 PCs, 12 400 printers, 47 000 voice devices and/or ports and 75 600 data connections were supported.
- The operational quality of service was improved. Serious outages and service disruptions reduced by 17% in number and by 30% in terms of time lost. These improvements were achieved despite a 9,5% year-on-year increase in changes to the environment.
- Benchmarking conducted during the year continued to reflect Group Technology as a cost-effective service provider.

In 2008 the market experienced a continued increase in internet fraud attempts, primarily through phishing. A well-defined phishing response process ensured that Nedbank's losses were well-contained.

Group Technology remains convinced that the combination of the adoption of best-of-breed solutions and the reuse of existing legacy applications represents the right competitive strategy for Nedbank. To this end the following progress was made:

- The SOA Centre of Excellence was established. Patterns, processes and guidelines were defined, resulting in the first phase of common and reusable services being developed, deployed and reused. The Group Technology IT vision is based on SOA, which promotes business agility and flexibility.
- Initial hard- and software were procured, configured and implemented in the production environment.
- The retail self-service internet channels were refreshed comprehensively to enhance delivery.
- An upgrade of the client information system (including service enablement) was completed to provide an enhanced view of client information.
- The strategy and technology choice for the replacement of staff-assisted channels was ratified, and phases 1 and 2 are progressing according to schedule and budget.

Project Merlot – the synergy project for the outsourcing of all data and voice networks announced in conjunction with Old Mutual (South Africa) in 2005 – continues on track to deliver savings of R1 billion for both organisations over a five-year period. An independent benchmark confirmed that both parties are achieving targeted cost-efficiencies, operating off a well-structured contract. The infrastructure has been completely refreshed and is delivering in accordance with service level agreements.

The first quarter of 2008 saw an increase in load-shedding demands from Eskom and municipalities in South Africa. Nedbank's primary and secondary data centres were required to run on diesel-generated backup power for over 160 hours during a three-month period. This was achieved without any service disruption. The power-generating facilities at both data centres have been upgraded, including the addition of another four diesel storage tanks at our primary site.

In 2008 more than 30 significant projects were implemented on time, according to budget and well within the industry benchmark of top-quartile performance. Productivity benchmarks in the innovation business continue to reflect improvements in cost and time delivery of function points. The capacity buildup over the past three years, as well as productivity improvements, has ensured that all the bank's innovation requirements were serviced during the year.

Nedbank successfully delivered on its Swisscard contractual obligations in 2008. The execution of operational deliverables against contracted service levels remained at the highest standard with all critical service levels being consistently met. The financial performance for the year was very good, exceeding forecast profitability.

Group Technology has progressed satisfactorily against its Department of Trade and Industry (dti) employment equity targets, overachieving in the black middle and junior management levels.

Finally, a client satisfaction survey conducted with the help of over 5 000 employees in Nedbank showed a positive increase in the overall satisfaction rating from 68% to 71%, with an even greater increase in the number of delighted clients from 66% to 74%.

PROSPECTS

Group Technology will continue on its path to become Nedbank's most highly rated and respected technology partner by the business clusters. This will be done through alignment with business clusters and divisions to ensure greater end-to-end accountability by functions in Group Technology. We will continue to build Nedbank's future IT landscape for the three-year technology and business-aligned roadmaps. This will assist Group Technology in its continuous quest to provide flexible, cost-effective information technology solutions that evolve quickly and easily to suit the requirements of Nedbank Group's business clusters.

THE NEDBANK BRAND

Nombulelo Moholi (48)
Group Executive: Group Strategy and Corporate Affairs

3 years' service • BSc(Eng)(Elec)

Nombulelo Moholi was appointed Chief Strategy and Corporate Affairs Officer for Nedbank Group in March 2006. She was previously the Chief Sales and Marketing Officer of Telkom SA Limited and a member of that group's executive committee. She joined Telkom in 1994 as General Manager of Payphones and became Group Executive: Regulatory Affairs the following year. Nombulelo was appointed Managing Executive of International and Wholesale Services in 1999 and assumed responsibility for the sales and marketing portfolio in 2002.

The Group Strategy and Corporate Affairs cluster is responsible for managing the group's image and reputation. Key functions include marketing, communications and group strategy. The cluster is also responsible for the Nedbank Foundation and the Nedbank Economic Unit as well as for the delivery of the group's transformation objectives in terms of the Financial Sector Charter and the Department of Trade and Industry (dti) Codes of Good Practice.

REVIEW OF THE YEAR

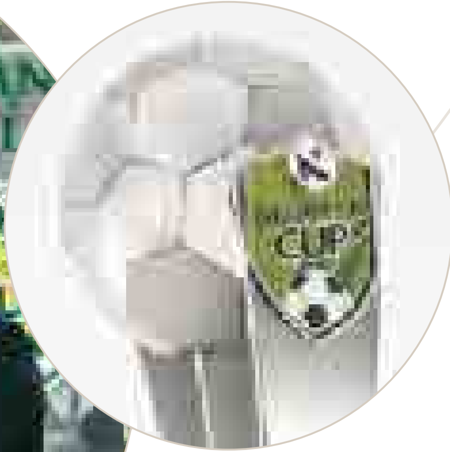
- 2008 marked continued progress on building the Nedbank brand. Brand equity has improved, with marked increases in awareness, relevance and loyalty, particularly in the mass consumer segment of the market. It is also very encouraging that Nedbank remains the only major banking brand to have made positive improvements in brand equity over the period versus its peers, as measured by the Brand Dynamics brand equity study conducted by Millward Brown.
- During the course of the year the bank's monolithic brand strategy was further refined through the integration of the Old Mutual Bank and Go Banking brands into Nedbank and the discontinuation of these brands.
- We refined the group strategy in an increasing uncertain and volatile environment.
- In the light of the deteriorating global and local landscape, economic comment, insight and advice continued to be sought by both internal and external stakeholders.
- We facilitated the process of setting targets for, measuring compliance and progress with and the implementation of the requirements of the dti Codes of Good Practice and establishing reporting on these, while honouring the group's commitment to the Financial Sector Charter.
- Media relationships were strengthened through proactive engagement and a host of entertainment opportunities.
- Nedbank donated R43,5 million during 2008 to community development programmes. The equitable spread of foundation funds across multiple provinces and focus areas (education, community development, socioeconomic development and staff volunteerism) progressed well. Volunteerism programmes gained further momentum with the introduction of the Client Local Hero programme.

THE ROLE OF SPONSORSHIPS IN RAISING THE NEDBANK PROFILE

While there has been continued groupwide innovation throughout 2008 in the areas of new-product development, pricing, delivery and client service initiatives, Group Marketing placed increased emphasis on the role of sponsorships as a means to bolster our communications mix, raise brand awareness and more closely engage with the broader mass consumer market.

The announcement of a five-year sponsorship of the Nedbank Cup, South Africa's premier knockout cup competition, marked the culmination of a long search by Nedbank for an appropriate and significant opportunity to access and support the soccer fraternity in South Africa. Nedbank has very rapidly entered the soccer arena with a highly successful, high-profile tournament executed with a very high level of professionalism and precision.

The investment has already generated significant return on marketing investment and is testimony to our passionate commitment to national pride and community development by supporting and enabling the sport with the greatest number of participants and supporters in South Africa.

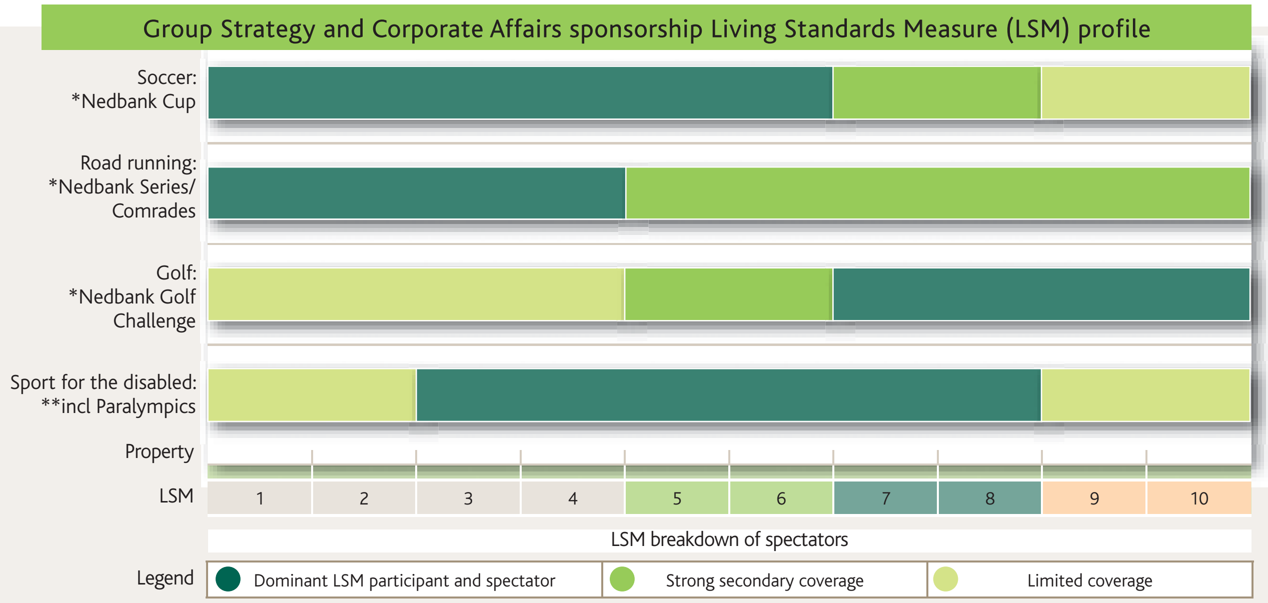


Our other sponsorship properties continued to go from strength to strength and received heightened focus and attention:

- 2008 marked the third year of a five-year sponsorship deal between Nedbank and Athletics South Africa (ASA), which includes the popular Nedbank City Marathon and Matha Series. This sponsorship, together with our cosponsorship of the Comrades Marathon, gives Nedbank a sponsorship platform from which to reach clients and prospective clients from every cultural, social and economic background effectively.
- Nedbank's involvement in supporting athletes with disabilities has continued, with the highlight of this sponsorship category being the success of the SA Paralympic Team, which achieved outstanding results and international recognition at the 2008 Beijing Paralympic Games. 2008 also marked Nedbank's 16th year as a sponsor of the Nedbank National Championships for the Physically Disabled.
- In its 28th year, the 2008 Nedbank Golf Challenge attracted the strongest field in many years. The event drew over 60 000 visitors, including numerous high-profile dignitaries. The event provided Nedbank with significant high-profile media and hospitality opportunities and a unique way in which to engage with clients and stakeholders. The Sports Trust Golf Challenge (a joint initiative between Nedbank and Sun International) raised R1 million in aid of sport development. The Nedbank Affinity Cup (golf) was a resounding success, with Nedbank donating an amount equal to the winner's prize money to the Nelson Mandela Children's Fund.

'The introduction of the Nedbank Cup into the family of PSL sponsors was a milestone for professional football in South Africa. Ke Yona took its rightful place at the top of the South African sporting calendar as one of the most unique soccer tournaments ever seen in South African football. Congratulations Nedbank. You have done football proud.'

– Dr Irvin Khoza: Chairman, Premier Soccer League



* Statistics as supplied by BMI Sporttrach – The Adult Sport and Sport Sponsorship Market in South Africa.

** Accurate statistics relating to the composition of sport for the disabled are not available. This graph representation is based on the experience of the Nedbank Sponsorship Team.

- 2008 also witnessed excellent exposure through a series of smaller strategic sponsorships, including the Business Woman's Association, Cape Winemakers Guild and the Old Mutual Budget Speech Competition.

Nedbank's sponsorship portfolio is now well-balanced and a key ingredient in our overall communications mix going forward and provides a solid platform for building and entrenching our brand in a broad range of consumer, corporate and wholesale markets:

- The new Nedbank Cup soccer sponsorship has dominant coverage in LSM 1 to 6.
- Road running has dominant coverage in LSM 1 to 4, and strong coverage in LSM 5 to 10.
- Golf has dominant coverage in LSM 7 to 10.

PROSPECTS FOR 2009

We will:

- continue to build a Nedbank brand that is not only unique and very well differentiated, but also accessible, caring, relevant and, most importantly, makes a difference to the lives of our staff, clients, shareholders and broader communities;
- adopt an increased focus on establishing Nedbank as the green (environmentally conscious) and caring brand;
- execute and optimise the sponsorship portfolio;
- optimise internal and external stakeholder engagement and media relations;
- deliver relevant strategic insights to inform strategic decisions in the context of the changing external environment;
- continue to provide worldclass economic insight to internal and external clients;
- embed and drive Nedbank's objective of accelerating transformation and becoming a truly South African bank; and
- make a difference in the communities in which we operate through our foundation, staff and client social responsibility programmes.

GROUP HUMAN RESOURCES AND EMPLOYMENT EQUITY

Professor Shirley Zinn (47)
Group Executive: Human Resources

3,5 years' service • DEd

In July 2005 Shirley was appointed Group Executive: Human Resources of the Nedbank Group, prior to which she was General Manager: HR, at the South African Revenue Service (SARS). Before joining SARS, she was Regional HR Director, responsible for Africa and the Middle East, for Reckitt Benckiser. Her other positions included Group Executive: Equity, for Computer Configurations Holdings and Director: Special Programmes for the Department of Public Service and Administration. Shirley is currently the Chairperson of the Institute of Bankers and serves on the BANKSETA Board. Shirley's most recent awards are testimony to her career-long dedication and commitment to people practices. These awards include the 2008 IPM Presidential Award, the 2008 *Black Business Quarterly's* Platinum Visionary Award and the Business Woman Visionary Award, the 2008 Top Woman of the Year Award and the Top Executive in Corporate South Africa Award. She was also a finalist for the *CEO Publication's* Most Influential Woman in Business and Government Award.

REVIEW OF THE YEAR

In keeping with our belief that 'great things begin with great people', 2008 was a year in which we continued the strong focus on our people, their development and retention, the culture and climate in which they operate, and alleviating the challenges facing them as employees in a global economy.

Nedbank is faced with challenges in the war for talent and the shortage of key skills in the financial sector, hence our efforts in attracting and retaining great people are supported by a creative employee value proposition (EVP), as well as simple and effective tools to enable high performance. These tools include having job profiles, outlining a clear purpose and objectives, job matching to the market for market-aligned remuneration and benefits, a career management system that enables employees to make their own career decisions, a learning and growth framework that caters for all levels of development from entry-level matriculants and graduates to senior managers and executives, as well as flexible work practices to enable more productive working hours that suit employees and the organisation.

We are committed to attracting the very best people to work at Nedbank – our EVP and our recruitment processes support our efforts in this regard. In 2008 altogether 20 campuses were visited during the successful external graduate recruitment campaign, with contact being made with approximately 8 500 potential candidates. There were also 22 654 potential candidates registered on our e-recruitment system in response to 628 advertised positions; and approximately 6 500 referrals by staff were registered on our e-referral system. Our staff are encouraged to refer potential candidates to Nedbank and are rewarded for successful placements after a successful referred candidate has been in the specific position for six months.

We believe that the opportunity for development is key to attracting and retaining the right people at Nedbank, and this forms a significant part of our value proposition to current and future employees. At the entry level the drive to develop learners for the financial services industry resulted in 160 learners participating in the Kuyasa and Letsema Learnership Programmes, 110 on other learnerships, 23 graduates on the Training Outside of Public Practice (TOPP) Programme for accountants, and 68 graduates on the Nedbank Graduate Development Programme. All learners and graduates undergo intensive on-the-job training and, following successful completion of the programme, are ready to be placed. We have been very successful in placing the majority of students on completion of the programmes and have been pleased by their progress.

The External Bursary Programme was launched in February and 464 bursaries were awarded to undergraduate students studying toward bank-related qualifications. Furthermore, internal bursaries were awarded to 949 employees for further academic study at graduate and post-graduate level and study grant assistance was provided to 305 employees for the education of their children.

The Management Development Programme (MDP) is aimed at establishing a common values-based management approach within our organisation and the Old Mutual Group. To this end 9 897 (10 867 including Africa) of our staff have attended the role orientation workshops this year and are now embarking on practical application of skills learnt on these workshops. Business and academic development for successive levels of our management are catered for in the Applied Academic Programmes. In 2008 altogether 27 senior managers attended the executive education programmes, locally and internationally, and 446 managers attended business education programmes at the top business schools in South Africa.

Nedbank recognises that the single differentiating factor for competitive advantage is the prevailing culture of our organisation. In ensuring that we receive continuous feedback for improvement, Nedbank measures the staff morale through different diagnostic methods. The current organisational culture as perceived by employees is measured by the Barrett Survey, focusing on the level of entropy and the gap between the current and desired culture. For 2008 the entropy levels improved to 14% from 17% in 2007. This improvement comes off the original base of 25% in 2005 and shows a marked improvement over the past four years. International research shows that an entropy score of between 11% and 20% indicates a well-functioning organisation and organisations operating at levels of 10% and below are considered exceptional. The number of matches between the current and desired cultures increased from four to five, which is one below the best-practice range of six to eight matches. The Nedbank Staff Survey measures employees' perceptions of organisational performance on 12 dimensions, and there was a statistically significant improvement in the score of 71,5% in 2007 to 75,1% in 2008, comfortably above the best-practice range of 60% to 70%.

The impact of working in a highly competitive financial services industry can be detrimental to the health and wellbeing of employees. Nedbank is cognisant of this and provides free wellbeing services to employees, in the form of psychological counselling for personal problems, trauma debriefing, executive health examinations, and financial assistance to qualifying employees experiencing exorbitant medical expenses. We also aim to provide an environment in which a balanced work and home life is achieved through flexible work practices.

GROUP HUMAN RESOURCES AND EMPLOYMENT EQUITY ... CONTINUED

Nedbank's response to the devastating impact of HIV/Aids on employees is acknowledged through a two-pronged strategy. Firstly, prevention is approached through the voluntary testing of employees and, secondly, we attempt to improve the quality of life of employees affected by the disease. In 2008 a total of 5 959 employees underwent voluntary testing to confirm their status, equivalent to 24,25% of employees, way beyond our expectations of 10%.

We are buoyed by the significant successes achieved in 2008, and we strive to continue building on our capability to deliver high performance, retain and develop our best people, create a competitive advantage for the bank through our unique culture and contribute to Making Things Happen.

EMPLOYMENT EQUITY

Nedbank aspires to be a leader in transformation and a great place to work. Transformation is gaining increasing momentum in Nedbank and, in particular, employment equity (EE) has been one of the key focus areas to accelerate transformation.

While demographic representation is a requirement of the EE Act, the group firmly believes transformation is not only about compliance with legislation and achieving targets – it is also about creating an environment for staff that is conducive for meaningful and sustainable transformation to take place, which will enable the organisation to flourish.

If demographic representation is achieved in a supportive environment, then the bank will be well-positioned to maximise the benefits of a diverse workforce. This will ensure that the bank not only performs, but also remains relevant in the South African context.

EMPLOYMENT EQUITY PLAN 2008 TO 2010

An EE plan was submitted to the Department of Labour (DoL) in April 2008, and the group was complimented on the quality of the plan, which was compliant with all aspects of the EE Act. All business clusters have also finalised EE plans, which are aligned to the Group EE Plan. The balance of this year has been dedicated to implementing quantitative and qualitative aspects of these plans, which are monitored as part of the performance agreements of cluster heads and all the management levels below.

NEDBANK EMPLOYMENT EQUITY FORUMS

Nedbank has created governance processes and structures such as the Nedbank Employment Equity Forum (NEEF) and has established employment equity forums (EEFs) at cluster, divisional and regional levels. The Nedbank Employment Equity Forum (NEEF), which comprises the chairpersons of the cluster EE forums, EE managers, the People with Disabilities (PWD) Forum chairpersons, Women's Forum representatives, trade union representatives and other stakeholders, monitors EE and consults with staff across the group.

Under the leadership of Nombulelo Moholi, Group Executive: Strategy and Corporate Affairs, the NEEF continued to champion EE in the bank.

The NEEF was also consulted on the Workplace Skills Plan (WSP), which was submitted to the BANKSETA at the end of June 2008. By being involved in these two major submissions, the NEEF ensured that there was greater alignment between the EE plan and the WSP, and that the Skills Development Plan supported EE. The NEEF also serves as a platform for clusters to showcase their innovative initiatives to support EE, and through this medium also monitors clusters' progress against the implementation of their respective EE plans.

Other governance structures to facilitate effective implementation of transformation at Nedbank include the Group Operations Committee (Opcom), the Transformation and HR Committee (TRAHRCO), EE Managers Forum, PWD Forum, Women's Forum and EE Implementation and Communications Steering Committee, all of which have contributed to the successful implementation of our plans.

EMPLOYMENT EQUITY PROGRESS – BASED ON THE EE ACT

The table below reflects the current demographic profile of the group, based on the EE Act's definition of occupational levels, at 31 December 2008.

These figures are monitored on a monthly basis in order to determine the group's performance against set targets.

Total workforce profile per Employment Equity Act

Numbers	Designated							Non-designated			
	Male			Female				Male	Foreign nationals		
Occupational levels	A	C	I	A	C	I	W	W	Male	Female	Total
Top management	2	0	0	1	1	0	1	9	0	0	**14**
Senior management	44	17	41	30	7	22	90	310	25	11	**597**
Professionally qualified	575	317	577	522	450	582	1 767	1 779	104	99	**6 772**
Skilled technical	1 241	679	666	2 149	1 533	1 266	2 011	655	51	103	**10 354**
Semiskilled	749	308	163	1 553	860	421	687	125	7	43	**4 916**
Unskilled	9	0	1	11	0	0	1	0	0	1	**23**
Exceptions – permanent staff not matched	12	2	3	6	2	3	6	4	2	0	**40**
Total permanent	**2 632**	**1 323**	**1 451**	**4 272**	**2 853**	**2 294**	**4 563**	**2 882**	**189**	**257**	**22 716**
Non-permanent employees	356	74	87	690	185	70	247	293	140	112	**2 254**
Grand total	**2 988**	**1 397**	**1 538**	**4 962**	**3 038**	**2 364**	**4 810**	**3 175**	**329**	**369**	**24 970**

(%)	Designated							Non-designated			
	Male			Female				Male	Foreign nationals		
Occupational levels	A	C	I	A	C	I	W	W	Male	Female	Total
Top management	14	0	0	7	7	0	7	64	0	0	100
Senior management	7	3	7	5	1	4	15	52	4	2	100
Professionally qualified	8	5	9	8	7	9	26	26	2	1	100
Skilled technical	12	7	6	21	15	12	19	6	0	1	100
Semiskilled	15	6	3	32	17	9	14	3	0	1	100
Unskilled	39	0	4	48	0	0	4	0	0	4	100
Exceptions – permanent staff not matched	30	5	8	15	5	8	15	10	5	0	100
Total permanent	**12**	**6**	**6**	**19**	**13**	**10**	**20**	**13**	**1**	**1**	100
Non-permanent employees	16	3	4	31	8	3	11	13	6	5	100
Grand total	**12**	**6**	**6**	**20**	**12**	**9**	**19**	**13**	**1**	**1**	100

RECONCILIATION OF HEADCOUNT

- Reporting period:
  The figures reported to the Department of Labour (DoL) on 1 October 2008 were for the period 1 July 2007 to 30 June 2008. However, the figures reported in the annual report cover the financial year from 1 January 2008 to 31 December 2008.
- Staff categories:
  The DoL requires that the headcount includes permanent staff, payroll contractors, temporary staff, commission-based staff and international secondees.

  The headcount figures in the annual report reflect all staff categories reported in the DoL format, except temporary staff, international secondees and staff of external entities.

During the course of the year Nedbank has focused on and made major inroads in becoming a disability-competent organisation. One of the initiatives undertaken to ensure the achievement of this aim was actively to increase the number of PWDs in the group's employ. As a result, the number of PWDs has increased from 232 in December 2007 to 395 in December 2008. This represents 1,6% of Nedbank's total workforce.

The following table provides a breakdown of people with disabilities:

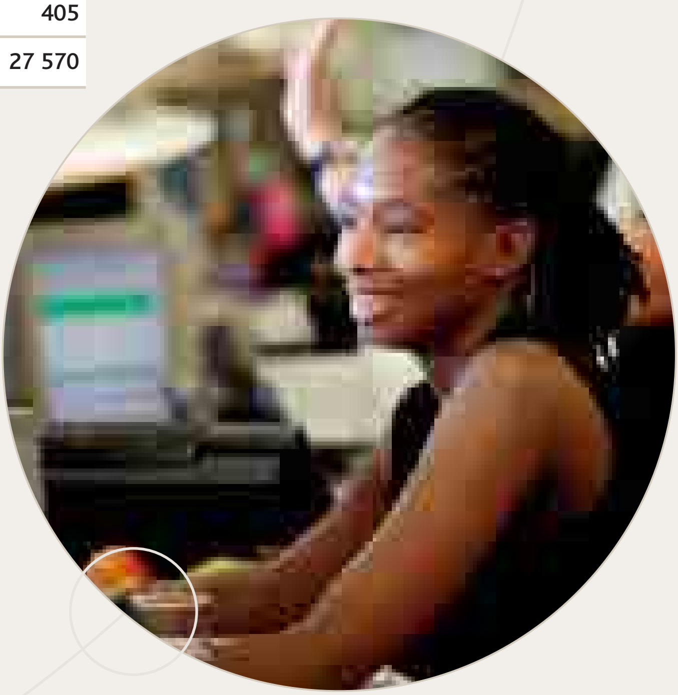
Numbers	Designated							Non-designated			
	Male			Female				Male	Foreign nationals		
Occupational levels	A	C	I	A	C	I	W	W	Male	Female	**Total**
Top management	0	0	0	0	0	0	0	0	0	0	**0**
Senior management	1	0	1	9	0	0	0	1	1	0	**13**
Middle management	6	6	8	46	3	6	5	30	3	4	**117**
Junior management	19	4	7	15	19	16	10	42	1	3	**136**
Semiskilled	25	4	6	10	22	10	8	27	0	0	**112**
Unskilled	0	0	0	0	0	0	0	0	0	0	**0**
Exceptions – permanent staff not matched	0	0	0	0	0	0	0	0	0	0	**0**
Total permanent	**51**	**14**	**22**	**80**	**44**	**32**	**23**	**100**	**5**	**7**	**378**
Non-permanent employees	1	0	0	6	4	1	0	4	1	0	**17**
Grand total	**52**	**14**	**22**	**86**	**48**	**33**	**23**	**104**	**6**	**7**	**395**

(%)	Designated							Non-designated			
	Male			Female				Male	Foreign nationals		
Occupational levels	A	C	I	A	C	I	W	W	Male	Female	**Total**
Top management											
Senior management	8	0	8	69	0	0	0	8	8	0	**100**
Middle management	5	5	7	39	3	5	4	26	3	3	**100**
Junior management	14	3	5	11	14	12	7	31	1	2	**100**
Semiskilled	22	4	5	9	20	9	7	24	0	0	**100**
Unskilled	0	0	0	0	0	0	0	0	0	0	**0**
Exceptions – permanent staff not matched	0	0	0	0	0	0	0	0	0	0	**0**
Total permanent	**13**	**4**	**6**	**21**	**12**	**8**	**6**	**26**	**1**	**2**	**100**
Non-permanent employees	6	0	0	35	24	6	0	24	6	0	**100**
Grand total	**13**	**4**	**6**	**22**	**12**	**8**	**6**	**26**	**2**	**2**	**100**

EE – BASED ON dti CODES

Occupational levels	Black people %	Black female %	African %	Total staff
Top management	30,00	20,00	20,00	**10**
Senior management	26,96	9,82	12,48	**601**
Middle management	44,64	22,95	16,20	**6 772**
Junior management	72,76	47,79	32,74	**10 354**
Total management	**60,45**	**37,00**	**25,73**	**17 737**
Semiskilled	82,47	57,65	46,83	**4 916**
Unskilled	91,30	47,83	86,96	**23**
Permanent staff not matched	70,00	27,50	45,00	**40**
Total permanent	**65,26**	**41,46**	**30,39**	**22 716**
Non-permanent employees	64,86	41,93	46,41	**2 254**
Total dti	**65,23**	**41,51**	**31,84**	**24 970**
Included for reconciliation purposes				
Add:				
International				**1 778**
International secondees				**25**
Imperial				**1 198**
Imperial secondees				**4**
Less:				
Temp headcount				**405**
Total Nedbank Group				**27 570**

Nedbank remains committed to accelerating transformation and redressing underrepresented groups at management levels. We have set ourselves challenging annual targets to rectify the situation by 2016. Appointment ratios for all groups are clearly communicated and progress is celebrated on a regular basis.



EMPLOYMENT EQUITY PROGRESS – BASED ON THE FINANCIAL SECTOR CHARTER

Steady progress has been made since 2004, the start of the Financial Sector Charter (FSC), in all three management levels. 2008 targets have been met for both middle and junior management. Performance at senior management level was a challenge, especially due to the prevailing economic conditions and the current war for talent in the private and the public sector, but this was achieved during the course of 2008.

Employment equity progress – Based on the Financial Sector Charter

Staff category in terms of the definitions of the FSC	African		Coloured		Indian		White		
	Female	Male	Female	Male	Female	Male	Female	Male	**Total**
Group Executive	1	1	1	–	–	–	–	7	10
Senior management	49	105	15	42	40	111	275	831	1 468
Middle management	213	271	110	130	216	285	795	1 006	3 026
Junior management	486	475	410	263	505	393	1 424	757	4 713
Non-managerial	4 368	2 273	2 530	978	1 627	772	2 481	749	15 778
Total operations	**5 117**	**3 125**	**3 066**	**1 413**	**2 388**	**1 561**	**4 975**	**3 350**	**24 995**

FSC definition includes: Permanent, temporary, payroll contractors, international secondees and commission earners.

Included for reconciliation purposes.

Add:	
International	**1 778**
Imperial	**1 198**
Imperial secondees	**4**
Less:	
Temp headcount	**405**
Total Nedbank Group	**27 570**

Employment equity progress as a percentage – based on FSC

Staff category in terms of the definitions of the FSC (%)	African		Coloured		Indian		White		
	Female	Male	Female	Male	Female	Male	Female	Male	**Total**
Group Executive	10,00	10,00	10,00	0,00	0,00	0,00	0,00	70,00	**100**
Senior management	3,34	7,15	1,02	2,86	2,72	7,56	18,73	56,61	**100**
Middle management	7,04	8,96	3,64	4,30	7,14	9,42	26,27	33,25	**100**
Junior management	10,31	10,08	8,70	5,58	10,72	8,34	30,21	16,06	**100**
Non-managerial	27,68	14,41	16,03	6,20	10,31	4,89	15,72	4,75	**100**

LEARNING AND GROWTH

Nedbank Group as an organisation focuses learning on achieving an optimum value for the employee and the organisation. Learning is ultimately about development for the employee resulting in portable skills and sustainability for the organisation. The intersection of value is created when both the employee and the organisation experience a positive shift in performance.

Skills development is regarded as a key pillar to achieving our transformation strategy. In support of the transformation strategy the WSP was completed as stipulated by the Skills Development Act. The primary source of information for this plan is the personal development plans completed online by employees annually, following the annual performance discussions that are held between employees and their managers. These discussions focus on increasing competence in their current roles and preparing them for future opportunities linked to our broader talent management plans.

Nedbank has spent R263 840 903 on training in 2008, which is 4,44% of basic payroll. Of this, 2,87% of basic payroll was spent on black staff.

At Nedbank learning and growth is sustained by a learning culture, which not only fulfils the various regulatory requirements that govern skills development, but also provides the momentum for sustainable organisational performance.

1 TRAINING EXPENDITURE

1.1 Training expenditure in terms of Department of Trade and Industry (dti) Codes

Black skills development spend (Rm)	2008
Total basic payroll	**R5 945,4**
Total training spend	**R263,8**
Training spend as % of basic payroll	**4,44%**
Training spend for black staff using adjusted recognition for gender	**R170,8**
Training spend for black people with disabilities (PWDs) using adjusted recognition for gender	**R1,4**
Training spend on black staff as % of basic payroll	**2,87%**
Training spend on black PWD as % of basic payroll	**0,02%**

Nedbank qualifies for 9,14 points out of the 15 points allocated to skills development expenditure as per the dti generic scorecard. Altogether 56,40% of the total training spend on black staff was spent on black female staff.

1.2 Training expenditure in terms of Financial Sector Charter (FSC)

Black skills development spend (Rm)	2008	2007
Total basic payroll	**R5 945**	R5 272,0
Total training spend (1)	**R240,5**	R174,5
Training spend as % of basic payroll	**4,05%**	3,31%
Training spend for black staff	**R127,2**	R106,5
Training spend on black staff as % of basic payroll	**2,14%**	2,02%

Total training spend improved by 37,85% in 2008, compared with 2007, while the training spend on black staff increased by 19,41%. Nedbank has exceeded the FSC target of 1,5% on training spend on black staff by 0,64%.

Note 1: Difference in total training spend
Total training spend in terms of dti Codes includes opportunity cost on salaries of employees participating in category B, C and D programmes in terms of the learning programme matrix.

SKILLS DEVELOPMENT
REPORT

2 CATEGORY B, C AND D PROGRAMMES

	2008		2007	
	Total intake	**Total black**	Total intake	Total black
Leadership Development Programme (LDP)	**216**	**162**	190	136
Management Advancement Programme (MAP)	**143**	**91**	126	86
Senior Leadership Development Programme (SLDP)	**87**	**36**	45	20
Letsema (matriculants)	**125**	**124**	232	229
Kuyasa (graduates)	**35**	**35**	41	41
Business analysis (cert level)	**25**	**16**	27	16
Business analysis (dipl level)	**18**	**10**	0	0
Credit learnership	**20**	**18**	21	16
Education, training and development practitioners	**3**	**3**	20	15
Forex	**20**	**19**	0	0
Information Technology Banking Learnership Programme	**4**	**4**	4	2
Risk	**3**	**3**	0	0
Systems support	**6**	**6**	4	4
Vehicle and Asset Finance (VAF)	**11**	**11**	0	0
Total	**716**	**538**	710	565
%	**100**	**75**	100	80

3 EXECUTIVE DEVELOPMENT

	2008		2007	
	Total intake	**Total black**	Total intake	Total black
GIBS Executive Development Programme (EDP)	**13**	**6**	22	11
Harvard Advanced Management Programme (AMP)	**2**	**2**	2	0
Harvard Women's Programme	**1**	**1**	0	0
INSEAD AMP	**5**	**0**	0	0
INSEAD International Executive Programme	**4**	**0**	13	4
INSEAD Strategic Management in Banking	**2**	**2**	0	0
Total	**27**	**11**	37	15
%	**100**	**41**	100	41

4 OTHER PROGRAMMES

	2008		2007	
	Total intake	**Total black**	Total intake	Total black
Graduate Programme	**68**	**63**	42	35
Eyethu programmes (Adult Basic Education and Training)	**62**	**61**	0	0
Training Outside Public Practice	**9**	**1**	20	10
Total	**139**	**125**	62	45
%	**100**	**90**	100	73

5 BURSARIES

	2008		2007	
	Total intake	Total black	Total intake	Total black
Inhouse bursaries	949	710	1 574	1 081
External bursaries	464	409	0	0
Total	1 413	1 119	1 574	1 081
%	100	79	100	67

6 STUDY LOANS

	2008		2007	
	Total intake	Total black	Total intake	Total black
Study loans	39	30	43	29
Total	39	30	43	29
%	100	77	100	67

7 STUDY GRANTS/EDUCATION ASSISTANCE FUND

	2008		2007	
	Total intake	Total black	Total intake	Total black
Study grants	305	147	297	147
Education Assistance Fund	227	211	395	352
Total	532	358	692	499
%	100	67	100	72

NEDBANK GROUP

ENTERPRISE GOVERNANCE AND COMPLIANCE

Selby Baqwa SC (57)
Group Executive: Enterprise Governance and Compliance

6 years' service • BIuris, LLB, MBA
(De Mont Fort University, Leicester,
UK, and Harvard, USA)

Selby Baqwa had over 20 years' experience as both an attorney and an advocate prior to being appointed to the position of Public Protector of the Republic of South Africa in 1995. He joined Nedbank Group in 2002 to head a new corporate governance function, and at the beginning of 2005 also assumed responsibility for compliance.

Enterprise Governance and Compliance (EGC) is responsible for the monitoring of regulatory and reputational risk and the setting of related policies. It also manages the Enterprise Governance and Compliance Frameworks. Nedbank Group's governance strategy, objectives and structures have been designed to ensure that the group complies with legislation and a myriad of codes, while at the same time moving beyond conformance to governance performance.

Nedbank Group has incorporated competitive governance and compliance practices as core strategic imperatives for the sustainable development of our organisation. Our governance and compliance philosophy recognises the importance of ensuring continual adherence to legislative, regulatory and supervisory requirements as a critical part of effective risk management and sound enterprise governance.

Enterprise governance is at the heart of the operations of Nedbank Group and strategically links good governance to effective performance management. EGC constitutes part of the entire accountability framework of the organisation, and requires a balance between accountability and assurance (conformance) and value creation and resource utilisation (performance).

The Group Executive: EGC, Adv Selby Baqwa, serves as a member of the Group Executive Committee (Group Exco) and reports directly to the Chief Executive and also has direct access to the Chairman of the Nedbank Group Board.

He is supported by an extensive network of divisional governance and compliance officers, all of whom work closely with the central EGC Division in implementing projects, fulfilling monitoring and training requirements and creating a sustainable governance and compliance culture throughout the group.

PHILOSOPHY, STRATEGY AND OBJECTIVES

The EGC functions are an essential part of Nedbank Group's control structure, having responsibility for the management of regulatory and reputational risk. A comprehensive Enterprisewide Risk Management Framework has been developed in line with the requirements stipulated in section 60A of the Banks Act, read with the provisions of regulation 49 (previously 47). This framework ensures a consistent focus on day-to-day governance requirements without losing sight of the long-term growth and profitability of the group.

Nedbank Group's governance and compliance strategies, objectives and structures have been designed to ensure that the group complies with legislation and numerous codes, while at the same time moving beyond accountability and assurance issues to value creation and resource utilisation issues. Internally the function has expanded in five complementary directions, namely:

- enterprisewide corporate governance;
- business governance;
- corporate accountability and ethics;
- sustainability management and reporting; and
- compliance.

The enterprise governance and compliance functions operate, among others, at the following levels within the organisation:

- Board (including boards of subsidiaries and joint ventures).
- Executive management (dealing with business governance and internal controls).
- Employees (ensuring, for example, work ethics and business governance).
- Social and environmental integration (creating a sustainable bank).

EGC works closely with the Company Secretary and Group Risk in promoting a culture of good governance and compliance within the group.

The division's key objectives are to:

- provide an independent assurance function with regard to governance and compliance issues to the board, Group Exco and the banking business;
- implement and monitor good business governance practices throughout the organisation;
- internalise a culture of governance, ethics and compliance across the group through ongoing training and development;
- set governance and compliance frameworks that will be aligned with applicable regulations and local and international best practice;
- build and enhance relationships with key internal partners (Risk, Internal Audit, Legal and Company Secretariat – especially the business governance and compliance champions) and external stakeholders;
- achieve balanced economic, social and environmental performance and implementation of a best-practice corporate citizenship framework, including comprehensive sustainability reporting and targeted stakeholder engagement;
- provide tools for and expert guidance on governance, sustainability and compliance matters to the business; and
- inform the business of new and existing regulatory requirements.

COMPLIANCE

Compliance risk is the potential that the procedures implemented by the entity to ensure compliance with relevant statutory, regulatory and supervisory requirements are not adhered to and/or are inefficient and ineffective.

The group manages compliance risk through the following key activities:

- Creating awareness through the training of employees and other affected stakeholders on the impact and responsibilities related to legislative requirements.
- Monitoring and reporting on the level of compliance with legislative requirements.
- Providing assurance that the risks relating to regulatory requirements are identified, understood and effectively managed.
- Consulting with the business units and providing compliance opinions with regard to new business ventures and processes.

Nedbank Group is committed to the highest standards of integrity, professionalism and ethical behaviour, and requires all its employees to display these traits to comply with all relevant laws, rules and standards when conducting the business of the group.

Nedbank Group's compliance function is an independent function that identifies, evaluates, advises on, monitors and reports on the group's compliance risk. Without impairing independence, qualified compliance officers are located in the different business units to monitor and report on compliance risk. The compliance function is further assisted by centralised and decentralised legal and risk functions in the group.

Compliance risk management tools provided to management include compliance manuals, compliance risk profiles, compliance control plans, compliance opinions and compliance control adequacy and effectiveness reports. These tools are increasingly integrated into the group's operating systems and are technology-enabled.

As a result of the geographical spread of its operations the group is subject to wide-ranging supervisory and regulatory regimes. Accordingly, the group's relationships with regulators are of paramount importance, specifically the relationship with the bank supervision department of the South African Reserve Bank. The group follows a policy of constructive engagement with regulators.

KING II CODE

As part of its compliance with the Code of Corporate Practices and Conduct of the King Committee ('King II'), Nedbank Group has a comprehensive implementation and monitoring plan to meet all of its requirements and recommendations. This plan – the implementation of which is monitored by the Directors' Affairs Committee and EGC – covers all the corporate governance requirements relating to the Banks Act as well as the recommendations of the Myburgh Report and has been approved by the board.

At 31 December 2008 the group complied substantially with King II, with the only areas of non-compliance being the following:

- The group's Chairman, Reuel Khoza, is a non-executive director, but not independent. This is due to his position at Aka Capital, a strategic business partner of Nedbank Group through its BEE transaction. He is also a director of the group's holding company, Old Mutual plc, which precludes him from being classified as independent.
- The Chairman of the Credit Committee (Michael Katz) and the Chairman of the Group Transformation and Sustainability Committee (Lot Ndlovu) were not yet classified as independent non-executive directors.
- Mustaq Enus-Brey is Chairman of the Group Risk and Capital Management Committee and not classified as independent as a result of to his relationship with one of the group's black business partners.

The Nedbank Board is satisfied that these areas of non-compliance do not impair the governance integrity of the group or perceptions of the group.

Nedbank Group's Enterprise Governance Framework incorporates a full range of governance objectives, and individual responsibilities are clearly delineated at board, board committee, group executive and management levels.

In other respects, as far as compliance with King II is concerned:

- the **Group Directors' Affairs Committee** consists entirely of non-executive directors, of whom the minority are independent (the Chief Executive attends as an invitee);
- the **Group Audit Committee** consists entirely of non-executive directors, all of whom are independent;
- the **Group Remuneration Committee** consists entirely of non-executive directors, the majority of whom are independent; and
- the **Group Risk and Capital Management Committee** consists entirely of non-executive directors, the minority of whom are independent.

The Nedbank Group has provided input and commentary on King III from both a sustainability and ethics content perspective and eagerly awaits the release of the first draft of King III.

COMBINED CODE

Old Mutual plc subscribes to the United Kingdom Combined Code. Nedbank as a subsidiary takes cognisance of all governance best practices, including the United Kingdom Combined Code. Nedbank Group is not obliged to adhere to the United Kingdom Combined Code, but if it were, areas of non-compliance would be as follows:

- The Chairman, Reuel Khoza, is a non-executive director who is not independent, due to his position at Aka Capital, where he is a strategic business partner in terms of the group's BEE transaction. He is also a director of the group's holding company, Old Mutual plc.
- Recognising that the Chairman is not an independent director and in line with the recommendations of the UK Combined Code, Chris Ball was appointed to the position of senior independent director in February 2007. Mr Ball is, however, a member of more than one committee, which is not in line with the code. The Group Exco is of the opinion that it is both efficient and effective that the same independent director be a member of various committees, as this avoids any duplication of the activities of the committees and also ensures that no issues are overlooked.
- The Combined Code recommends that a majority of independent directors serve on the board to provide the necessary checks and balances and to ensure that the bank operates in a safe and sound manner. We continue to aspire to adhere to the requirements of the Combined Code, however, due to the limited number of experienced independent directors in South Africa, it is not always possible to adhere strictly to the code in this regard.
- The Combined Code states that a director is not independent if cross-directorships exist, or if there are significant links with other directors. A significant number of directors of the Nedbank Board hold cross-directorships. Nedbank believes, however, that the directors have the strength of character to meet the independence criteria.
- The Combined Code recommends that independence is compromised if a director has served on the board for more than nine years. Four directors, namely Michael Katz, Lot Ndlovu, Johannes Magwaza and Mafika Mkwanazi, have served longer than nine years on the Nedbank Board. A process of reelection and rigorous performance evaluation has, however, been instituted to comply with the code. Any directors serving for more than nine years are now required to be reelected each year.

GOVERNANCE/COMPLIANCE CULTURE

Enterprise governance requires commitment at every level of the organisation and it is therefore essential to create an effective governance and compliance culture. Creating this culture also involves the alignment with the ethics and values of the group.

During 2008 there was a continued focus on governance and compliance training and awareness programmes to all employees. Over 88% of the employees have completed the training in corporate governance and 87% of the employees have been trained in compliance. The e-learning training initiatives included the following topics: Introduction of FAIS, Money-laundering-control Awareness, Employment Equity, National Credit Act, Occupational Health and Safety Act and Sustainability.

EGC hosted regular governance and compliance forums to enable employees to engage with thought leaders such as Judge Mervyn King, Clem Sunter and Moeletsi Mbeki.

A communications and awareness plan was rigorously applied in 2008 and included interventions such as email communications, workshops, awareness through the Nedbank TV channel, governance and compliance presentations and a workshop with the main regulators of the bank.

Africa and offshore subsidiaries

The mandate of the EGC Division is enterprisewide and the Nedbank Group Board is responsible for the state of corporate governance and compliance in the entire organisation.

In 2008 the division provided governance and compliance assistance to the group's operations in Africa, including:

- maintaining regular contact with managing directors, company secretaries and compliance officers to ascertain the state of governance and compliance within each entity;
- providing advice and support for those entities in respect of governance, compliance and sustainability issues;
- monitoring and reporting on governance practices;
- providing governance and compliance training to the governance and compliance officers;
- ensuring exposure of the board members to the Nedbank Group Board committees and executives; and
- arranging visits to each of these entities, which entailed
  - conducting director induction on governance and compliance,
  - addressing employees and executive committees on governance and compliance,
  - consulting with the company secretaries on their policies, board structures, evaluations and practices,
  - maintaining contact with the local regulator of each entity,
  - consulting with managing directors on the challenges they face and
  - reporting back to the Chief Executive and the Head of the Nedbank Africa Division.

ENTERPRISE GOVERNANCE FRAMEWORK

Nedbank Group's Enterprise Governance Framework incorporates a full range of governance objectives, a delineation of responsibilities at board, board committee, Group Exco and management level, and the identification of champions and key functions for corporate governance integration into all operations.

Key features in achieving an effective governance process are the cooperation between executive management and non-executive directors and the significant emphasis, resources and structure given to executive management functions to champion corporate governance on a day-to-day basis and assist the board, board committees and individual non-executive directors with corporate governance and compliance responsibilities.

CORPORATE GOVERNANCE STRATEGY

Formalised governance objectives

The board has formalised its governance objectives and annually assesses and documents whether the process of corporate governance implemented by the group successfully achieves these objectives, measured as part of the Regulation 39(18) [previously 38(5)] Report on the state of corporate governance in Nedbank Group.

Strategy

The board, together with recommendations from senior management, is responsible to the shareholders and other stakeholders for setting the strategic direction of the group through defining objectives and key policies, which are then cascaded throughout the organisation.

Stringent investment and performance criteria are determined and refined by the board. These are monitored on an ongoing basis through business plan reviews, key operational and management performance indicators, economic policies and trends, annual budgets and major capital expenditure programmes, significant acquisitions, disposals and other transactions, as well as criteria important to Nedbank Group's relations with its primary stakeholders and its reputation and conduct as a good corporate citizen.

The above process is supported by a schedule of matters reserved for the board, versus those that are delegated to board committees, to ensure that the directors maintain full and effective control over the group, specifically regarding significant strategic, financial, organisational and compliance matters.

The board is accountable to Nedbank Group's shareholders for exercising leadership, enterprise, integrity and judgement in directing the organisation to achieve continuing prosperity in the interests of all the group's stakeholders.

Dedicated strategy sessions of Group Exco and divisional executive committees, as well as between the board and Group Exco, are held to focus on strategy determination and revision. Progress against strategic objectives is tracked through the balanced-scorecard methodology.

THE BOARD OF DIRECTORS

Role and composition

In line with the recommendations of King II Nedbank Group has a unitary board structure comprising the following 15 directors at 31 December 2008:

Independent non-executive directors (6)

Patience Mnxasana	Brian Figaji
Chris Ball	Thenjiwe Chikane
Johannes Magwaza	Mafika Mkwanazi

Non-executive directors (7)

Reuel Khoza (Chairman)	Bob Head
Lot Ndlovu	Mustaq Enus-Brey
Michael Katz	Gloria Serobe
Rosie Harris	

Executive directors (2)

Tom Boardman (CE)	Mike Brown (CFO)

Note:
Alan Knott-Craig was appointed independent non-executive director with effect from 1 January 2009. Michael Katz and Lot Ndlovu were classified as independent non-executive directors in February 2009.

Patience Mnxasana was appointed as an independent non-executive director from 1 October 2008. Jim Sutcliffe, Barry Davison and Cedric Savage resigned from the board during 2008.

Three of the seven non-executive directors, including the Chairman, are not considered independent, as they either serve as directors or are senior executives of the group's holding company, Old Mutual plc. Mustaq Enus-Brey, Gloria Serobe and Reuel Khoza, are also not considered independent because of their relationship with Nedbank Group's BEE partners.

The non-executive directors all have a high degree of integrity and credibility, and the strong independent composition of the board provides for independent and objective input into the decisionmaking process, thereby ensuring that no one director holds unfettered decisionmaking powers.

The directors come from diverse backgrounds and bring to the board a wide range of experience in commerce, industry and banking. The directors have access to management, whenever required.

Board appointments and evaluation

Board appointments are conducted in a formal and transparent manner, in line with the board appointment policy, by the board as a whole, assisted by the Group Directors' Affairs Committee. Any appointments to the Nedbank Group Board are made taking into account the need for ensuring that the board provides a diverse range of skills, knowledge and expertise, the requisite independence, the necessity of achieving a balance between skills and expertise and the professional and industry knowledge necessary to meet the group's strategic objectives, as well as the need for ensuring demographic representation.

In general directors are given no fixed term of appointment, while executive directors are subject to short-term notice periods. An executive director is required to retire from the board at age 60, while a non-executive director is required to retire at age 70, unless otherwise agreed. Reappointment of non-executive directors is not automatic. Executive directors are discouraged from holding a large number of directorships outside the group.

A full assessment of the effectiveness of the board and board committees, as well as an evaluation of the Chairman of the board, took place during 2008. An assessment of the board's performance by management was included in the process.

The Chief Executive's performance is also evaluated according to his performance scorecard, which is approved annually by the Group Remuneration Committee, with the input of the Chairman and Old Mutual plc. The feedback from this board evaluation process contributed to the production of the Regulation 39(18) Report addressing the state of corporate governance in the organisation.

Board charter

The board has a formal written charter that is reviewed on an annual basis.

The main functions of the board covered by the charter are:

- determining the overall objectives for the group;
- developing strategies to meet those objectives in conjunction with management;
- formulating company policies;
- rating the group's own performance;
- assuming overall responsibility for risk management;
- appointing a chief executive for the group; and
- evaluating the performance of the group's directors.The charter also formalises policies regarding board membership and composition, board procedures, the conduct of directors, risk management, remuneration, board evaluation and induction.

Board committees

The board committee structure is designed to assist the board in the discharge of its duties and responsibilities, and was unchanged during 2008.

Current board committees:

- Board Strategic Innovation Management Committee
- Group Audit Committee
- Group Credit Committee
- Group Directors' Affairs Committee
- Group Finance and Oversight Committee
- Group Remuneration Committee
- Group Risk and Capital Management Committee
- Group Transformation and Sustainability Committee

Each board committee has formal written terms of reference that are reviewed on an annual basis and effectively delegated in respect of certain of the board's responsibilities, which are monitored by the board to ensure that the board retains effective coverage of and control over the operations of the group. The directors confirm that the committees functioned in accordance with these terms of reference during the financial year.

Board Strategic Innovation Management Committee

The Board Strategic Innovation Management Committee has the broad responsibility to monitor all issues pertaining to information technology (IT), both operational and strategic, in as much as these may impact the business, financial, performance, risk profile and IT strategies of the group. This committee aims to ensure alignment of the prioritisation and magnitude of IT development spend and investment with overall group strategy and direction.

Group Audit Committee

The functions of the Group Audit Committee are primarily to assist the board of directors in its evaluation and review of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied within the bank in the day-to-day management of its business, and to introduce measures to enhance the credibility and objectivity of financial statements and reports prepared with reference to the affairs of the group.

Group Credit Committee

The primary roles of the Group Credit Committee are to approve credit policies and philosophy, set credit limits and guidelines, confirm that procedures are in place to manage and control credit risk, approve the adequacy of interim and year-end provisions and ensure that the quality of the group's credit portfolio is in accordance with these requirements by monitoring credit risk information, processes and disclosure. This primary role comprises a monitoring function. An important secondary role of this committee is the approval of advances above sanctioned and regulatory authority levels.

Group Directors' Affairs Committee

The primary roles of the Group Directors' Affairs Committee are to consider, monitor and report to the board on strategic risk, reputational and compliance risk, compliance with King II and the corporate governance provisions of the Banks Act, as well as the regulations issued thereunder, and to act as a nominations committee for board appointments.

Group Finance and Oversight Committee

The chairmen of the Group Audit, Credit, Risk and Capital Management and Strategic Innovation Management Committees, as well as Bob Head, are members of this committee, with the Chief Risk Officer attending by invitation. Its primary functions are to be a board discussion forum, to consider the full spectrum of risks in the bank and to ensure that the board and the various board committees address the risks effectively.

Group Remuneration Committee

The Group Remuneration Committee consists of non-executive directors only and is chaired by an independent non-executive director.

The Group Remuneration Committee is authorised to approve the aggregate of adjustments to the remuneration of employees below executive director and managing executive level. The committee individually approves adjustments to the total remuneration of members of the Group Exco. The board, following recommendations made by the Group Remuneration Committee, individually approves adjustments to executive directors' total remuneration. This committee is also charged with the supervision of the Nedbank Group Employee Incentive Scheme and is involved in executive officer succession policy. The committee considers remuneration in its totality in an integrated and holistic manner, thereby assisting the board in discharging its corporate governance duties related to remuneration strategy, structure and costs.

The Remuneration Report, commencing on page 194, covers all the corporate governance aspects and disclosure with respect to remuneration of directors.

Group Risk and Capital Management Committee

In terms of the Banks Act a risk committee is required to assist the board of directors in evaluating the adequacy and efficiency of risk policies, procedures, practices and controls; identify the buildup and concentration of risk; develop risk mitigation techniques; ensure formal risk assessment; identify and monitor key risks; facilitate and promote communication through reporting structures; and ensure the establishment of an independent risk management function and other related functions. In addition, this committee also oversees the group's policies and procedures to ensure compliance with Basel II, which has became fully effective in 2008.

The Group Risk and Capital Management Committee is tasked with groupwide risk monitoring, focusing primarily on the management and assessment of risk, including market and trading risks; financial instrument (derivative) usage; asset and liability management (ALM) risks; Group Asset and Liability and Executive Risk Committee (Group ALCO) processes and functions; investment exposures; and risks related to the underwriting of share issues.

Group Transformation and Sustainability Committee

The Group Transformation and Sustainability Committee has the broad responsibility to monitor all issues pertaining to the integrated economic, social, environmental, human resources and transformation performance of the group.

This committee assists the board in discharging its responsibility to ensure that the group proactively addresses the requirements and/or recommendations for integrated sustainability reporting as set out in King II and the Global Reporting Initiative, an international multishareholder process, as well as to give the needed attention at board level to issues pertaining to the FSC, dti Codes on BEE, training and development, and social and environmental responsibility.

The board committee structure is also supported by group executive management committees.

Chairman and Chief Executive

In line with best practice the roles of chairman and chief executive are separate. The board is led by the Chairman, Reuel Khoza, and the executive management of the group is the responsibility of the Chief Executive, Tom Boardman.This accepted division of responsibilities at the helm of the group ensures a balance of authority and power, so that no one individual has unrestricted decisionmaking powers. At the same time the board and executive management work closely together in determining the strategic objectives of the group.

Company Secretary and director development

All directors have access to the advice and services of the Company Secretary and EGC, who are responsible for ensuring that board procedures and applicable rules and regulations are fully observed. Further to this, the board has an established procedure in the furtherance of its duties, whereby directors may obtain independent professional advice at the group's cost.

New directors are informed of their duties and responsibilities by way of an induction course that is run by the Company Secretary and other experts on board effectiveness, corporate governance and banking and

NEDBANK GROUP

technical information, familiarising the directors with the bank's senior management and strategies. A formal ongoing director development programme was instituted during 2006, focusing on relevant briefings of all members of the board and board committees to ensure that they are kept up to date with local and international industry developments, technology issues, risk management and corporate governance best practice. All business cluster heads also undertake regular presentations to update the board on progress and key issues within particular clusters.

During 2008 the director development was continued. The following topics have been included as part of the internal training schedule for directors:

- Risk-adjusted performance measurement, economic profit and managing for value.
- International trends on remuneration.
- Ethics.
- Socially responsible investment.
- Subprime market collapse – lessons learnt.
- Emerging International Financial Reporting Standards (IFRS) issues, new BA returns and regulatory reporting.

During 2008 the South African Reserve Bank also encouraged directors to attend external training workshops with the Gordon Institute of Business Science (GIBS). The programme put together by GIBS is the Banking Board Leadership Programme, which was attended by seven boardmembers. The GIBS director development will continue in 2009.

Succession planning

Succession planning is an important focus area at board and at both executive and senior management level. Detailed and intensive planning is conducted through the Chairman's Office in consultation with the Group Directors' Affairs and Group Remuneration Committees.

The Chief Executive is required to report regularly to the board on the group's management development and employment equity programmes.

Business governance

Business governance forms the link between the strategic objectives set by the board and board committees, and the actions and decisions taken by the management committees. Primary attributes of this portfolio are the reviewing, implementing and monitoring of structures, internal controls and compliance according to the principles of good corporate governance at management level, involving the functions of the Group Exco, divisional executive committees, operational risk committees, Group Exco subcommittees and all other management committees.

Recognising the crucial link between board governance and management implementation of group strategy, focus has been placed on governance structures and processes at management level under the business governance banner, and a number of activities have been completed:

- A business governance toolkit has been prepared to assist the business clusters in monitoring their committees, processes and training.
- A review of the Group Exco subcommittee structures has been completed by the Enterprise Governance and Compliance Division.
- A number of the business unit governance and compliance officers have completed monitoring of their cluster committees and business governance monitoring has been integrated into monitoring plans.

We believe that business governance provides an essential way of bringing corporate governance into the everyday activities of all staffmembers.

A number of subcommittees ensure this alignment:

The **Executive Strategic Innovation Management Committee** assists the Group Exco and the Board Strategic Innovation Management Committee in discharging their responsibilities to ensure that Nedbank Group has a well-coordinated, efficient, effective and properly resourced IT strategy, enabling the organisation to remain highly competitive, and that this strategy is timeously implemented.

The **Group Asset and Liability and Executive Risk Committee** is responsible for ensuring that the impact of the following risks is effectively managed in Nedbank Group:

- Liquidity risk.
- Capital management risk.
- Interest rate risk, both local and foreign.
- Market risk, including
  - currency translation risk,
  - trading market risk and
  - financial instruments used for purposes other than trading (eg balance sheet hedges and investments).

The **Mergers and Acquisitions (M&A) Steering Committee** ensures proper corporate governance, oversight and control of corporate actions taken by the group as a whole. All operational acquisitions, disposals, restructuring and major corporate actions within the group are brought to the M&A Steering Committee.

The primary role of the **Executive Transformation** and **Human Resources Committee** is threefold, namely:

- statutory compliance in respect of labour legislation;
- monitoring of transformation progress and the implementation of FSC and dti requirements; and
- Nedbank Group employee recruitment, selection, remuneration, performance management, maintenance, training, development and, where necessary, termination.

The primary role of the **Executive Taxation Committee** is monitoring tax compliance and tax policy and ensuring the management of tax risk throughout the group in accordance with Nedbank Group's tax policy. Furthermore, the committee assists the Group Audit and Group Risk and Capital Management Committees in discharging their responsibilities relative to the management and monitoring of tax risk.

The **Nedbank Capital Investment Committee's** primary role is considering private-equity and mezzanine equity investments and the underwriting of share issues, including initial approval, periodic reviews and any material changes.

The primary role of the **Nedbank Corporate Property Investment Committee** is considering private-equity investments in client-driven property ventures and strategic investments in the listed-property sector and allied-service companies, including initial approval, periodic reviews and any material changes.The **Business Risk Management Forum's** role is to provide leadership in assessing the impact of any new regulatory requirements and legislation across Nedbank Group and promoting, directing and overseeing the successful implementation thereof.

The primary role of the **Advanced Internal Ratings-based (AIRB) Credit Executive Committee** is to approve and monitor all material aspects of the bank's AIRB credit system, and receive regular reporting thereon. In addition, the bank's AIRB Credit Framework and policies, including any changes thereto, are reviewed and approved.

The **Nedbank Brand Committee** assists the Group Exco in fulfilling inter alia the following responsibilities:

- Monitoring and reporting on brand health and the repositioning of the Nedbank brand.
- Revising and amending, where appropriate, the master brand repositioning plan in the context of group strategy.
- Approving strategies for key brand-building campaigns, programmes or initiatives.
- Regularly performing strategic reviews of competitor positioning and marketing initiatives.
- Ensuring alignment and coordination of groupwide marketing activities in respect of business and brand strategy.
- Optimising groupwide marketing spend, including monitoring and reporting on investment and (where applicable) making strategic recommendations on optimal investment.
- Ensuring consistency in the application of marketing policies and processes, specifically in the areas of advertising, corporate identity, sponsorships and market research.

RISK MANAGEMENT

Rather than attempting to avoid risk entirely, Nedbank Group embraces effective risk management as a core competency – one that allows for optimised risk-taking; is objective and transparent; and ensures that the business prices for risk appropriately, linking it to return.

One of the main catalysts to attaining our Deep Green aspiration to be 'worldclass at managing risk' is our successful implementation of Basel II. The Basel II Framework describes a minimum international standard for capital adequacy that national supervisory authorities implement through domestic rule-making and adoption procedures. This was done in South Africa in January 2008 when the South African Reserve Bank introduced new Basel II banking regulations. As a result of the

incorporation of Basel II into our business processes, Nedbank has enhanced the level of sophistication of its risk and capital measurement and management, and more closely aligns both its regulatory and economic capital to the risks that the bank faces.

The effective and appropriate management of such risks is put into practice through the group's best-practice Enterprisewide Risk Management Framework, which considers both the risks the group faces today and those it may face in the future. The Enterprisewide Risk Management Framework comprises three lines of defence as follows:

- The first line of defence comprises focused and informed involvement by the board and the Nedbank Group Exco, and accountability and responsibility of business management – all supported by appropriate internal control, risk management and governance structures, policies and processes.
- The second line of defence consists of independent risk monitoring and oversight at group level by Group Risk and EGC functions.
- The third line of defence provides independent objective assurance on the management of risk across the group. This is given by internal and external audit.

The risk management function is headed by the Chief Risk Officer, Philip Wessels, who is a member of Group Exco and reports directly to the Chief Executive. In addition, he attends the board and certain board committee meetings by invitation.

The board acknowledges its responsibility for the entire process of risk management and for evaluating the effectiveness of this process. Management is accountable to the board for designing, implementing and monitoring the process of risk management and integrating it with the day-to-day activities of the group.

The Group Risk and Capital Management Committee is the board committee responsible for assisting the board in reviewing the risk management process and any significant risks facing the group.

INTERNAL AUDIT AND OPERATIONAL RISK

Key role players within the Enterprise Governance Framework of the group include Group Internal Audit and Operational Risk.

Internal Audit

Internal Audit is a centralised independent assurance function, the purpose, authority and responsibility of which are formally defined in a charter approved by the board in line with stipulations of the Institute of Internal Auditors. Group Internal Audit (GIA) reports on its assessment of the adequacy and effectiveness of the group's risk management, control and governance processes at meetings of the Group Audit Committee and other board subcommittees charged with risk monitoring.

The Chief Internal Auditor reports to the Chairman of the Audit Committee and has unrestricted access to the Chief Risk Officer, chairmen of the board committees, the Chief Executive and the Chairman of the board. Administratively, GIA and the central group risk function are coordinated. GIA also works closely with Enterprise Governance and Compliance to ensure that audit issues of an ethical or governance nature are made known and appropriately resolved.

GIA has dedicated teams that perform internal audits in the group's various business operations, subsidiaries and joint ventures. Audits are conducted according to a risk-based approach, and the audit plan is approved by the Group Audit Committee and updated quarterly to reflect any changes in the risk profile of the group.

Operational risk

The sophisticated risk assessment methodology used for the identification, assessment, management, monitoring and reporting of risk is discussed in more detail under the operational risk section on pages 165 to 166.

Internal control

An essential part of the board's responsibility is reviewing the effectiveness of internal control, making use of the monitoring processes within the company.

This is primarily carried out through the Group Risk and Capital Management Committee structure within Nedbank Group. The detailed design, implementation and operation of adequate internal controls are generally delegated to the management team of Nedbank Group. These controls provide reasonable assurance that significant risks are appropriately managed, that management and financial information emanating from Nedbank Group is reliable and that assets are safeguarded. This, together with the associated responsibility for reviewing periodically the effectiveness of such internal control, is formally acknowledged by the head of each business unit once a year. The Banks Act requires that a board of directors annually reports to the Registrar of Banks on the adequacy of internal controls, adherence to these, maintenance of ethical standards, any material malfunctions and whether a bank will continue as a going concern.

The board reports that:

- no material malfunction in the group's internal control system occurred during the period under review;
- it is satisfied with the effectiveness of the group's internal controls and risk management;
- whenever there is an indication of any significant business risk or any weakness in controls that may result in loss or reputational damage, these are recorded and disclosed in a formal key issues control log, which is lodged periodically with the board;
- it has no reason to believe that the group will not operate as a going concern for the year ahead;
- it has no reason to believe that the group's code of ethics has been transgressed in any material respect;
- it has no reason to believe that the group's policies and authority levels have not been enforced and adhered to in all material respects;
- there have been no material breaches of compliance with any laws and regulations applicable to the group during the period under review; and
- there is a documented and tested process in place that will allow the group to continue its critical business processes in the event of a disastrous incident affecting its activities.

In Nedbank Group a process and hierarchy for reporting on internal control has been approved by the Group Audit Committee on behalf of the board and is reviewed on an ongoing basis by GIA and Group Risk.

PERSONAL-ACCOUNT AND INSIDER TRADING

Nedbank Group has a formal personal-account and insider trading policy in place, which is based on current regulatory requirements, sound risk management and governance processes, as well as international best practice.

Accordingly, personal-account trades are centrally approved and monitored by BoE Stockbrokers' Compliance Department to ensure that the risk exposures in this regard are appropriately and effectively managed. The policy serves further to assist directors and employees with their commitment to maintaining a culture of integrity, adhering to legislative requirements and enforcing zero tolerance of crime.

All dealings by directors and the Company Secretary in Nedbank Group shares are communicated to the Listings Division of JSE Limited, as dictated by the JSE Listings Requirements. This information is published through the Securities Exchange News Service (SENS).

FINANCIAL STATEMENTS AND EXTERNAL REVIEW

Going concern

The directors of Nedbank Group confirm that they are satisfied that the group has adequate resources to continue in business for the foreseeable future.

The assumptions underlying the going-concern statement are debated and recorded at the time of the approval of the annual financial statements by the board.

This has also been done as part of the interim results process. For this reason the Nedbank Group Board continues to adopt the going-concern basis for preparing the financial statements.

Directors' declaration

The directors of Nedbank Group confirm and acknowledge that:

- it is the directors' responsibility to prepare financial statements that fairly present the state of affairs of the company at the end of the financial year and the profit or loss and cashflows for that period;
- the auditors are responsible for reporting on whether the financial statements are fairly presented;
- adequate accounting records and an effective system of internal control and risk management have been maintained;
- appropriate accounting policies, supported by reasonable and prudent judgements and estimates, have been applied consistently, except as otherwise disclosed; and
- applicable accounting standards have been adhered to or, if there has been any departure in the interest of fair presentation, this has been disclosed, explained and quantified.

External auditors

The group's joint external auditors are Deloitte & Touche and KPMG Inc.

The report of the independent auditors on page 185 sets out the responsibilities of the external auditors with regard to reviewing the financial statements and the group's compliance with both statutory and accounting standard requirements.

The external audit is structured to provide sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. The audit review also considers the external auditors' support of the directors' statements on the group as a going concern and adequacy of the internal control environment.

The external auditors provide non-audit services to Nedbank Group.

A policy, in line with that of Old Mutual plc, regarding the provision of non-audit services by the group's auditors is in place. This process is structured between management and the external auditors to ensure that the guidelines, requiring approval by the Audit Committee depending on the quantum of fees involved, are adhered to and monitored by cluster Enterprise Risk Committees and the Nedbank and Old Mutual plc Audit Committees on a quarterly basis.

The total fee for non-audit and audit related services provided by the external auditors for the year ended 31 December 2008 was R20 million (2007: R25 million). This amounts to 21,3% of the total audit and non-audit services (2007: 27%).

Internet site

Nedbank Group's internet site (www.nedbankgroup.co.za) has extensive information on the group, its annual, preliminary, interim and sustainability reports and share price. It also provides a regular update on business developments and other matters of interest in relation to Nedbank Group.

Code of Ethics and organisational integrity

As a values-driven organisation, Nedbank Group sees its values as an effective means of ensuring consistent actions and behaviours across the group. To this end the group values were developed in consultation with all staffmembers and provide a clear framework on which the culture of the organisation is built. The Nedbank Group values are:

Integrity
Be honest, trustworthy, truthful, consistent and open. Act according to the highest ethical standards. We communicate openly, directly and ethically.

Respect
Treat others as you would have them treat you. Use diversity as strength. Listen to others and treat people with dignity.

Provide individuals with fertile ground in which to grow. Treat everyone in the organisation as important. We foster individual strength to build the whole.

Accountability
Be prepared to make commitments and be judged against your commitments. Deliver on commitments. We take responsibility for our actions.

Pushing beyond boundaries
Play to the maximum of your abilities – as individuals, as teams and as an organisation – across boundaries. We always strive to break new ground, fuelled by our passion and commitment.

Being people-centred
Invest in people. Create empowering environments through development, support, mentoring, coaching, recognition and reward. People are the source of our strength.

These values, which are closely aligned to the group's holding company, Old Mutual plc, have also been incorporated into the groupwide Code of Ethics, which forms the foundation of the Nedbank culture.

During 2008 this Code of Ethics, which is available on our website at www.nedbankgroup.co.za, has been reviewed and aligned with accepted international standards. Increasing awareness of this code among employees remains a key focus area and is viewed as playing a crucial part in making governance a reality for Nedbank staffmembers. For this reason awareness communications and various practical case studies have been sent out during the year, reinforcing the principles and importance of values and ethics within the organisation. A total of 78 awareness sessions were also conducted, including subsidiary board training, executive training, and the training of managers and employees. The focus of these sessions was on the Code of Ethics and the Conflict of Interests and Gift Policies. The Tip-offs Anonymous reporting line has also been marketed, resulting in awareness among employees of their responsibility to report incidents of unethical behaviour. To create further awareness the 'Ethics and Principles of Corporate Citizenship' booklet was developed and distributed to all employees at the end of 2007 and beginning 2008. The group television channel has also been used to introduce briefings and ethics tips to employees.

Business training was rolled out for various business units. This year the focus was on subsidiary board training and management and employee training. The Nedbank Board also attended an awareness session as part of board training by the Ethics Institute of South Africa. The Ethics Institute of South Africa is assisting the group with the rollout of its training programmes, and four accredited ethics officers form part of the EGC Division.

The Compliance Tool was launched during 2008 as an electronic mechanism for the declaration of all gifts given and received. It also serves as a repository for declarations of outside interests and allows employees to acknowledge formally that they have read and understood policies. It even offers a short survey to test their understanding of the principles used in the policy. The rollout of the Conflict of Interests Policy, the Code of Ethics and the Gift Policy via this electronic tool will be finalised during 2008, while the rollout of the other six EGC policies or acknowledgements will commence at the end of January 2009.

A generic induction presentation has been developed, covering the Code of Ethics, the Conflict of Interests Policy, the Gift Policy and Sustainability, and this has been distributed to the business to be included in all employee induction programmes.

Nedbank Group also has an ethics framework, which includes the addressing of issues such as conflict of interests, gifts and personal-account trading, for which policies are in place and reviewed annually to guide employee behaviour.

Group Risk Services, Human Resources, Internal Audit and the HR Ombudsman assist in the reporting and resolution of ethics issues that arise in the business.

The Nedbank Group Board Ethics Statement remains in place and was included in the Code of Ethics during 2008.

The EGC Division has been consulting with various external stakeholders to simplify the Code of Ethics and develop innovative ways to create better awareness of, and buy into, a highly ethical corporate culture. The Code of Ethics is also currently being extended to external stakeholders.

The Nedbank Group Supplier Code of Conduct has been developed and will be attached to all contracts managed by Group Procurement along with the relevant acknowledgements required by suppliers.

A staff survey on ethics that was conducted during 2008 yielded pleasing results, with the mean number of respondents increasing from 3 358 in 2007 to 5 585. The overall staff rating of the organisation increased from 83% to 86%, which represents a significant positive shift in employee perception. The ethics indicator is the highest indicator in the group for three years running, indicating that employees are aware of the policies in this regard and understand what is required of them.

It was accepted, in principle, by Group Exco that an ethics measurement be incorporated into the balanced scorecards of all employees. For 2009 ethics will be included in the Group Exco scorecards as a modifier and measured by the Nedbank ethics indicator (NEI). The NEI will be finalised by end January 2009. A project approach will be followed to address gaps when the results of the indicator are analysed.

Code of Banking Practice

Nedbank Group subscribes to the Code of Banking Practice of The Banking Association South Africa, which governs all relationships with authorities, clients, competitors, employees, shareholders, local communities and other primary stakeholders. Appropriate procedures and mechanisms are in place to ensure full adherence to the code and the group works with the Banking Ombudsman's Office to ensure that client complaints are resolved appropriately and timeously.

POLITICAL CONTRIBUTIONS

While Nedbank Group fully supports the South African democratic system, it does not contribute to individual political parties. It may, however, periodically enter into banking transactions with various parties in the ordinary course of business. The group's apolitical stance extends to declining to fund projects that are specifically undertaken under the auspices of political parties. That said, Nedbank Group assists with worthy causes initiated by civic organisations, and it is possible that these initiatives may sometimes involve political figures. This in no way implies any support of the political affiliations of such persons.

Anti-money-laundering and combating the financing of terrorist activities

Nedbank Group remains committed to combating money laundering and terrorist financing through various policies and procedures designed to ensure that statutory duties, regulatory obligations, and agreed standards are met. The Business Risk Management Forum (BRMF), a Group Exco subcommittee, ensures consistent implementation of the

Money-laundering Control Programme (MLCP) throughout the group. In 2008 the following deliverables were achieved:

- Ongoing restriction of clients whose records reflect 'not verified' after a specified period following account opening. At 31 December 2008 altogether 126 190 not-verified records have been restricted and the remaining 31 329 not verified records are in the bank's restriction process.
- Training for anti-money-laundering (AML) and the combating of the financing of terrorist and related activities (CFT) remains a high priority. At end December our training statistics were as follows:
  - 14 535 of the selected 27 511 employees completed the awareness training for AML/CFT within the past 24 months;
  - 14 903 of the 18 180 Retail employees completed the Money-laundering Control Basic Training; and
  - 3 285 of the 5 972 Corporate employees completed Money-laundering Control Specialised Training for Corporate and Merchant Banking.
- The Awareness Training for AML/CFT (an e-learning intervention) was updated to include legislative amendments. The training intervention has been rolled out to the group and forms part of Nedbank's ongoing training requirement.
- Annual directors' training for money-laundering and terrorist-financing risk management has been developed and implemented to meet the South African Reserve Bank and Financial Intelligence Centre obligations and international requirements.
- The Financial Action Task Force/Eastern and Southern Africa Anti-money-laundering Group mutual evaluation of South Africa's anti-money-laundering and counter-terrorist financing regime onsite meeting was held at Nedbank on 11 August 2008. Nedbank was an active participant in the evaluation process.
- The group-level Policy for Anti-money-laundering and the Combating of the Financing of Terrorist and Related Activities, and the Policy for Client Acceptance, Maintenance and Monitoring were updated as part of the annual review.
- Guidelines for Politically Exposed Persons, Non-governmental Organisations, Non-profitable Organisations and beneficial ownership were developed.
- A sanctions programme was initiated whereby Nedbank has implemented a governance forum and structures relating to policies/guidelines on sanctions lists. A process has been developed to govern key decisions relating to the development and approval of sanctions lists. A sanctions list guidelines document has been developed to assist business in its decisions regarding positive matches against the sanctions lists.
- A client identification and profiling project was initiated proactively to profile clients during the client takeon process and to maintain and update the client risk profile as each client's risk profile changes.
- A crossborder monitoring project has been initiated to address regulatory compliance for all crossborder transactions.
- There have been positive interactions with the regulator and the supervisors, contributing to sustainable and trusting relationships that are beneficial to all parties.

Financial Advisory and Intermediary Services Act

The Financial Advisory and Intermediary Services Act (FAIS) has been in effect since October 2004, protecting consumers against improper financial advice and ensuring a prescribed level of professionalism within the financial services industry. Managed centrally by EGC, Nedbank Group has, through ongoing compliance monitoring and reporting, strived to adhere to all requirements of this legislation.

Extensive efforts have been made in bringing our advisory and intermediary staff up to the required 'fit and proper' levels, as well as in driving accountability to management, who assume the role of 'key individual' as required by the legislation.

Ongoing process and system enhancements ensure that our client-facing staffmembers who are impacted by FAIS are able to deliver proper advice and provide all necessary disclosures to our clients. Backend solutions have also been enhanced to ensure adequate management of the Register of Representatives, making this solution one of the most sophisticated in the industry.

National Credit Act

The National Credit Act (NCA) was promulgated on 15 March 2006 and came into effect on 1 June 2006.

Nedbank, as required by the legislation, has registered five 'credit providers'.

Significant strides have been made in the implementation of the requirements of the NCA thus far and there remains continued focus on streamlining and improving the full solution.

The Group Directors' Affairs Committee, a subcommittee of the board, is currently overseeing the implementation of the NCA.

Sustainability reporting

Nedbank Group has issued a separate transformation and sustainability report in accordance with the Global Reporting Initiative (G3) and the Global Reporting Initiative Financial

Sector Supplement guidelines, taking into account the recommendations of King II. An overview of the report is available on pages 110 to 115 below. The full report is available at www.nedbankgroup.co.za.

Board meetings

In 2008 the Nedbank Group Board met eight times. The record of attendance at board and board committee meetings for Nedbank Group and Nedbank Limited for 2008 is shown below.

	Nedbank Group Limited Board	Nedbank Limited Board	Nedbank Group Directors' Affairs Committee	Group Remuneration Committee	Group Remuneration Committee prescheduled	Group Remuneration Committee short notice/ ad hoc
Number of meetings	8	8	4	6	5	1
Directors						
CJW Ball[××]	8/8	8/8	4/4	6/6	5/5	1/1
TA Boardman*	8/8	8/8				
MWT Brown*	8/8	8/8				
TCP Chikane[×]	6/8	6/8				
BE Davison[× 2]	5/6	5/6	3/3			
MA Enus-Brey[#]	7/8	7/8	1/1			
B de L Figaji[×]	8/8	8/8		6/6	5/5	1/1
R Harris[#]	6/8	6/8				
RM Head[#]	8/8	8/8		1/1	0/0	1/1
MM Katz[#5]	8/8	8/8	3/4			
RJ Khoza[#]	8/8	8/8	4/4			
JB Magwaza[×]	7/8	7/8	3/4	6/6	5/5	1/1
ME Mkwanazi[×]	8/8	8/8	4/4			
NP Mnxasana[× 4]	2/2	2/2				
ML Ndlovu[#5]	7/8	7/8	4/4			
CML Savage[× 1]	3/4	3/4		3/3	3/3	0/0
GT Serobe[#]	6/8	6/8				
JH Sutcliffe[# 3]	5/6	5/6	3/3	3/4	3/4	0/0

	Group Audit Committee	Board Strategic Innovation Management Committee	Group Credit Committee	Nedbank Group Risk and Capital Management Committee	Group Trans-formation and Sustainability Committee	Group Finance and Oversight Committee
Number of meetings	6	4	4	4	5	4
Directors						
CJW Ball[××]	6/6	4/4	3/4	4/4	5/5	4/4
TA Boardman*						
MWT Brown*						
TCP Chikane[×]	4/6	3/4			4/5	
BE Davison[× 2]	4/5			3/3		3/3
MA Enus-Brey[#]	2/2		4/4	1/1		1/1
B de L Figaji[×]			3/4		4/5	
R Harris[#]				4/4		
RM Head[#]	2/2			3/4		4/4
MM Katz[#5]		4/4	4/4		3/5	4/4
RJ Khoza[#]						
JB Magwaza[×]	6/6				4/5	
ME Mkwanazi[×]		4/4		4/4		4/4
NP Mnxasana[× 4]	1/1					
ML Ndlovu[#5]			4/4	4/4	5/5	
CML Savage[× 1]	3/3	2/2				
GT Serobe[#]	1/2					
JH Sutcliffe[# 3]						

** Executive*
 # Non-executive
× Independent non-executive
×× Senior Independent non-executive
1 Resigned as director with effect from 14 May 2008
2 Resigned as director with effect from 2 August 2008
3 Resigned as director with effect from 9 September 2008
4 Appointed as director with effect from 1 October 2008
5 Changed to independent non-executive director with effect from 20 February 2009

NEDBANK GROUP

NEDBANK GROUP'S
APPROACH TO SUSTAINABILITY

As South Africa's 'green bank', Nedbank Group has an enviable reputation for consistently demonstrating absolute commitment to sustainability principles across its various operations. Sustainability considerations have formed part of the group's core focus for some 18 years – long before their importance became widely recognised within the broader business community. Sustainability is integral to Nedbank's strategic objectives and is fully incorporated into the way the group conducts its business, formulates its risk management processes, implements policies to govern behaviour and conduct, and assesses the performance of its employees, managers and executives.

Nedbank Group has embraced sustainability in all its facets, by placing environmental, social and ethical matters at the heart of the business. The group's values, risk management, and business processes underpin its strategic approach to sustainability and reflect the desire of the business to preserve the future for all its stakeholders.

Ultimately, Nedbank Group embraces sustainability, not just as an environmental or social issue or as one element of governance or ethics, but rather as a means of bringing all of these issues together into a business model designed to ensure the long-term growth of a successful bank – for the benefit of all.

Nedbank Group aims to be a responsible corporate citizen at all levels. It recognises that a primary focus of its business is to maximise shareholder value, but while paying due regard to the social and environmental impact associated with such achievement.

Human rights are enshrined in the group's strategies, policies, procedures and processes, and transformation and black economic empowerment (BEE) are actively pursued. The group remains absolutely committed to the development of an engaged, progressive, high-performance culture, underpinned by integrity and a clear code of ethics.

Acknowledging that the challenges of climate change extend beyond the environment, and also impact the economic and social arenas, Nedbank Group holds itself accountable to address climate change, and has approached this by issuing a climate change position statement and by setting reduction targets in respect of its energy, paper and water usage, as well as its business travel.

The group is fully aware of its responsibility to Make Things Happen for the communities that support it, and on which it has an impact. As a major banking group in a country in which sections of the community are beset by a lack of education, extreme poverty and ill health, the group considers it a privilege to be in a position to help address these issues.

2008 IN SUMMARY: A SUSTAINABILITY OVERVIEW

In 2008 Nedbank Group continued to instil a culture of sustainability across its operations. The bank succeeded in translating a number of strategic aspirations into positive actions, integrating sustainability measures as components of its various business processes, and incorporating specific sustainability measures into performance assessments.

Based on the belief that engagement has the potential to encourage change, the group continues its efforts to ensure that its culture, values and policies influence the behaviour of those with whom it partners and interacts.

The year saw Nedbank continuing its support of the UN Global Compact and its principles on human rights, labour issues, the environment and anti-corruption as well as its commitment to the Equator Principles. The group continues in its role as Cochair of the United Nations Environment Programme Finance Initiatives (UNEP FI) African Task Force and is actively engaged in the development and financing of sustainable solutions within the African context.

Access to finance was one of the bank's major growth areas and Nedbank reached 1 million Mzansi clients. The reduction in retail bank fees over the past two years has also served to make Nedbank the most affordable of the big four banks – particularly in the lower-income and mass markets.

The group remains firm in its belief that its employees are at the heart of its success and has continued its efforts at recruiting and retaining the best talent in South Africa. The culture of the bank was further enhanced in 2008 by the ongoing promotion of behavioural change through employee participation. Staffmembers responded by consistently looking beyond themselves to the needs of others, undertaking extensive voluntary work, and making significant financial contributions to those less fortunate.

Conservation remains a key sustainability focus area and the bank's partnership with the World Wide Fund for Nature – South Africa (WWF-SA) entered its third year. In 2008 the total contribution to The Green Trust by the Nedbank Group reached more than R90 million since inception – money that has been well-spent on over 150 major environmental projects, with nearly R70 million of it going into conservation.

The year under review also saw the group partnering and supporting the African Chapter of the Prince's Rainforest Trust, a collaborative effort to stop deforestation in Africa.

As part of its commitment to environmental management and, particularly, the minimisation of its carbon footprint, the group issued a climate change position statement, supported by intensity reduction targets and measures aimed at managing and minimising its carbon footprint.

These and other material sustainability issues are discussed in detail in the full 2008 Nedbank Group Sustainability and Transformation Report and are outlined briefly on the following pages.

ENTERPRISE GOVERNANCE: 'MOST RESPECTED BANK'

Refer to full Sustainability Report, section 2: Enterprise Governance and Compliance

The sustainability of Nedbank Group's operations is ensured by means of strict adherence to competitive governance and compliance practices, which include good governance, strong ethics and a culture of compliance; effective management of social, environmental and ethical risks; and a commitment to responsible lending.

The group's governance and compliance philosophy recognises the importance of ensuring ongoing adherence to legislative, regulatory and supervisory requirements as a critical component of effective risk management and sound enterprise governance.

Enterprise governance is at the heart of the group's operations and strategically links good governance to effective performance management. The enterprise governance and compliance framework ensures a consistent focus on day-to-day governance requirements without losing sight of the long-term growth and profitability of the group. Add to this our commitment to proactive compliance with regulatory statutes and standards, and well-governed, regularly monitored internal policies and procedures, and the group boasts a governance and compliance approach that is not only industry-leading, but also highly enabling for the whole Nedbank Group.

SHAREHOLDERS: 'BEST PLACE TO INVEST'

Refer to full Sustainability Report, section 3: Shareholders

Nedbank Group recognises that sound investment decisions can only be made when the investor has sufficient information at his or her disposal. As the owners of the group, Nedbank shareholders have a vested interest in its sustainable success, and the group itself has a responsibility to ensure that they have all the information they need to make considered investment choices.

The group therefore places top priority on providing shareholders with up-to-date, comprehensive information regarding its activities and performance. In this way shareholders are not only empowered to make informed investment decisions, but also encouraged to provide valuable feedback to enhance operations and profitability.

In 2008 Nedbank Group was again widely recognised and applauded by the local and international financial services industries for the quality of its investor relations.

CLIENT SERVICE: 'BEST PLACE TO BANK'

Refer to full Sustainability Report, section 4: Our clients

As a bank for all South Africans, Nedbank Group recognises that sustainable success begins and ends with satisfied clients. Which is why, in 2008, the group once again devoted considerable resources and energy to listening to its clients, understanding their unique needs, and delivering appropriate solutions to Make Things Happen for them.

Attracting, retaining and delighting clients remain fundamental aspects of Nedbank Group's sustainable business success. Superior client service is a key strategic focus area – as is expanding the group's client base, particularly into previously unbanked communities. In addition to the ongoing enhancement of the products and services offered by the group's three main business clusters, namely Nedbank Retail, Nedbank Corporate and Nedbank

Capital, 2008 saw the group in its entirety sharpening its focus on delivering excellence in client service. Client satisfaction index results over the past three years have continued their upward trend. A notable 2008 achievement was Nedbank's rating as the top service bank in South Africa for the second year in a row by the independent Ask Afrika Orange Index.

During 2008 there was a significant focus on the South African small and medium-enterprise (SME) market, as it is Nedbank Corporate's view that small- and medium-sized enterprises have a crucial role to play in job creation, income generation, and the overall economic growth of the country. Nedbank also continued to build its capacity to fund affordable-housing developments.

In line with the strategy to expand into selected areas throughout Africa, Nedbank Group and Ecobank Transnational Incorporated (ETI), the parent company of Ecobank Group, have entered into a strategic business cooperation relationship to give clients access to a combined Pan-African banking network covering 30 countries (including South Africa) with over 1 000 branches and banking outlets across the continent.

Nedbank Capital, as the first African bank to have subscribed to the Equator Principles, continued to focus on responsible lending. The third annual Nedbank Capital Green Mining Awards, which acknowledge and celebrate the contribution that responsible mining and mineral beneficiation makes to the economic development of Africa, took place in 2008.

To position Nedbank and its clients appropriately for a carbon-constrained future Nedbank Capital established a dedicated carbon finance team to view carbon dioxide and other emissions holistically.

EMPLOYER OF CHOICE: 'BEST PLACE TO WORK'

Refer to full Sustainability Report, section 5: Our staff

As a bank that has built its success on doing things differently, Nedbank Group recognises that it is its employees that differentiate the bank from its competitors. In 2008 the group built on its commitment to staff to celebrate their differences, continue transforming, and create a culture in which all employees can realise their potential, achieve their career and personal aspirations, give back to their communities, and Make Things Happen, for themselves and others. This was achieved via a particular focus on the four human resources areas of building a unique culture for competitive advantage, embedding talent management, ongoing learning and development, and accelerating transformation.

In 2008 the group developed and implemented a comprehensive employment equity plan that includes both qualitative and quantitative measures, as well as ongoing review and enhancement of the group's remuneration and recognition programmes. Talent plans were also developed in all business clusters and Group Human Resources finalised its legislative and governance processes for people with disabilities.

Surveys conducted among employees showed solid improvements on the group's culture alignment scores and increasingly positive staff culture results, particularly in the areas of leadership and communication.

The intention in 2009 and 2010 is to continue promoting employment equity and implementing the diversity management programme as a key driver of the organisational culture.

SUPPLIER RELATIONS: 'PARTNERING FOR MUTUAL SUCCESS'

Refer to full Sustainability Report, section 6: Supplier relations

Nedbank Group's relationship with its suppliers is built on mutually beneficial partnerships that not only ensure a reliable supply of required products and services, but also assist those suppliers to grow and develop their organisations for the benefit of the economy, the environment and society as a whole.

A dedicated BEE procurement management unit is located within the central group procurement area and this unit sets the framework rules for BEE procurement based on the agreed Nedbank Procurement Policy, while engaging with all business clusters in achieving group BEE goals and targets. The formalised Group Procurement Policy was amended and updated during 2008 to include a Supplier Code of Conduct. Regular supplier forums were also conducted to discuss problems and find solutions.

Nedbank Group remains committed to achieving its stated procurement targets for SMEs as a means of contributing to enterprise development (ED) in South Africa and helping to empower BEE businesses. In 2008 the group achieved an overall BEE spend ratio of 53,7% (2007: 53,1%).

SUPPORTING COMMUNITIES: 'THE CARING BANK'

Refer to full Sustainability Report, section 7: CSI and staff volunteerism

In keeping with its aspiration to be 'highly involved in the community', Nedbank Group actively continued seeking out opportunities to contribute to local communities and non-profit organisations as part of its sustainability commitments in 2008.

The group is committed to contributing to the upliftment of people and communities across the country and does so via an accessible, cooperative corporate social responsibility programme that encourages staff involvement and strives to deliver sustainable, life-changing benefits to those it touches, rather than merely being a financial handout.

During the year under review Nedbank Group built further on its reputation as a caring bank, and intends continuing in this vein in 2009 by Making Things Happen and making a positive contribution to the lives of those in need through the proactive identification of developmental needs.

Ultimately the group aims to become a benchmark of effective corporate social investment (CSI), and the total donation of some R43,5 million to CSI projects in 2008, the steady growth in takeup of Nedbank Affinity-linked products, as well as the ongoing contribution by staffmembers through the various volunteerism projects, constitute further steps towards realising this vision.

MINIMISING OUR IMPACT ON THE ENVIRONMENT: 'THE GREEN BANK'

Refer to full Sustainability Report, section 8: The environment

Nedbank Group recognises that being a financial services organisation doesn't excuse it from taking responsibility for looking after the environment. In fact, the group considers it a strategic imperative to minimise any possible negative environmental effects of its operations, and encourages its business partners, suppliers and clients to do the same. The bank's commitment to the environment extends far beyond legislative compliance, and is an integral part of its strategy and a core focus area of its sustainability efforts.

In 2008 the group was once again included in the Dow Jones World Sustainability Index (DJSI) – the fifth year in succession that this has been the case. Nedbank Group is one of only 25 banks worldwide and three companies with primary listings in South Africa to be included on the index.

As the first South African bank to join the UNEP FI Unit in 2004, the group continued its support during 2008 by cochairing the UNEP FI African Task Force, which has the responsibility for ensuring close collaboration between more than 280 banks, insurance and reinsurance companies, fund managers and venture capitalists to promote links between the environment and financial performance. Nedbank also participated in the Climate Change Work Stream's Project Energy Efficiency Survey conducted during 2008.

Closer to home, Nedbank Group cemented its Environmental Policy, which sets out high-level principles for environmental management across the group and forms part of its operating philosophy, policies, standards and values. In 2008 the group also further embedded the principles contained in its environmental and corporate responsibility policies by including specific focus areas and deliverables in a corporate responsibility framework. The bank also established a group environmental forum with the aim of, among others, ensuring the effective coordination of environmental initiatives across the group.

Climate change remains a core focus area and Nedbank Group believes in playing its part in increasing energy efficiency and reducing carbon emissions. In line with its commitment to the environment, the group drew up a formal climate change position statement in 2008 to serve as a public declaration and pledge to reduce its impact on the environment by limiting energy, paper and water usage and reducing carbon emissions.

To position Nedbank and its clients appropriately for a carbon-constrained future Nedbank Capital established a dedicated carbon finance team to view carbon dioxide and other emissions holistically.

2008 saw Nedbank Group involving itself in efforts to stop deforestation in Africa and preserve our world's rainforests by joining the Prince's Rainforest Project (PRP), the African chapter of which is aimed at helping to focus attention on Africa and find solutions for the problem of deforestation on the continent.

The bank's unique conservation partnership with WWF-SA, which spans some 18 years, was strengthened in 2008 with WWF-SA providing direct input into Nedbank Group's sustainability and environmental policies, strategies, systems and training, while the group provided finance to a number of WWF-SA projects.

TRANSFORMATION: 'A BANK FOR ALL'

Refer to full Sustainability Report, various sections

Nedbank continues to approach transformation from a foundation of trust in which all staffmembers and stakeholders are given the time and opportunity to make their voice heard on the issue. Transformation is still viewed as a strategic imperative and a business opportunity rather than a matter of legislative compliance. In all its transformation efforts balance remains key, and the business case for transformation is driven at three levels by stakeholders, clients and staff.

In 2008 the group enjoyed the following highlights in terms of its ongoing transformation efforts:

- Attained an A- rating under the Financial Sector Charter targets.
- Exceeded the 2008 targets in all categories of employment equity, except black senior management, where 88,7% of target was attained.
- Improved skills development figures steadily and made major strides in preferential procurement.
- Exceeded black SME and agriculture financing targets.
- First bank to reach 1 million Mzansi clients.
- Exceeded cumulative investment targets by 187,5%.
- BEE transaction financing remains very strong with the cumulative target for 2008 significantly exceeded.

CONCLUSION

As a company that continually strives to be economically viable, socially responsible and environmentally sound, Nedbank Group continues to protect and grow its reputation as the country's truly 'green bank'. In this way the group continues to live out its commitment to Make Things Happen by serving as a driver of sustainability both within its business and on a far broader scale. A gratifying achievement was receiving the Emerging Markets Sustainable Bank of the Year Award for the Middle East and Africa at the *Financial Times* Sustainable Banking Awards function in London for the second year in a row.

Please refer to www.nedbankgroup.co.za for an electronic copy of the complete 2008 Transformation and Sustainability Report.

VALUE-ADDED statement

	2008		2007	
	Rm	%	Rm	%
Value added is the wealth created from providing quality services to clients				
Net interest income	16 170	94	14 146	81
Impairment losses on loans and advances	(4 822)	(28)	(2 164)	(12)
Income from lending activities	11 348	66	11 982	69
Non-margin-related income*	11 639	67	10 796	62
Other expenditure	(5 671)	(33)	(5 434)	(31)
	17 316	100	17 344	100
Value allocated				
– Employees	7 040	41	7 079	41
– Government (taxes)**	2 242	13	2 648	15
– Shareholders***	3 330	19	3 018	17
– Retentions for growth	4 704	27	4 599	27
Depreciation and amortisation	1 030	6	976	6
Retained income	3 674	21	3 623	21
	17 316	100	17 344	100

* *Includes non-interest revenue, foreign currency translation gains/losses, non-trading and capital items, and share of profits of associates and joint ventures.*

** *Includes direct and indirect taxation.*

*** *Value is allocated to shareholders in respect of cash dividends (does not include the underlying value of capitalisation shares awarded) and income attributable to minority shareholders.*

RISK AND CAPITAL MANAGEMENT REPORT

Philip Wessels (50)
Chief Risk Officer

14 years' service • BCom, CTA, CA (SA), Diploma in Advanced Banking Law, Institute of Stockbrokers

Under the leadership of Philip Wessels risk management has evolved significantly within Nedbank over the past five years. Prior to his appointment as Chief Risk Officer in 2004 Philip held a position as an executive in Nedbank Business Banking and Nedbank Corporate. In addition, he was previously an executive director of BoE Limited, Managing Director of BoE Securities, Chief Executive of BoE International (London) and Managing Director of BoE Bank Business Banking and of Boland Bank between 1995 and 2003.
Prior to that Philip was also a partner at Deloitte & Touche.

As the Chief Risk Officer of the group, Philip heads Group Risk, ensuring that risk is well-embedded and embraced throughout the organisation, thus providing assurance that the bank is well-managed. Policy setting, risk frameworks, governance structures and robust risk reporting all contribute to achieving Nedbank Group's deep-green aspiration of worldclass risk management.

ACHIEVEMENTS AND REVIEW OF THE PAST YEAR

The volatility faced by banks and other financial institutions has emphasised that risk management is key to being at the forefront of today's financial landscape. As a process it is critical that risk management is at all times embedded, but evolving in nature so that it remains dynamic and relevant to the business of the group.

Nedbank's three-lines-of-defence strategy has played a significant role in implementing strong risk governance, which is applied pragmatically and consistently as the foundation for successful risk management.

The three-lines-of-defence concept forms the backbone of the Enterprisewide Risk Management Framework (ERMF), which has been instrumental in assisting the group in weathering the international financial storm. It incorporates a strong sense of accountability, responsibility, independence, reporting, communications and transparency, both internally and with all key external stakeholders.

In recognition of the success of Nedbank's risk strategy the Institute of Risk Management South Africa (IRMSA) for the second consecutive year recognised Nedbank for having the Most Effective Company Risk Management Programme.

OUTLOOK FOR THE YEAR AHEAD

Through the annual strategic business planning exercise Group Risk identified seven main strategic focus areas for 2009, which are aligned with the strategic focus areas of Nedbank Group. These focus areas include the following:

- **Optimise economic profit through worldclass risk management**. This will be achieved through the correct pricing of risks together with an increased focus and early recognition of potential problems across all credit portfolios.
- **Enable business to become client-driven**. As an enabler to business, one of the main objectives of the central risk function is to continue to embrace new and existing legislation and operationalise regulations in the course of normal business operations.
- **Manage risk as an enabler**. This will ensure that Nedbank is well-positioned to identify and manage risks within the ongoing volatile environment. Embedding and leveraging the principles of economic profit and Basel II will further empower the business to increase levels of growth, innovation and competitive advantage.
- **Enhance productivity and execution**. Business continuity management will receive additional impetus to comply with Payments Association of South Africa (PASA) requirements.
- **Maintain strong risk management culture for competitive advantage**. Maintaining a strong oversight of the group's ERMF will continue to place a strong emphasis on accountability for managing the group's risk universe.
- **Accelerate transformation**. To align with the group's strategic aspiration of leading transformation, transformation risk has now been formally recognised as a main category of risk in the ERMF, rather than a subcategory of HR risk.
- **Lead as a corporate citizen**. All business undertakings will be aligned with Nedbank's position to remain a leader in corporate social responsibility.

In an era that is unprecedented Group Risk is conscious of the challenging global conditions facing the industry, and it continues to commit itself to risk management as an integral component of the business. Proactive, timeous and sound response to the impact of changes within the scope of operations is essential to sustaining and building on the solid fundamentals of risk management already engrained throughout the organisation.

RISK AND CAPITAL MANAGEMENT REPORT
EXECUTIVE SUMMARY

In the wake of the global financial crisis in which shareholder value around the world has been eroded in momentous proportions and many large financial institutions have gone insolvent, been taken over and/or received significant government support, considerable blame has been directed at poor risk management and corporate governance within the financial services industry, and at inadequate regulation and prudential supervision by related governments.

This has extended across the broad sphere of the entire financial system where some financial activities and institutions were either inadequately regulated or not at all. Finally there is the fair-value, mark-to-market (MTM) accounting rules that some blame for exaggerating the writedowns and deepening the crisis.

In this Risk and Capital Management Report the following are covered:

- Evaluation of the origins of the crisis, resultant lessons learnt and a perspective on the role of the Basel II principles.
- Perspective on the impact of the crisis on South Africa, and Nedbank in particular.
- Nedbank Group's strong risk and capital management culture which, together with sound corporate governance, has helped the group maintain a prudent, conservative risk appetite. This will be illustrated through reference to a summary of Nedbank's current risk profile and capital adequacy.

  It is highlighted that capital adequacy levels must be seen in relation to a bank's unique risk profile and risk appetite, which should be transparent. This is a core objective of Basel II, namely that banks should not all be measured on a 'one size fits all' basis, but rather that banks with higher-risk profiles should have commensurately higher capital ratios. This was reinforced by the Basel Committee in January 2009.
- Nedbank Group's financial, risk and capital management profile for the year ended 31 December 2008.
- Nedbank Group's current understanding of the key changes and new requirements on the international regulatory front in response to the crisis, and the group's view on the implications of these for the group together with its actions to date and plans going forward.

  In South Africa the Banking Regulator has consistently been effective, and this has played a significant role in preventing any local fallout from the crisis. South Africa does, however, operate in a globally regulated market and as a result of the significant response to the crisis by international supervisors, this will have a knockon effect.

Regulation 43 of the revised 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 Limited and Nedbank Limited (collectively 'Nedbank') are 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, in terms of both content and frequency, relating to risk and capital management. This extension of disclosure is embodied in what is commonly known as Pillar 3 of the Basel II Accord.

Basel II and the revised regulations were effective in South Africa, and introduced successfully in Nedbank from 1 January 2008.

This report contains a summary of the salient features of our risk and capital management for the year ended 31 December 2008. Nedbank's full Pillar 3 Report is available on our website at www.nedbankgroup.co.za.

ORIGINS OF AND LESSONS LEARNT FROM THE GLOBAL FINANCIAL CRISIS

History has shown that the key risks that cause a bank to fail are the following:

- The quality of a bank's board and/or executive management, and/or their failure to endorse sound risk management.
- Liquidity risk (banks borrow short, lend long).
- Concentration risk(s) – especially credit risk and associated poor-quality lending.
- Poor governance, risk management and/or internal controls.
- Lack of transparency (and undue complexity).
- Reputational risk (erosion of a bank's franchise value).

In this crisis all these key risks and more have materialised and are exacerbated by several additional key factors, all acting in concert and resulting in what some refer to as the 'perfect storm'. A summary of the crisis is set out below.

- **Liquidity, asset quality, leverage and valuation**
  - Excess liquidity and low interest rates leading to cheap credit and poor-quality/subprime lending.
  - Excessive risk taking and 'originate and sell' strategies, fuelled by aggressive remuneration practices, as well as a strong push for growth.

- Excessive leverage facilitated by complex, unregulated exotic credit derivatives, as well as a lack of international supervision over reckless lending, gearing and excessive consumer debt.
- Resultant undue concentration risk in poor-quality/subprime credit exposure leading to large writedowns following the economic slowdown and resulting in a global recession.
- Accounting fair-value MTM rules that require assets and liabilities of firms to be measured at current market prices rather than their accrued value, where they are designated as such or held for trading. As liquidity dried up in the financial markets and the crisis deepened, such market prices dropped to fire-sale levels, resulting in significant valuation difficulties and further writedowns of significant magnitude that may not ever represent fair value.

Regulation and prudential supervision, and risk management and governance in banks

- Aside from the credit derivatives market in the United States, investment banks and other non-deposit-taking institutions were insufficiently regulated.

  Generally, international prudential supervision was found wanting mainly due to the extent of globalisation and regulators from different jurisdictions and/or authorities not working together optimally. This meant that the supervision of systemic risk, critical to macroeconomic financial stability, fell short, especially in a severely stressed environment.
- Risk cultures, governance and risk management were weak in some banks and, together with an underestimation of certain risks, certain weaknesses in Basel II existed.

The deficiencies in some banks are believed to be related to the following:

- Poor liquidity risk measurement and management.
- Excessive concentration risks around
  - certain credit portfolios,
  - wholesale funding for liquidity, and
  - assets and liabilities subject to MTM fair-value accounting.
- Poor credit underwriting and an overreliance on, or inappropriate use of, and/or incorrect assumptions and valuation techniques used in quantitative risk models, especially in the trading book, complex credit derivatives and securitisations, with a failure to overlay the quantitative science with qualitative information, common sense and experience.
- An overreliance on external rating agencies, who themselves were left unregulated.
- Counterparty credit risk management, including securitisation and other off-balance-sheet activities.
- An overreliance on value-at-risk (VaR) models to measure market-trading risk, which models underestimated risk in a stressed environment.
- Inadequate stress and scenario testing, and the resultant inadequacy of capital buffers.
- Poor data quality and risk information technology infrastructure and systems.
- Lack of clearly articulated risk appetite in financial terms that are embedded in strategic plans and monitored.
- Inadequate enterprisewide risk governance, including ineffective challenge and debate, and insufficient understanding of risk from board level to the front-office, together with lack of a clear mandate of the group risk function.

Integration of risk, capital, strategy and reward, and the principles of Basel II

- While the crisis has revealed some shortcomings in Basel II, this needs to be put in perspective. A line was drawn in the sand in 2006 in order that Basel II could be implemented, and it was clear on many aspects that it could be enhanced and added to over time. Additionally, it is unfortunate that Basel II was fully effective in some jurisdictions only from 2008, while in other jurisdictions, including the United States, implementation was delayed even beyond that.

  Those banks that truly embraced the spirit of Basel II, and so have adequate risk and capital management, generally will have weathered this 'perfect storm' better.
- Basel II, and accompanying supervisory guidance, specifically requires in its Pillar 2 that banks must have a comprehensive Internal Capital Adequacy Assessment Process (ICAAP) that is subject to an Supervisory Review and Evaluation Process (SREP) by their banking regulators.

  The main ICAAP components require of banks:

  - effective board and management oversight;
  - comprehensive risk assessment and management processes;
  - sound capital assessment and capital management;
  - monitoring and reporting; and
  - Internal control review.

- Properly implemented and consistently applied ICAAP should provide the transparency and management information to manage, control and optimise risk and at the same time ensure financial sustainability. For a large bank it should be aligned with best-practice enterprisewide risk management and be forward-looking, enforcing the essential integration of risk, capital, strategy and reward.
- This effectiveness, however, is pervasively influenced by a bank's risk culture and governance, active and consistent executive management and board support, and the operating business model.

- **Remuneration practices**
  - These have been too short-term focused and not aligned with long-term sustainability and shareholder value creation principles. Here IFRS accounting rules ('point in time') are at odds with Basel II principles that are focused on long-term sustainability ('through the cycle').
  - These have encouraged excessive risk-taking.
  - These often have no clawback provisions.
  - Risk department remuneration out of line with front-office staff remuneration.
  - Limited application of risk-adjusted performance measures in reward schemes.
- **Transparency and disclosure**
  - Generally inadequate, exacerbated by undue complexity and lack of regulation in certain financial activities and transactions.

IMPACT OF THE GLOBAL FINANCIAL CRISIS ON SOUTH AFRICA AND NEDBANK

South Africa's banking industry has remained structurally sound and stood up extremely well amid the crisis. Currently Nedbank is experiencing cyclical financial stress and an economic slowdown in a banking cycle and is indirectly impacted by the crisis, but not on a scale comparable with the unprecedented storms in the international financial system.

South Africa has been sheltered to a large degree from the crisis due to factors that include the following:

- There is sound regulation of all financial services, especially the banking sector.
- South Africa did not experience to the same extent the 'originate and sell' mentality and use of complex credit derivatives that resulted in excessive leverage in some foreign banks.
- Government never allowed interest rates to fall so low as in the United States as to encourage excessive borrowing and untenable levels of household debt.
- The National Credit Act was successfully implemented in South Africa to help minimise irresponsible lending practices, overgearing and excessive consumer debt.
- Exchange controls prevented large flows of funds from local institutions out of the country.
- Rand liquidity has remained stable, with the interbank market operating normally.
- Good risk and capital management was implemented in South African banks.
- Basel II was successfully implemented in South Africa.

Nedbank specifically stands behind the message given in its annual reports over the past few years with respect to its strong risk and capital management culture and commitment.

- Since 2004 the Nedbank vision has been to become southern Africa's most highly rated and respected bank by its staff, clients, shareholders, regulators and communities. The vision is supported by the group's 10 Deep Green aspirations, which include becoming 'worldclass at managing risk'.
- Aligned with the successful recovery and turnaround of the Nedbank Group completed in 2007, a business-based approach to its Basel II implementation was followed, not only to comply with Basel II, but also to elevate the group's risk management, capital management and performance measurement to worldclass standards.
- Nedbank successfully implemented Basel II in line with the revisions to the Banks Act and the revised Basel II-based banking regulations introduced in South Africa, from 1 January 2008.
- Nedbank's Capital Management Framework (CCMF) embraces the integration of risk, capital, strategy, performance measurement and incentive schemes across the group.

Nedbank received favourable outcomes from the SREP of our group's ICAAP by the South African Reserve Bank (SARB), and an external audit of our regulatory returns and associated processes, both of which were concluded in the latter half of 2008. In addition, an independent audit firm was employed to review the ICAAP submission.

While striving to 'become worldclass at managing risk' is a journey and not a destination, and as there are always areas to improve on, Nedbank fully embraced the spirit of Basel II, which commenced back in 2004, and this has assisted sound financial performance and sustainability amid the crisis and South Africa's economic downturn.

The protracted global financial crisis and its continuing developments in early 2009, as well as increasing concerns in the more traditional loan books of banks, are naturally of major concern. Nevertheless, Nedbank's continuing sound profitability, albeit at marginally lower levels, and the successful turnaround of the group have generated strong capital levels and appropriately positioned it to weather the challenges prevailing in the environment.

There is a proliferation of studies and responses to the international crisis. Most pertinent to Nedbank is the Switzerland-based Basel Committee on international banking supervision who, following a G20 summit late last year, announced a comprehensive strategy in the form of an eight-point plan to address the fundamental weaknesses revealed by the crisis related to regulation, supervision, risk and capital management. A summary of this and other pertinent international responses to the crisis will be provided in the full Pillar 3 disclosure update.

In 2009 Nedbank will, aside from continuing with its 2008 focus on strengthening capital ratios and liquidity, pursuing selective asset growth and growing market share based on economic profit, proactively respond to the international recommendations, guidance and other requirements, and address gaps that may remain as part of Nedbank's ongoing journey to be 'worldclass at managing risk'.

In so far as Nedbank's capital levels are concerned, and in line with general global expectations and increased conservatism, it has revised its target regulatory capital adequacy ranges upward from 8% – 9% (Tier 1) and 11% – 12% (total) to 8,5% – 10% (Tier 1) and 11,5% – 13% (total). The group's objective is to move towards the top end of these revised ranges. Refer to page 169 onwards for more details of Nedbank's capital adequacy ratios.

NEDBANK'S CONSERVATIVE RISK APPETITE AND STRONG CAPITAL ADEQUACY

The 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, which 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 following the 'one size fits all' approach among all banks that Basel I engendered. The Basel Committee reconfirmed this in January 2009.

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

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

- No direct exposure to United States subprime credit assets nor associated credit derivative transactions.
- Conservative credit underwriting practices culminating in a high-quality, well-collateralised wholesale book and further tightening of the retail book since 2007 in anticipation of the economic downturn and introduction of the National Credit Act.
- Reasonable credit concentration risk levels.
  - Large individual exposure risk is low. Refer to page 148 for details.
  - Geographic exposure risk is high (refer to page 149, which highlights that 94% of the group's loans and advances originate in South Africa), but in reality this concentration is positive for Nedbank, given the current international crisis, and reflects focus on an area of core competence.
  - Industry exposure risk is reasonably well-diversified. Refer to page 149 for details.
  - At first sight Nedbank's property exposure appears high, but this is in line with its domestic peer group and most banks worldwide. As a result of this perceived risk, it undertook a more detailed analysis of its commercial property exposures.

    With the assistance of leading consultants Nedbank undertook this analysis to assess the level of economic risk in its commercial property portfolio in the light of concerns stemming from the devaluation of commercial property in several overseas countries. This was done with a view to improving not only Nedbank's risk management practices, but also its strategic business options.

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

    - potential credit losses in a stressed scenario would remain within Nedbank's risk appetite;
    - the portfolio is well-balanced, but there are higher-risk loans that require closer monitoring; and
    - 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 Nedbank's approach over the last few years.

- Stemming from this detailed analysis were several useful benchmarks derived from what international banks experienced, where we compare favourably.
- The analysis has also been useful not only from the business perspective of shaping the commercial property loan origination and deal-pricing approach for the future, but also from the credit risk management perspective of providing Nedbank with additional relevant benchmarks against which to monitor its commercial property exposures and of highlighting risky exposures on which to focus increased risk management.

- Counterparty credit risk is almost exclusively restricted to non-complex banking transactions. There is continued emphasis on the use of credit risk mitigation strategies, such as netting and collateralisation of exposures.

  Credit derivatives activities have been restricted to single-name trades of South African exposures and are biased towards providing risk mitigation. Refer to page 150 for further details on the relatively low counterparty credit risk exposure.

- A strong, well-diversified funding deposit base and a low reliance on offshore funding. Additionally, Nedbank's reliance on its top 10 depositors is not concentrated.

  Refer to page 155 onwards for an analysis in support of this and Nedbank's prudent liquidity risk management.

- Low level of securitisation exposure, which was reduced during 2008. Refer to page 153 for summary details of this exposure.
- Low leverage ratio (total assets to shareholders' equity) of 16,2 times, which compares very favourably on an international benchmarking basis.
- High ratio of risk-weighted assets to total assets of 62,7%, indicative of Nedbank's conservative Basel II implementation and measurement of risk, which compares favourably on a local and international benchmarking basis.
- Low level of net assets exposed to the volatility of IFRS fair-value MTM accounting.

  – Banking book

    In terms of IAS 39 an entity has the option to designate a financial instrument at fair value provided:

    - the designation 'fair value through profit or loss' eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from using different bases to measure and recognise the gains and losses on financial assets and financial liabilities; or
    - the instrument forms part of a group of financial instruments that is managed, evaluated and reported to the appropriate level of management using a fair-value basis in accordance with a documented risk management or investment strategy; or
    - the financial instrument contains an embedded derivative that significantly modifies the cashflows of the host contract or the embedded derivative clearly requires separation.

Nedbank meets the first two criteria when designating financial instruments at fair value through profit and loss.

With regard to the first criterion Nedbank has entered into a large number of fixed-rate deals for both assets and liabilities. When a fixed-rate deal is entered into, an interest rate risk arises and is hedged with an interest rate swap derivative. This process is controlled and monitored by the Group Asset and Liability and Executive Risk Committee (Group ALCO).

In terms of IAS 39 all derivatives need to be carried at fair value and it is the MTM of all these hedging derivatives that causes an accounting mismatch as discussed under the first criterion. To eliminate the accounting mismatch the underlying financial instrument is designated 'fair value through profit and loss' and subsequently fair-valued. All fair-value adjustments in this regard are unrecognised profits and losses and are disclosed in non-interest revenue.

It is important to note that these profits and losses will not be realised and will merely unwind over time as the various financial instruments mature. The financial instruments are effectively fully hedged on an interest rate risk basis. The present volatility seen in the income statement on the designated fair-value line is a result of basis risk and because IAS 39 requires an entity to fair-value its own credit for financial liabilities designated 'fair value through profit and loss'.

With regard to the second criterion Nedbank carries all its investment securities, both listed and unlisted, at fair value. There are no material hedges in place for these investment securities and they are designated 'fair value through profit and loss', as management report and manage these investment securities on this basis. Please refer to the investment table on page 164 for details.

Refer to page 248 'Nedbank Group: categories of financial instruments' for details of the above.

– Trading book

The trading book is fair-valued and the impact taken through the income statement.

The crisis and the consequent impact on the South African sovereign credit spreads had an effect on the value of certain assets within the trading portfolio. However, Nedbank's holding of foreign assets in the trading portfolio has been constrained by its low-risk appetite for foreign credit risk. Consequently the portfolio was and remains relatively small with mainly shorter-dated assets with a bias to financial institutions and large corporate exposures.

These MTM adjustments are included in the current year trading revenue. Nedbank's bond portfolio in London was £273 million at 31 December 2008.

The trading portfolio has limited exposure to the credit derivatives market and has been focused mainly on the provision of protection on South African corporate names. This, coupled with Nedbank's conservative risk appetite, has restricted losses incurred in the portfolio in the current period.

In the Lehman Brothers collapse Nedbank held incidental exposure (approximately US$1 million), which had been MTM during the runup to its 15 September 2008 Chapter 11 filing. All other exposures in Lehman Brothers were covered by margining agreements and were successfully unwound in terms of the supporting legal documents.

Refer to page 248 'Categories of financial instruments' and page 59 'Balance sheet banking/trading categorisation' for further details.

- Small market trading risk in relation to total bank operations (economic capital held is only 1,4% of total and is conservatively based on limits rather than utilisation, plus a 10% capital buffer).

  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 equity products. Subsequent to exiting from the Macquarie business alliance in 2007, the risk appetite for complex equity derivatives was significantly curtailed. Risk appetite is subject to periodic review, but there was no material change in trading limits during the 2008 financial year.

- The overall performance of the trading business was sound for 2008, an indication that the impacts from the 'credit crunch' and difficult equity markets were successfully navigated, and likewise that Nedbank's risk systems were sound. Refer to page 160 for more details.

- Low interest rate risk in the banking book as reflected by the sensitivity analysis provided on page 158.

- Low equity (investment) risk exposure. The total equity risk exposure, including Nedbank's private-equity business, is R3,8 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 164 for further details.

- Non-core asset disposal strategy successfully executed as part of the group's strategic turnaround completed in 2007. Currently assets non-core to the business of banking are immaterial.

- Low foreign currency translation risk to the rand's volatility, which is in line with Nedbank's appropriate offshore capital structure. Refer to page 159 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. Refer to page 218 of 'Operational segmental reporting' for an analysis of this.

- Well-diversified subordinated-debt profile, with no maturity of any existing Tier 2 regulatory capital until 2011 (Nedbank Limited) and 2010 (Imperial Bank Limited). Refer to page 177 for details.

- Comprehensive stress and scenario testing to confirm the adequacy of our capital ratios and accompanying capital buffers.

  Nedbank's stress-testing strategy is performed across three levels and is duly overseen by a strong governance process:

  – Specific risk-type testing such as credit, liquidity, trading and equity risk.

  – Macroeconomic factor modelling, involving stressing capital levels in at least four scenarios

    - mild stress,
    - high stress,
    - severe stress, and
    - positive scenario (better-than-expected base case).

  – Specific-event scenario analysis. The four events currently chosen are

    - severe recession,
    - liquidity crisis,
    - property value crash, and
    - default of two and three large exposures (credit concentration risk).

- Since 2005 risk appetite is also expressed in terms of quantitative risk metrics as well as qualitatively. The quantitative metrics include earnings at risk (EaR) (based on earnings volatility) and, related to this, the 'chance of regulatory insolvency', 'chance of experiencing a loss' and economic capital adequacy. These comprise group-level risk appetite metrics and the current risk profile of the group, which are all within the ranges approved by the board and as previously reported.

Nedbank's group level risk appetite metrics

Group metrics	Definition	Measurement methodology	Current targets	Target achieved
EaR	Pretax earnings potentially lost over a one-year period.	Measured as a 1-in-10-year event (ie 90% confidence level).	EaR less than 100% of pretax accounting earnings.	✓
Chance of experiencing a loss	Event in which Nedbank Group experiences an annual loss (on an economic basis).	Utilises EaR by comparing with expected profit over the next year.	Better than 1 in 10 years.	✓
Chance of regulatory insolvency	Event in which losses would result in Nedbank being undercapitalised relative to minimum regulatory capital ratios (both Tier 1 and total capital ratios).	Utilises EaR and compares with capital buffer above regulatory minimum – expressed as a 1-in-x-year chance of regulatory insolvency.	Better in 30 to 50 years.	✓
Economic capital adequacy	Nedbank adequately capitalised on an economic basis to its current international foreign currency target debt rating.	Measured by comparing available financial resources with economic capital requirement.	Equivalent rating of A- or better (including a 10% capital buffer).	✓

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]. One of these that Nedbank is currently in excess of is the credit loss ratio range of 0,55% to 0,85%, the ratio being 1,17% at 31 December 2008. Prudent provisioning for this is reflected in Nedbank's credit impairments, details of which may be found from page 139. We currently expect to remain outside the range in 2009 as well.

Qualitatively, risk appetite is also expressed in terms of policies, procedures, statements and controls to limit risks that may or may not be quantifiable.

- Nedbank has had a strong focus since the beginning of 2008 on strengthening capital ratios and liquidity, and selective asset growth as per its proactive response to the deepening international crisis. Details on the significantly strengthened capital and liquidity positions are provided on pages 169 and 155 respectively.

In view of all of the above, it is believed that Nedbank's capital levels (both regulatory capital and internal capital assessment, economic capital) and provisioning for credit impairments are appropriate and conservative, and that Nedbank Group, Nedbank Limited and other subsidiaries are strongly capitalised relative to their business activities, strategy, risk appetite and risk profile and the external environment in which they operate. Additionally, no excess capital is currently held for acquisitions.

NEDBANK'S SOUND FINANCIAL, RISK AND CAPITAL PROFILE

Further to Nedbank's conservative risk appetite discussed above and the group's strategy focused on the basics of banking, an overview of the salient features of the group's sound financial, risk and capital profile is set out below.

- **Profitability and successful turnaround of Nedbank**

– The profitability and successful turnaround of the group have, inter alia, resulted in a strong capital position and appropriately stationed it to weather the challenges prevailing in the current external environment. Sound financial performance continued in 2008, but with growth rates declining in line with expectations amid more difficult markets. Details on the group's financial position are provided in this 2008 Nedbank Group Annual Report.

- **Significant strengthening of capital levels and capital ratios through 2008**
  - Basel I was in effect and relied on for the past 20 years, and Nedbank actual capital levels today remain well-above those that would have been required under Basel I. The impact of moving to Basel II in 2008 was a marginal decrease in Nedbank's minimum regulatory capital requirements. However, qualifying capital and reserves decreased to a significant extent due to certain reserves no longer qualifying as regulatory capital in South Africa as discussed from page 173. These currently amount to approximately R1,6 billion at group level.
  - There is an excess of R9,5 billion (group) and R9,4 billion (Nedbank Limited) of total Basel II regulatory capital resources over the minimum capital requirements.
  - The group's Basel II regulatory capital ratios are now well above the top end of our 2008 board-approved target ranges for Tier 1 and total capital adequacy. In line with general global expectations Nedbank has revised its target capital ratios range upward from 8% to 9% (Tier 1) and 11% to 12% (total), to 8,5% to 10% (Tier 1) and 11,5% to 13% (total). A target range has been introduced for core Tier 1 capital, namely 7,5% to 9%. In the current external environment the group's objective is to move towards the top end of these new target ranges by the end of 2009. Refer to page 171 onwards for details on Nedbank's capital ratios.
  - The group is satisfied with the composition of its Tier 1 capital as reflected on page 171 of the report, and its intention is to operate within the regulatory limits for non-core Tier 1 capital (ie perpetual preference shares and hybrid debt capital). It is recognised that, following the global financial crisis, much greater focus is now being given to the core Tier 1 and leverage ratios and Nedbank has responded to this. The actual core Tier 1 ratios are 8,2% (group) and 8,0% (Nedbank Limited) at 31 December 2008, and its group leverage ratio 16,2 times.

    The group's dividend cover policy range remains at 2,25 to 2,75 times headline earnings per share.

    What has been pleasing, and reinforces the sentiment towards and reputation of Nedbank, has been the inaugural hybrid debt capital (non-core Tier 1) issue in South Africa by Nedbank. The total of R1,75 billion issued in 2008 in challenging market conditions not only represents another important milestone for Nedbank, but also demonstrates continued investor appetite for Nedbank paper.
  - At 31 December 2008 Basel II minimum regulatory capital requirements were higher by R6,0 billion (group) and R3,9 billion (Nedbank Limited) than internally determined economic capital requirements.

    Nedbank's internally determined capital requirements (ie economic capital) are based on a sophisticated, best-practice framework and are comprehensively used across the group for capital allocation, performance measurement and remuneration, as well as risk-based pricing and client value management in the group's business.
  - Nedbank's internal capital assessment (ie economic capital) reflects a surplus of available financial resources over economic capital requirements of R9,6 billion (group) and R10,4 billion (Nedbank Limited) based on its target solvency standard (A- or 99,9% confidence level; currently same as Basel II), including a buffer of 10% applied to the economic capital minimum requirement.
- **Worldclass risk and capital management frameworks are embedded groupwide**
  - Strong risk and capital management is in place at Nedbank Group based on a best-practice ERMF and CMF, built on rigorous governance, challenge and debate. These frameworks are supported by a strong level of expert and experienced human resources, for which succession plans are in place. These are regularly monitored and updated.

    The principles of prudence and conservatism prevail in Nedbank's frameworks and economic capital numbers. Basel II has even higher levels of conservatism, including for example downturn loss-given default (dLGD) credit risk parameters and the Pillar 2a addon (unique to South Africa), and does not recognise inter-risk diversification in the Pillar 1 minimum regulatory capital requirements.
  - Nedbank's economic capital outcome and process are comprehensively in use across the group, including within businesses on a day-to-day basis, and in performance measurement and reward schemes that are now primarily based on economic profit, using risk-based economic capital allocation.

– Nedbank Limited was granted approval, effective 1 January 2008, by SARB for use of the Advanced Internal Ratings-based (AIRB) approach for credit risk for the bank's entire credit portfolio.

  Nedbank's AIRB credit system forms the basis of its measurement and management of credit risk across the bank. The Group Credit Portfolio Management Unit in the Group Capital Management Division measures, manages and strives to optimise the group's credit portfolios and credit concentration risk. For this purpose the group uses a tailored Credit Portfolio Model (CPM) run on KMV Portfolio Manager software.

  Nedbank's credit economic capital (which comprises above 60% of total economic capital) is separately derived by integrating the key Basel II AIRB credit risk parameters with Nedbank's sophisticated CPM. The CPM also takes credit portfolio concentrations and intrarisk diversifications into account.

  Nedbank is a well-diversified banking group in the context of South African markets, split across its four major business clusters.

  Nedbank's top-20 individual exposure analysis, in particular the 'percentage of total Nedbank Group credit economic capital by individual borrower', indicates that it does not have undue single-name credit concentration risk. Nedbank's CPM model incorporates the asset size of obligors/borrowers into its measurement and calculation of credit economic capital. In the group's stress and scenario testing, and arriving at conclusions on the adequacy of capital buffers, stress testing of single-name large exposures and their potential impact on capital ratios are also included.

  Geographically, almost all credit exposures of the group originate in South Africa (non-South African exposure is approximately 6%). This geographical and industry concentration risk is also built into Nedbank's CPM.

– The group's internal risk and capital assessments are complemented by a comprehensive and sophisticated stress and scenario-testing process.

– Nedbank has made a significant investment (in excess of R350 million in external costs alone over the past four years) in its journey to worldclass risk management to implement best-practice economic capital modelling and the ICAAP, and scores highly in the 'use test' across the group, which demonstrates Nedbank's significant commitment to Worldclass Risk Management and a belief in its economic capital numbers.

- **Comprehensive business planning integrated with active capital management driven off internal capital generation across a well-diversified banking group**

– The group's financial performance is characterised by diversified, sound and stable capital generation. Most of the group's headline earnings are generated by business portfolios servicing traditional wholesale and retail banking, and specialised finance.

– Current expected (base case) three-year projections to 31 December 2011 reflect further strengthening of capital adequacy and are in line with the revised target regulatory capital ranges at both group and bank level, both internal economic capital adequacy and regulatory capital.

– The quality and diversification of Nedbank's capital base is sound, as reflected by its Tier 1 and Tier 2 composition. This includes the replacement over the previous two years of the concentrated NED1 (R2 billion) and NED2 (R4 billion) subordinated debt with a smooth, well-diversified maturity profile with eight subdebt issues totalling R7 billion and their maturity relatively evenly spread over seven years from 2011 to 2017.

– A sound capital management and capital planning process is applied continuously, in which procyclicality and stressed scenarios are comprehensively addressed, confirming the adequacy of the group's target (and actual) regulatory capital ratios and economic capital buffer levels.

- The group is not currently holding any excess capital for acquisitions. It is currently focused on growing organically, mainly within southern Africa, and concentrates on small but consistent market share gains based on value (ie strong economic profit focus) rather than volume.

- **Comprehensive stress and scenario testing is used to stress Nedbank's base case projections, and so assess and conclude upon the adequacy of its capital buffers and target capital ratios**

  - Nedbank's strategic planning process, rolling forecasts and integrated capital planning include three-year projections of expected (base case) financial performance, Basel II and economic capital requirements, which are compared with projected available capital resources and risk appetite metrics. The three-year projections and base case capital planning are derived from the group's three-year business plans that are updated quarterly during the year and revised on a full bottomup basis annually.
  - The main objective of the group's stress testing is to assess the effect of possible unexpected events on its base case projections, including its capital requirements, resources and adequacy of capital buffers for both regulatory and economic capital. In addition, stress testing is an important tool for analysing Nedbank's risk profile and risk appetite.

- **Various contingency options exist should the need arise**

  - Further tightening of credit limits and/or active management of asset growth, using Nedbank's risk-based economic capital allocation to its businesses and 'manage for value' (economic profit lens) approach to achieve this optimally.
  - Capacity to raise capital externally if required, despite the current market turmoil, as evidenced by Nedbank's R1,75 billion hybrid-capital issues to 31 December 2008.
  - A strong, well-capitalised parent company, Old Mutual Life Assurance Company (SA) Limited.

CONCLUDING COMMENTS

Nedbank recognises that to become 'worldclass at managing risk' is a journey, not a destination. It is believed that good progress has been made over the past five years and that the group's risk and capital management including ICAAP generally align closely with best practice internationally. This has accordingly positioned the group well to be resilient through the current global financial crisis. Nevertheless, Nedbank is continuously enhancing its risk and capital management processes and systems and remains firm in this endeavour.

In the group's proactive response to the deepening global crisis, although it has had a much reduced impact on South Africa and Nedbank, there has been a strong focus since the beginning of 2008 on strengthening its capital ratios and liquidity position, and selective asset growth based on economic profit (using its 'manage for value' philosophy).

In view of all of the above, and cognisant of the risks and ongoing volatility inherent in global financial markets, the board of directors and executive management believe that capital levels, both regulatory capital and our internal capital assessment (ie economic capital) and provisioning for credit impairments are appropriate and conservative, and that Nedbank Group, Nedbank Limited and the other subsidiaries are strongly capitalised relative to their business activities, strategy, risk appetite, risk profile and the external environment in which they operate. Additionally, no excess capital is held for acquisitions.

The board of directors is also satisfied with the overall effectiveness of the processes relating to corporate governance, internal controls, risk management, capital management and capital adequacy.

RISK AND CAPITAL MANAGEMENT REPORT
DETAILED REVIEW

NEDBANK HAS A STRONG RISK AND CAPITAL CULTURE

Nedbank has successfully implemented Basel II and with the benefit of hindsight can look back over the past year and reconfirm this. Nedbank received favourable outcomes from the SREP of our group's ICAAP by SARB, and an external audit of our regulatory returns and associated processes, both of which were concluded in the latter half of 2008. Nedbank has invested significantly in advanced risk and capital management capabilities, as well as human resources and systems, and has transformed these using its comprehensive Basel II programme as the main catalyst.

Nedbank's Basel II implementation is in line with the revisions to the Banks Act and the revised Basel II-based banking regulations introduced by SARB that were effective from 1 January 2008. The main objective of Basel II is to promote significant enhancement and sophistication of risk and capital measurement and management, thereby elevating the safety and soundness of the banking industry.

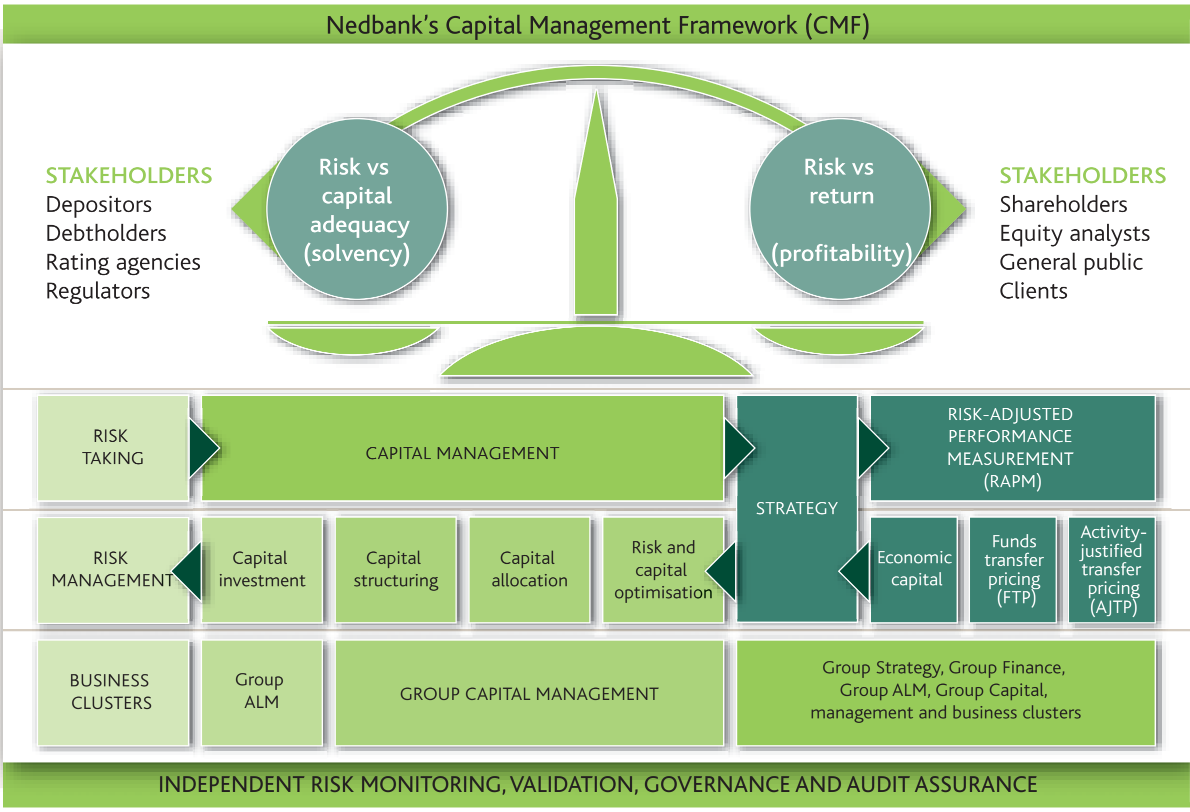
Aligned with the successful recovery and turnaround of Nedbank Group completed in 2007, the group followed a strategic approach to its Basel II implementation, not only to comply with Basel II, but also to elevate all material aspects of the group's risk management, capital management and performance measurement to worldclass standards. This has involved implementing, inter alia, best-practice enterprisewide risk management (ERM) across the group.

ERM is a structured and disciplined approach to risk management, aligning strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the opportunities, threats and uncertainties the group faces as it strives to create shareholder value. It involves integrating risk and capital management effectively across the group's risk universe, business units and operating divisions, geographical locations and legal entities.

The Nedbank vision is 'to become southern Africa's most highly rated and respected bank ... by its staff, clients, shareholders, regulators and communities'. The vision is supported by the group's 10 Deep Green aspirations (long-term objectives), which include becoming 'worldclass at managing risk', incorporated within the group's strategic framework.

Vision	To become southern Africa's most highly rated and respected bank... by our staff, clients, shareholders, regulators and communities.
Deep Green aspirations	Great place to work Great place to bank; Great place to invest Unleashing synergies; Worldclass at managing risk; Community of leaders Most respected and aspirational brand; Highly involved in the community and environment; Leading transformation; Living our values
What makes us different and guides our long-term strategy?	GREAT AT LISTENING, UNDERSTANDING CLIENTS' NEEDS AND DELIVERING
Our brand expression	**MAKE THINGS HAPPEN**
Strategic focus areas	Grow our share of economic profit; Become client-driven; Manage risk as an enabler; Enhance productivity and execution; Build a unique culture for competitive advantage; Accelerate transformation; Lead as a corporate citizen
Scope of the game	A member of the Old Mutual Group; Full-spectrum banking; Bank for all; Southern Africa focus with selected offshore expansion
Our values	Integrity; Respect; Accountability; Pushing beyond boundaries; Being people-centred

In Nedbank to be 'worldclass at managing risk' means the following:
'Understanding, measuring and managing risk is central to everything we do. We have engrained risk management in our business. We understand that banking at Nedbank is about managing risk, not avoiding it. Our risk management methodologies are worldclass.'



Nedbank's approach to risk embraces risk management as a core competency that allows it to optimise risk-taking, is objective and transparent and ensures that the business prices for risk appropriately, linking risk to return.

Consistent with the group's risk philosophy and strong risk culture engrained in its ERMF, summarised on page 132, is capital management.

Nedbank's CMF reflects the integration of risk, capital, strategy and performance measurement (and reward) across the group. This contributes significantly to successful enterprisewide risk management. The framework is based on best-practice risk and capital management in all material respects.

The comprehensive CMF is designed to meet Nedbank's key external stakeholders' needs, both those focused more on the adequacy of the group's capital in relation to its risk profile (or risk vs solvency) and those focused more on the return or profitability of the group relative to the risk assumed (or risk vs return). The challenge for management and the board is to achieve an optimal balance between these two important dimensions.

Nedbank's risk and capital management positioning now provides the group with sophisticated management science and capabilities for active capital management and economic value-based management to optimise the risk/return performance and growth of the various businesses, aligned with the established risk appetite of the group.

Nedbank recognises that to become 'worldclass at managing risk' (and so capital management too) is a journey, not a destination. It is believed that significant progress has been made over the past five years and that the overall ICAAP is generally closely aligned with best practice internationally. In Nedbank emphasis is currently on the following:

- Very high ongoing focus on liquidity risk and capital management in view of the current external market turmoil and volatility.
- Ongoing data quality and data governance enhancements.
- Expansion and further embedding and cascading of the group's risk appetite metrics (eg EaR) down to business unit level.
- Further embedding the group's economic profit (based on economic capital allocation) and 'managing for value' principles in updated business plans and day-to-day management.
- Risk methodology and modelling enhancements, namely:
  - operational risk transition from Standardised Approach to Advanced Measurement Approach;

  – market trading risk to satisfy SARB regulatory requirements for the Internal Model Approach approval (but which has been used internally for several years now); and
  – business risk.
- Implementation of QRM software for our ALM process.
- Ongoing refinement and enhancement of Nedbank's AIRB credit system and related credit modelling.
- Proactively responding to developments on the international regulatory front with respect to risk and capital management, arising in response to the global financial crisis.

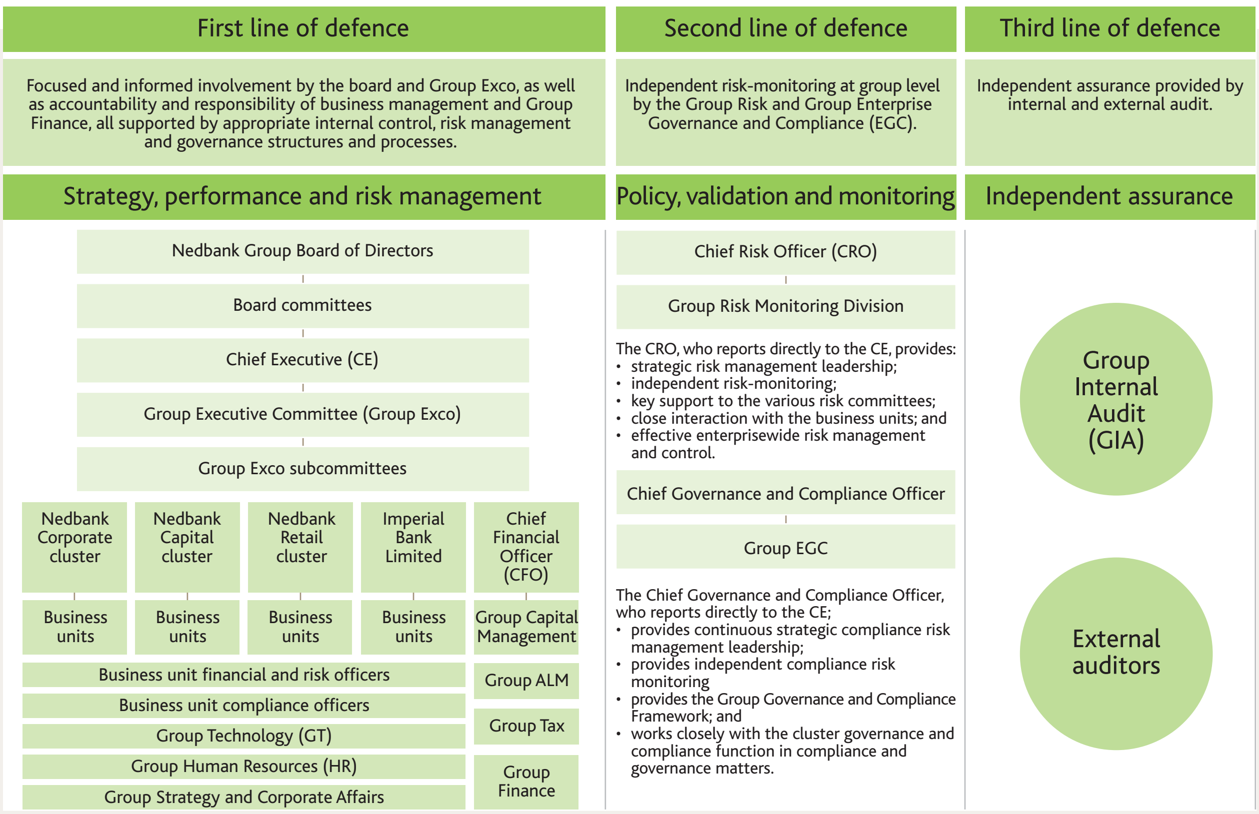
AT THE HEART OF NEDBANK'S BUSINESS AND MANAGEMENT PROCESSES ARE WORLDCLASS RISK AND CAPITAL MANAGEMENT FRAMEWORKS

NEDBANK'S RISK UNIVERSE, GOVERNANCE AND ERMF

Nedbank sees strong risk governance applied pragmatically and consistently as the foundation for successful risk and capital management.

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

The three lines of defence, as well as the principal responsibilities that extend across the group, function as follows:



The 17 key risks that comprise Nedbank's risk universe and their materiality are reassessed, reviewed and challenged on a regular basis (ie at least quarterly). The ERMF specifically allocates the 17 key risks (which individually also include various subrisks) at three levels, namely:

- board committees;
- executive management committees (at Group Exco level and those within business clusters); and
- individual functions, roles and responsibilities (at group level and across all business clusters, as relevant).

The ERMF, fully embedded across Nedbank Group, is supplemented by individual subframeworks such as those for credit risk, market risk, liquidity risk, operational risk and capital risk, as well as a comprehensive set of risk policies and limits. These also include the role of the board, which includes setting and monitoring the group's risk appetite (which includes risk limits) and oversight of the ERMF, duly assisted by its board committees. At executive management level the Group Exco is also assisted with its risk, strategic and operational responsibilities by 10 subcommittees.

An overview of Nedbank Group's ERMF, including the 17 key risks that comprise the group's risk universe and the risk governance structures, is provided on the next page.

Overview of Nedbank Group's Enterprisewide Risk Management Framework

RISK UNIVERSE

- ACCOUNTING AND TAXATION RISKS
- OPERATIONAL RISK
- INSURANCE AND ASSURANCE RISKS
- NEW-BUSINESS RISK
- LIQUIDITY RISK
- CAPITAL RISK
- MARKET RISKS
  - Trading book
  - Banking book

FIRST LINE OF DEFENCE

BOARD COMMITTEES

BOARD OF DIRECTORS

- GROUP AUDIT COMMITTEE
- GROUP RISK AND CAPITAL MANAGEMENT COMMITTEE

GROUP EXCO COMMITTEES

GROUP EXCO

- GROUP OPERATIONAL COMMITTEE
  - EXECUTIVE TAXATION COMMITTEE
  - BRAND COMMITTEE
- BUSINESS RISK MANAGEMENT FORUM
- GROUP ALCO
  - PROPERTY STRATEGY COMMITTEE
  - GROUP PROCUREMENT COMMITTEE

BUSINESS CLUSTERS' RISK GOVERNANCE

NEDBANK CORPORATE, NEDBANK BUSINESS BANKING, NEDBANK CAPITAL, NEDBANK RETAIL AND GROUP TECHNOLOGY CLUSTERS

- Cluster and business unit excos, divisional credit committees (DCCs), Trading Risk Committee, enterprisewide risk committees (ERCOs), investment committees and other appropriate specialist committees, with representation from the relevant independent group functions.

CENTRAL FINANCIAL, RISK AND CAPITAL MANAGEMENT

GROUP FINANCE DIVISION (CFO Mike Brown)

- GROUP CAPITAL MANAGEMENT AND BASEL II
- GROUP ALM
- GROUP TAX
- FINANCIAL AND MANAGEMENT ACCOUNTING
- GROUP SHARED SERVICES CENTRE

SECOND LINE OF DEFENCE

INDEPENDENT FUNCTIONS FOR GROUP POLICY, RISK MONITORING, MODEL VALIDATION AND CHALLENGE

GROUP RISK DIVISION (CRO Philip Wessels)

- GROUP RISK SERVICES
- GROUP LEGAL
- ERMF
- GROUP OPERATIONAL RISK MONITORING

THIRD LINE OF DEFENCE

INDEPENDENT ASSURANCE

INTERNAL AUDIT AND EXTERNAL AUDIT

- GIA

INVESTMENT RISK | INFORMATION TECHNOLOGY RISKS | CREDIT RISK | COMPLIANCE RISK | STRATEGIC RISK | REPUTATIONAL RISK | TRANS-FORMATION RISK | SOCIAL AND ENVIRONMENTAL RISKS | PEOPLE RISK

BOARD STRATEGIC INNOVATION COMMITTEE | GROUP CREDIT COMMITTEE | DIRECTORS' AFFAIRS COMMITTEE | TRANSFORMATION AND SUSTAINABILITY COMMITTEE | REMUNERATION COMMITTEE

EXECUTIVE STRATEGIC INNOVATION MANAGEMENT COMMITTEE | EXECUTIVE CREDIT COMMITTEE / GROUP OPERATIONAL COMMITTEE | BUSINESS RISK MANAGEMENT FORUM (BRMF) | GROUP OPERATIONAL COMMITTEE | BEE FORUM | TRANSFORMATION AND HUMAN RESOURCES EXECUTIVE COMMITTEE

- Heads of risk and risk functions, independent of business origination, report direct to business cluster heads.

REGULATORY REPORTING AND CENTRAL ACCOUNTING | GROUP PLANNING AND ALIGNMENT | INVESTOR RELATIONS | RISK, COMPLIANCE AND SARB RELATIONS | PROJECT ACCOUNTING | HR

GROUP RISK DIVISION (CHIEF RISK OFFICER) Philip Wessels

GROUP CREDIT RISK MONITORING (GCRM) | GROUP MARKET RISK MONITORING (GMRM) | HR

CHIEF GROUP ENTERPRISE GOVERNANCE AND COMPLIANCE OFFICER

INTERNAL AUDIT AND EXTERNAL AUDIT

EXTERNAL AUDITORS
Deloitte & Touche and KPMG Inc

NEDBANK GROUP

OVERVIEW OF THE ICAAP

In line with the four key principles contained in Pillar 2 of Basel II, the revised South African regulations relating to banks set out in regulation 39 the ICAAP requirements of banks and related SREP requirements of the SARB. A summary of this is depicted below.

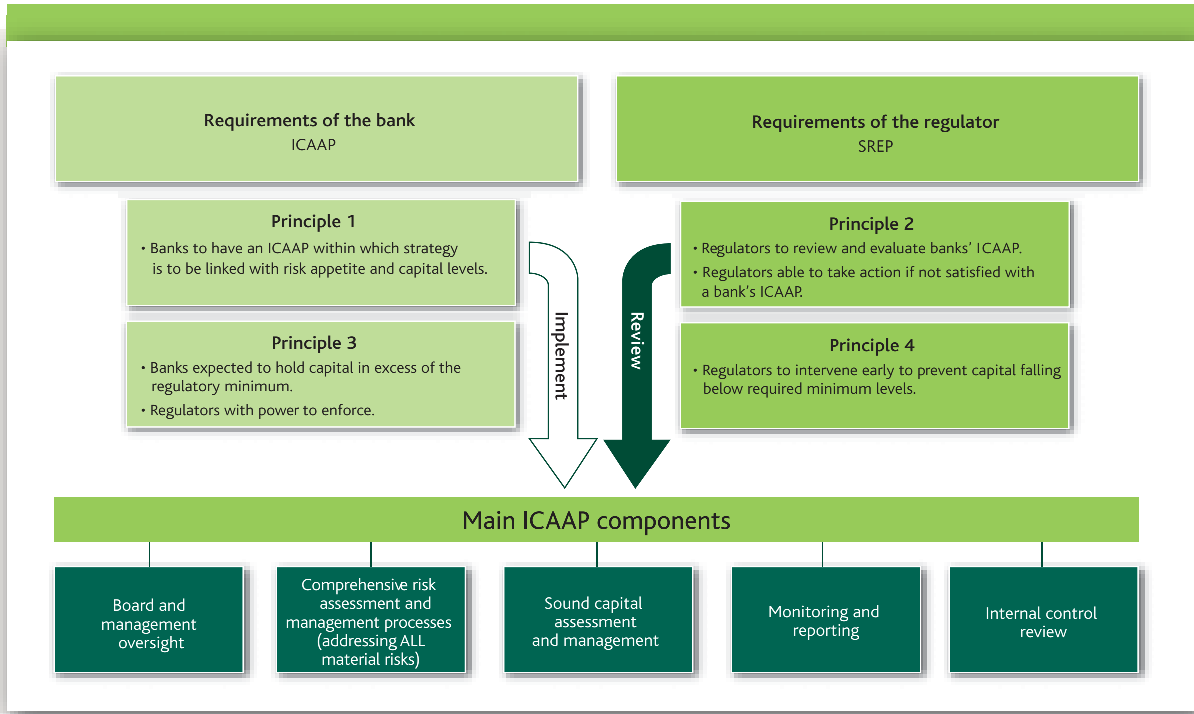
Nedbank's approach, assessment and management of risk and capital from an internal perspective, as well as its comprehensive integration and use in running the business, over and above the minimum regulatory rules and capital requirements of Basel II, are driven by its ICAAP.

Nedbank's ICAAP has been embedded within its CMF since it was first approved by the board of directors in February 2006. This, in turn, is an integral and comprehensive component of the group's ERMF. The foundations of Nedbank's ICAAP, CMF and ERMF are a strong and rigorous governance structure and process as discussed earlier. The ERMF is actively maintained, updated and regularly reported on up to board level, coordinated by the ERMF Division in Group Risk.

The Group Capital Management Division reports direct to the CFO and is mandated to champion the successful implementation of the CMF and ICAAP across the group. Also reporting to the CFO are the heads of Group ALM and Regulatory Reporting, Budgeting and Central Accounting, who are also central roleplayers in the group's integrated risk and capital management.

Further details of the group's capital management is covered on page 169.

The ultimate responsibility for the ICAAP rests with the board of directors. The risk and capital management responsibilities of the board and Group Exco are incorporated in their respective terms of reference (charters) contained in the ERMF. They are assisted by the various board and executive committees and divisions set out in the ERMF on page 132.



ECONOMIC CAPITAL AND ECONOMIC PROFIT USE IN NEDBANK GROUP

Economic capital and economic profit use across Nedbank

• Economic capital adequacy • Risk-based capital allocation across the group's business • Key component of risk appetite • Active capital management and ICAAP • Effective reporting of risk • Strategic and capital planning	GROUP LEVEL	PORTFOLIO LEVEL	• Concentration risk management • Risk diversification • Risk portfolio management and optimisation • Limit setting • Value-based management
• Risk/return economic value appraisal of different business units and monolines • Economic profit target setting • Risk-based strategic planning • Risk appetite optimisation • ICAAP	BUSINESS UNIT LEVEL	TRANSACTION LEVEL	• Risk-based pricing • Consideration of economic return on individual loan application and products • Client value management • Prioritisation of utilisation of client limits

Nedbank's risk and capital management, and so economic capital, are embedded in the grain of the organisation and the way the business is managed. This is summarised above.

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 assesses the internal requirements for capital using its proprietary economic capital methodology, which models and assigns economic capital within nine quantifiable risk categories, as summarised on page 167.

All of Nedbank's quantifiable risks, as measured by its economic capital, are then allocated back to the businesses in the form of an economic capital allocation to where the assets or risk positions reside/originate.

Economic capital not only facilitates an apples-with-apples measurement and comparison of risk across businesses but, by incorporating it into performance measurement, also allows Nedbank to measure and compare the performance of each business on an absolute basis (economic profit) and relative percentage return basis [return on risk-adjusted capital (RORAC)] by comparing these measures against the group's cost of capital.

To align the group's current short-term incentive scheme (STI scheme) with the shareholder value drivers the STI scheme has been designed to incentivise appropriately a combination of profitable returns, risk and growth. It is driven from an economic profit basis, using risk-based economic capital allocation as discussed above. Risk is therefore an integral component of capital allocation and performance measurement (and reward) in Nedbank.

Economic capital, economic profit, RORAC and other important metrics are included in performance scorecards across the group. The key financial performance indicator is economic profit, while measures such as ROE and RORAC are used as important secondary measures.

NEDBANK'S RISK AND CAPITAL MANAGEMENT FRAMEWORKS ENABLE IT TO IDENTIFY, MEASURE, MANAGE AND CONTROL ITS MATERIAL RISKS AND RISK APPETITE, AND THEN RELATE THESE TO CAPITAL REQUIREMENTS AND ENSURE CAPITAL ADEQUACY.

Nedbank's risk universe is defined, actively managed and monitored in terms of our ERMF, in conjunction with the CMF and its subframeworks, including economic capital, as mentioned earlier.

A summary table of the key risk types impacting the group is provided on the next page. An overview of the key risks impacting Nedbank then follows.

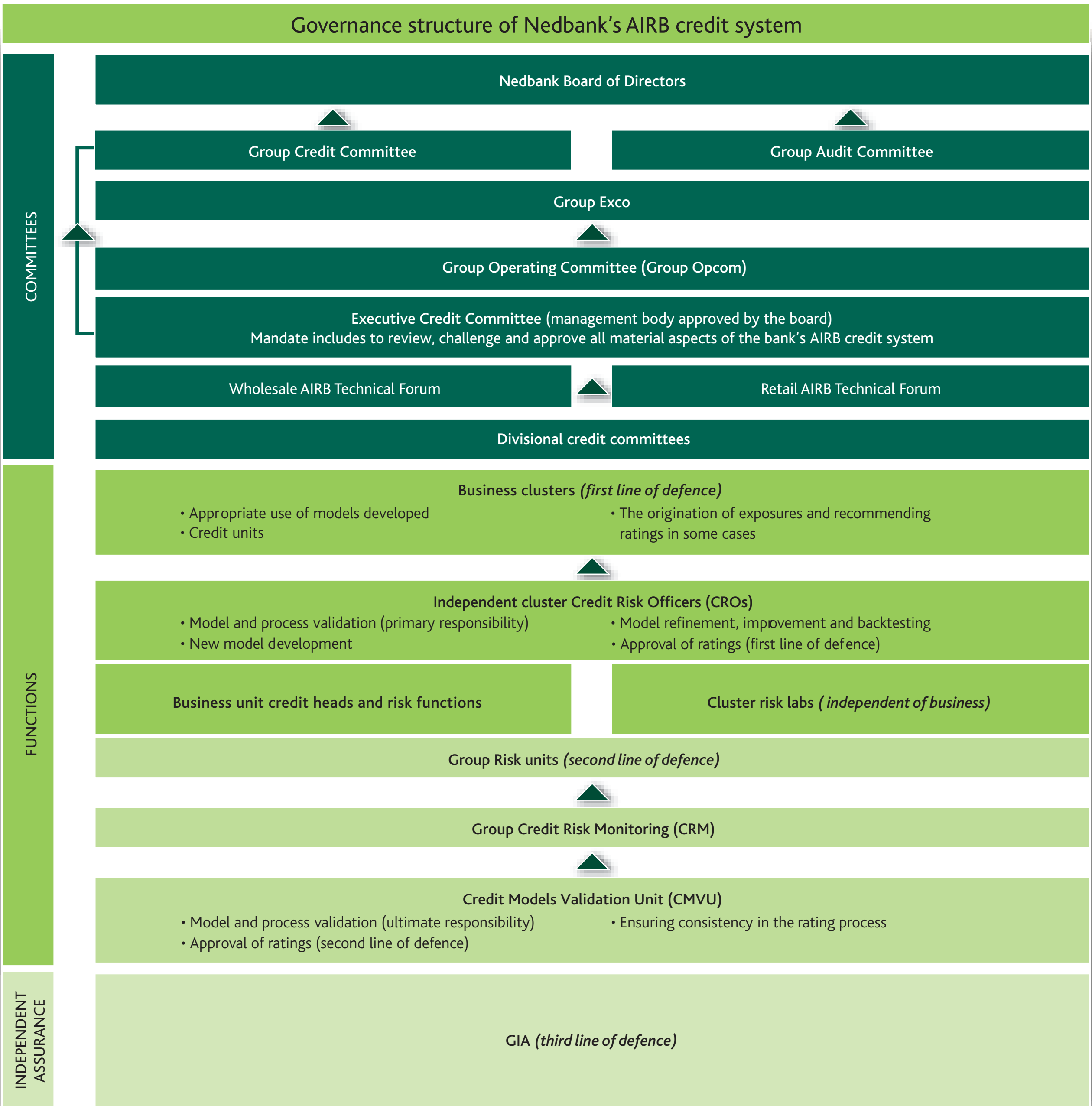
Major risk categories	ERMF key risk types	Economic capital risk types (see page 167)
Capital risk	Capital risk	✓
Credit risks	Credit risk	✓
	• Underwriting (lending) risk	✓ (combined as credit risk)
	• Transfer (sovereign) risk	✓
	• Counterparty credit risk	✓(combined as credit risk)
	• Securitisation risk	✓(combined as credit risk)
Liquidity risk	Liquidity risk	N/a
Market risks	Market risk in the trading book	✓
	Market risk in the banking book	✓
	• Interest rate risk in the banking book	✓
	• Foreign currency translation risk in the banking book	✓
	Investment risk	
	• Equity risk in the banking book	✓
	• Property risk	✓
Operational risks	Operational risk	✓
	Accounting and taxation risks	N/a (covered by provisions)
	Compliance risk	✓ (in operational risk)
	Insurance and assurance risks	✓ (in operational risk)
	People risk	✓ (in operational risk)
	Information technology risk	✓ (in operational risk)
Business risks	Transformation risk	✓ (in business risk)
	New-business risk	✓ (in business risk)
	Reputational risk	N/a
	Social and environmental risks	✓ (in business risk)
	Strategic risk	✓ (in business risk)

N/a = not applicable to economic capital.

CREDIT RISK

Credit risk arises from lending and other financing activities that constitute the group's core business. It is by far the most significant risk type and accounts for over 60% of the group's economic capital requirement and 80% of regulatory capital.

One of the major investments by Nedbank in risk in recent years has been to elevate its credit risk management to best practice. This, together with its strong client service focus, positioned Nedbank not only to achieve appropriate growth and returns, but also to obtain approval from SARB for the AIRB approach for credit risk.



Credit risk is managed across the group in terms of its board-approved Group Credit Risk Management Framework (GCRF), which encompasses comprehensive credit policy, mandate limits and governance structures. It is a key component of the group's ERMF, CMF and Risk Appetite Framework discussed earlier.

The GCRF, which covers the macrostructures for credit risk management, monitoring and approval mandates, includes the Executive Credit Committee (ECC), its two AIRB technical forums and a Group Credit Ad Hoc Ratings Committee.

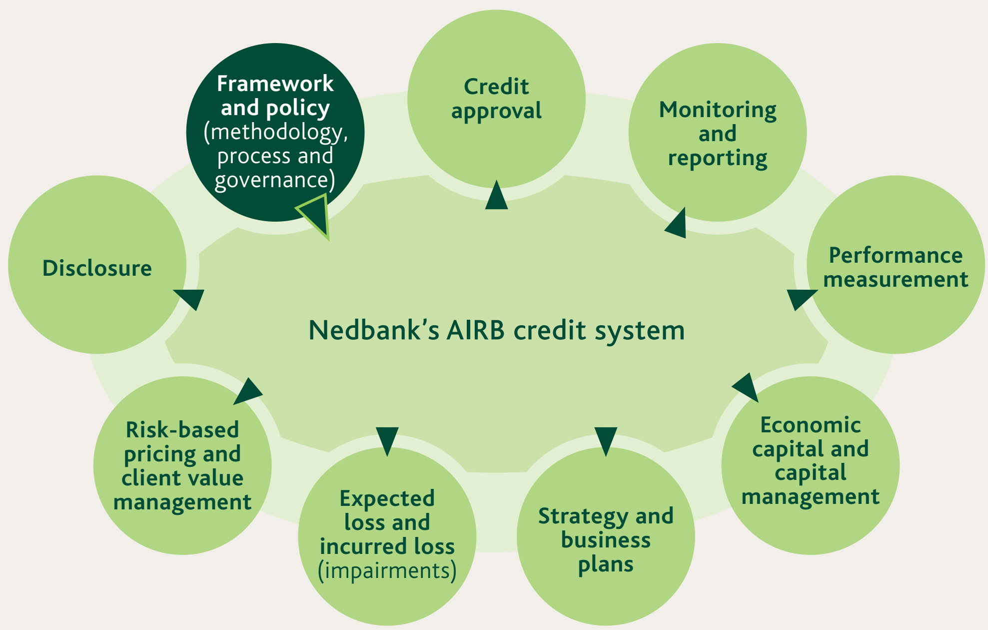
The ECC is the designated committee appointed by the board to monitor, challenge and ultimately approve all material aspects of the bank's AIRB credit rating and risk estimation processes.

In this regard the board and its Group Credit Committee (GCC) are required by the Basel II regulations to have a general understanding of the AIRB credit system and the related reports generated. They also need to ensure the independence of the bank's credit risk control unit, the CMVU and the effective functioning of the ECC.

DCCs, with chairpersons independent of the business units, operate for all major business units across the group. The DCCs are responsible for approving and recommending credit and credit policy, as well as reviewing divisional-level credit portfolios, parameters, impairments, expected loss and credit capital levels.

An independent Group Credit Risk Monitoring (GCRM) Unit is part of Group Risk. It champions the ongoing enhancement of credit risk management across the group, the GCRF and AIRB credit system, monitors credit portfolios and reports to executive management, DCCs, the ECC and ultimately the board's GCC on a regular basis. As part of GCRM the CMVU has overall responsibility for the ongoing championing of the Basel II AIRB methodology across the group and ensuring consistency in the rating processes. It also has ultimate responsibility for independent model validation.

Overview of Nedbank's use of its AIRB credit system



Group credit policy incorporates the relevant credit risk principles stipulated in the revised regulations related to banks as well as best practice. This policy is implemented across the group with detailed and documented policies and procedures, suitably adopted for retail, commercial or corporate business units, and forms the cornerstone for sound credit risk management as it provides a firm framework for credit granting as well as the subsequent monitoring of credit risk exposures.

Credit risk mitigation and the provision of collateral are generally negotiated to protect the group against unforeseen circumstances. It needs to be stressed, though, that the primary consideration in the assessment of any lending opportunity remains the borrower's financial position and ability to repay from its own resources and cashflow. Collateral mitigates the overall risk of an exposure and it affects pricing due to the fact that collateral provided will decrease the loss-given default (LGD) of an exposure.

Other forms of credit risk mitigation that take place are on- and off-balance-sheet netting and setoff. Off-balance-sheet netting usually occurs in the over-the-counter environment while setoff and on-balance-sheet netting take place in the banking book.

Other policies and principles are well-articulated in the group's credit policy, as are the definitions of 'past due', 'default', 'impaired and non-performing loans/advances', as well as 'specific and portfolio impairments' (refer to pages 141 and 142).

For credit risk measurement the following Basel II regulatory approaches have been fully adopted by Nedbank Group across its various banking subsidiaries:

Subsidiary	Approach	Description of banking activity	% credit extended (size relative to total group)
Nedbank Limited	AIRB	Full commercial banking (wholesale and retail)	88
Imperial Bank Limited	Standardised	Commercial and retail banking	8
Nedbank Namibia Limited	Standardised	Commercial and retail banking	<1
Nedbank (Swaziland) Limited	Standardised	Commercial and retail banking	<1
Nedbank (Lesotho) Limited	Standardised	Commercial and retail banking	<1
Nedbank (Malawi) Limited	Standardised	Commercial and retail banking	<1
Fairbairn Private Bank (IOM) Limited	Standardised	Private banking	1
Fairbairn Private Bank Limited	Standardised	Private banking	1
			100

All credit exposure and asset classes in Nedbank Limited are covered by the AIRB approach. All the other subsidiaries are under the Standardised Approach and there is currently no intention to migrate them to AIRB in the near future.

The above Basel II regulatory approaches all carry the formal approval of SARB.

However, for credit economic capital across the entire group Nedbank applies conservative AIRB credit parameter benchmarks for subsidiaries other than Nedbank Limited (where actual derived estimates are obviously used). Nedbank Group's credit economic capital is separately derived by integrating the same key Basel II AIRB credit risk parameters with Nedbank's sophisticated CPM. The CPM takes portfolio concentrations and diversifications into account.

Credit risk profile at 31 December 2008

The South African banking environment is experiencing the effects of a rapidly slowing domestic economic cycle coupled with political uncertainty and the secondary effects of the global financial crisis and economic downturn. However, in spite of this challenging economic environment, infrastructure spending and moderate fiscal stimulus are still expected to provide some opportunities for growth in the year ahead.

Credit quality deteriorated throughout 2008 with Nedbank Retail's impairments worsening significantly while the wholesale-banking portfolio showed a moderate deterioration in the second half of 2008. While impairments have increased, the impact on earnings was partially offset by prudent cost management.

The credit loss ratio increased from 0,62% in 2007 to 1,17% for the year. The growth in loans and advances and the increase in the credit loss ratio are reflected in a 122,8% increase in the impairments charge from R2 164 million to R4 822 million. Retail credit loss ratios have worsened since June 2008 and remain above expected through-the-cycle levels, largely as a result of continued increases in defaulted loans and advances in the Home Loan and Vehicle and Asset Finance Divisions. Wholesale-banking credit loss ratios remain below expected through-the-cycle levels, although the credit loss ratio in Business Banking has increased as expected. The credit quality in the wholesale book remains good, but is expected to be impacted by worsening credit quality in the year ahead. Notwithstanding seasonal effects, the unsecured retail portfolio reflected encouraging signs of improvement in the latter part of 2008.

Defaulted loans and advances increased by 75% from R9 909 million to R17 301 million and the impairment provisions increased by 29,3% from R6 078 million to R7 859 million. The group's credit loss ratio is anticipated to remain above the medium- to long-term target range of between 0,55% and 0,85% for 2009. Nedbank Group's long-run average expected loss (EL) [on an exposure-at-default(EAD)-weighted basis] for its credit portfolio is estimated at 0,70%, consistent with the previous year.

The majority of the group's exposure to black economic empowerment (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 at year-end.

During 2008 the group changed the criteria for the distinction between retail specific and portfolio impairments. Initially, in view of the deteriorating economic climate and rising retail impairments, to be more conservative the group first changed the specific-impairment trigger for retail from 60 days to 30 days past due. However, subsequent to this and in order to adhere to the SARB's new Basel II requirements and align with the banking industry on the definition of non-performing loans, retail impairments raised in the 30- to 90-day past-due window were reclassified from 'specific impairment' to 'portfolio impairment'. The 2007 comparatives have been restated accordingly. These reclassifications only pertain to retail as all other credit portfolios in the group were already in line with the SARB's requirements.

A reconciliation of this two-step change during 2008 is provided below.

Retail cluster impairments

Rm	Specific impairment	Portfolio impairment	Total
Opening balance (1 January 2008)	2 383	550	2 933
Move to 30-day impairment event	125	(125)	–
Move to align with SARB Basel II requirements	(403)	403	–
Revised opening balance	2 105	828	2 933
Adjusted gross income statement charge	3 835	47	3 882
Writeoffs and other moves	(2 326)	(24)	(2 350)
Closing balance at 31 December	3 614	851	4 465

This reclassification of retail specific impairments held against loans and advances did not have any effect on the amounts reported in the group's income statement, balance sheet, statement of changes in total shareholders' equity or cashflow statement, but had an effect on restating the related notes for 2007.

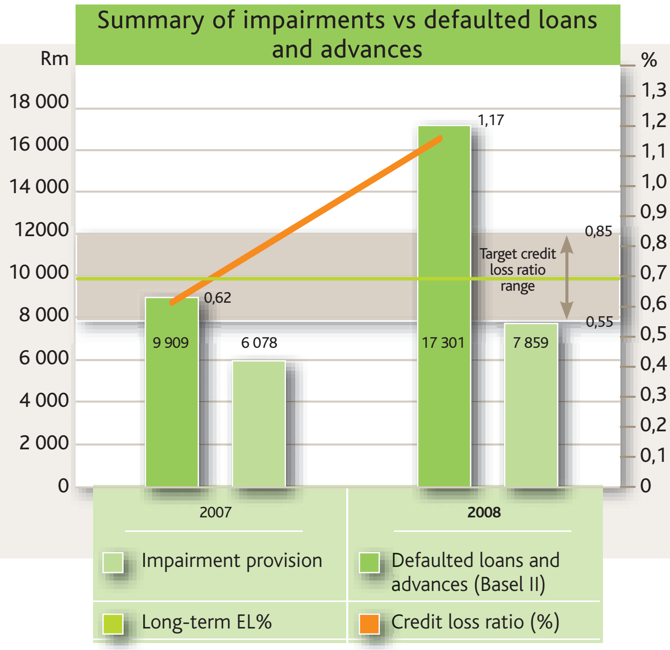
The following tables summarise Nedbank Group's credit portfolio quality and level of impairments at 31 December 2008. More granular information on balance sheet exposure by Basel II asset class, business cluster, AIRB credit risk metrics, and summaries of impairments and defaulted advances is included in our full Pillar 3 Report on the Nedbank website.

Summary of loans and advances

Rm – at 31 December	Annualised % change	2008	2007
Home loans	15,6	**143 342**	123 980
Commercial mortgages	21,6	**73 031**	60 045
Properties in possession	>100	**791**	308
Term loans	61,0	**64 144**	39 835
Credit cards	2,0	**7 248**	7 109
Overnight loans	(14,0)	**15 760**	18 336
Overdrafts	(0,4)	**12 461**	12 514
Other loans to clients	(7,7)	**44 581**	48 280
Leases and instalment sales	16,7	**61 362**	52 568
Preference shares and debentures	67,1	**15 667**	9 377
Trade and other bills	(41,7)	**1 075**	1 843
Reverse repurchase agreements	(55,0)	**2 630**	5 839
Gross loans and advances	16,3	**442 092**	380 034
Impairment of loans and advances	29,3	**(7 859)**	(6 078)
Net loans and advances	16,1	**434 233**	373 956

Summary of impairment charges

Rm – at 31 December	% of average loans and advances	2008	2007
Impairment charge		**4 822**	2 164
As % of net interest income (NII)		**29,8**	15,2
As % of average loans and advances	100,0	**1,17**	0,62
Nedbank Capital	13,7	**0,06**	0,05
Nedbank Corporate	41,6	**0,27**	0,11
Nedbank Retail	35,0	**2,47**	1,26
Imperial Bank	9,7	**1,71**	1,28



The key definitions related to credit risk are set out below.

Defaulted loans and advances

This refers to 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 South African banking regulations, effective 1 January 2008. 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 it is client- or borrower-centric, meaning that, should any transaction within a borrowing group default, 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 because the credit quality has declined significantly, 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, and specific impairments

Impaired loans and advances are defined as loans and advances in respect of which the bank has raised a specific impairment (accounting/IFRS 39 definition). A specific impairment is raised in respect of an asset that has triggered a loss event where the 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 being aware of it. A period of time will elapse between the occurrence of an occurred 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. Alternatively, the portfolio impairment is known as the 'impairment calculation based on incurred-but-not-yet-reported methodology'.

Non-performing loans and advances

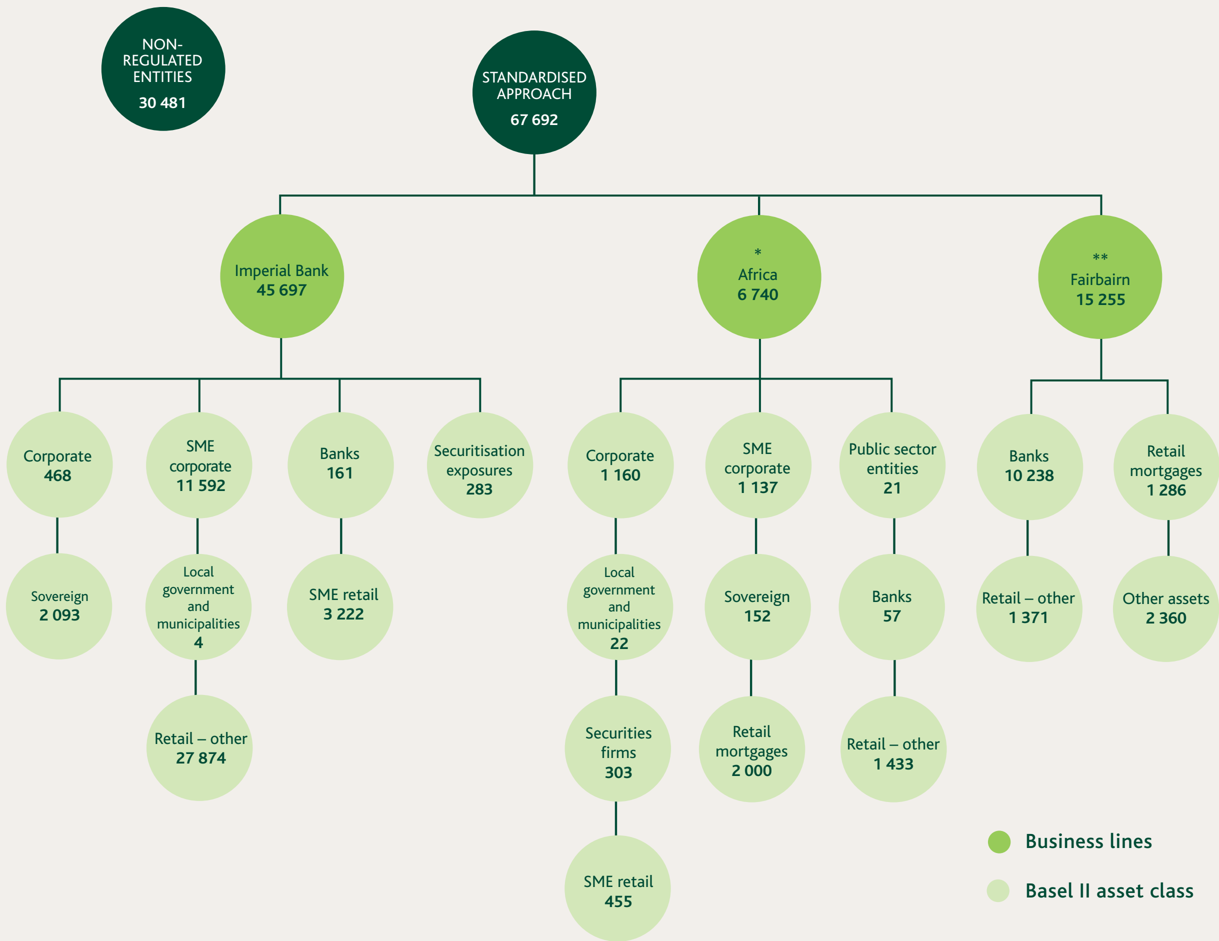
Non-performing loans and advances are the same as defaulted loans and advances (as defined above). To adhere to the SARB's Basel II requirements and align with the banking industry, retail impairments raised in the window of 30 to 90 days past due were reclassified from 'specific impairment' to 'portfolio impairment'.

ROADMAP OF NEDBANK'S CREDIT-RATING SYSTEMS

Nedbank Limited's AIRB credit-rating system provides an overview of the bank's credit risk profile by business line and major Basel II asset class. Imperial Bank and the non-South African portfolios are under the Standardised Approach. Basel II credit exposure is reported on the basis of EAD for the businesses under the AIRB approach and IFRS credit exposure for those under the Standardised Approach, as set out below.

Standardised rating system and non-regulated entities

Rm (IFRS exposure basis at 31 December 2008)

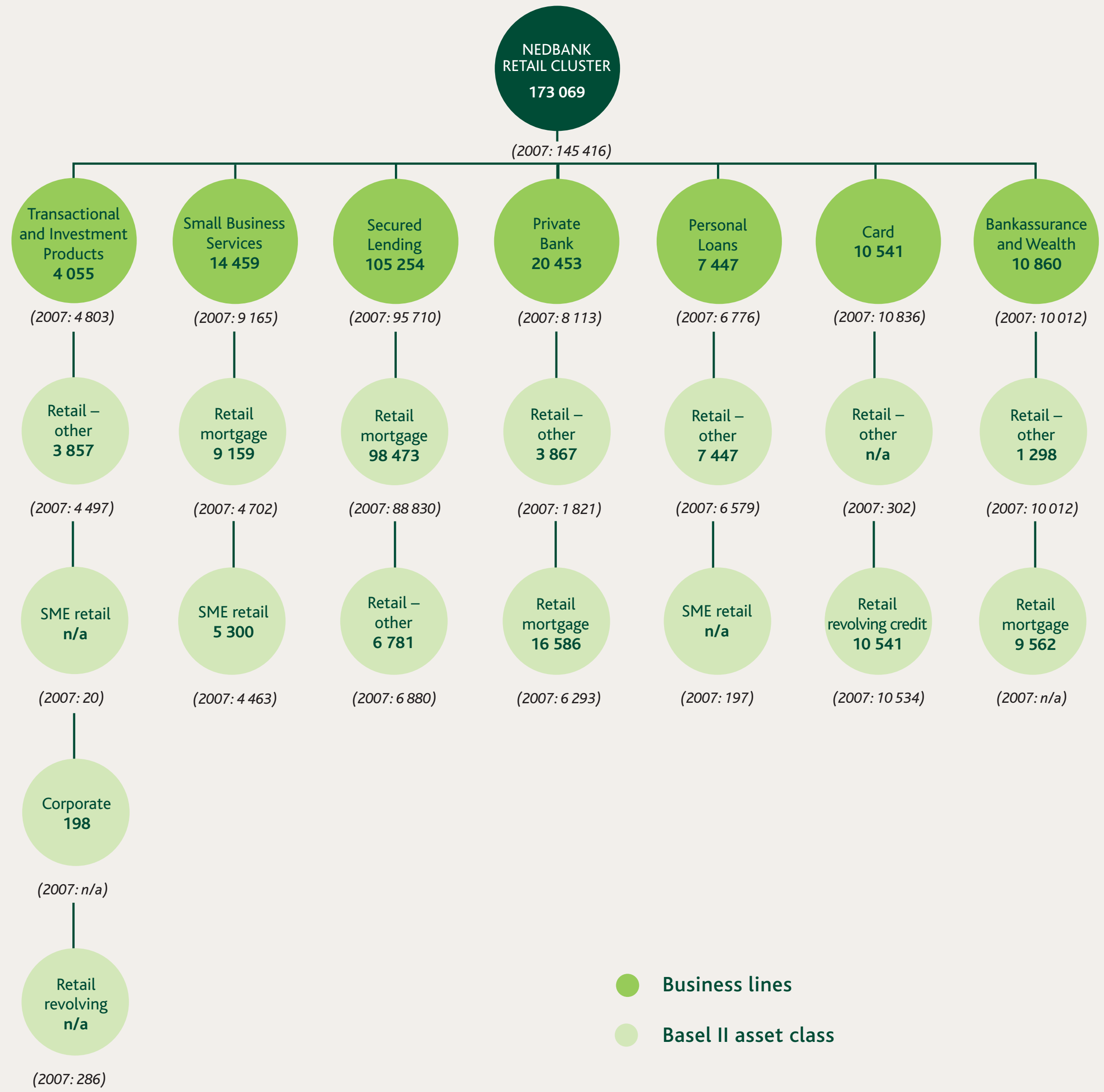


* Includes Namibia, Swaziland, Lesotho and Malawi

** Includes Isle of Man and Jersey

Retail Advanced Internal Ratings-based rating system

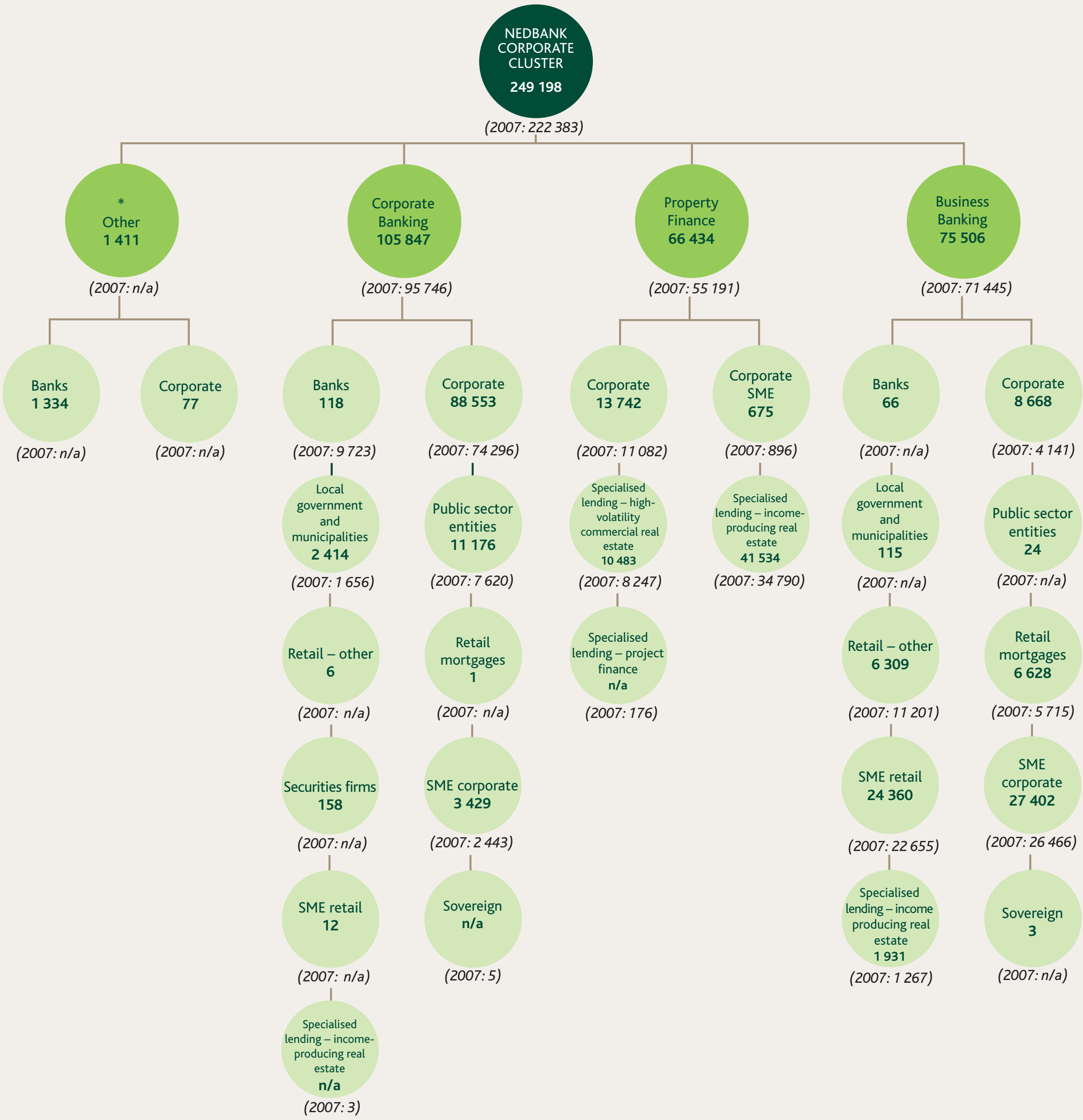
Rm (Basel II EAD basis at 31 December 2008)



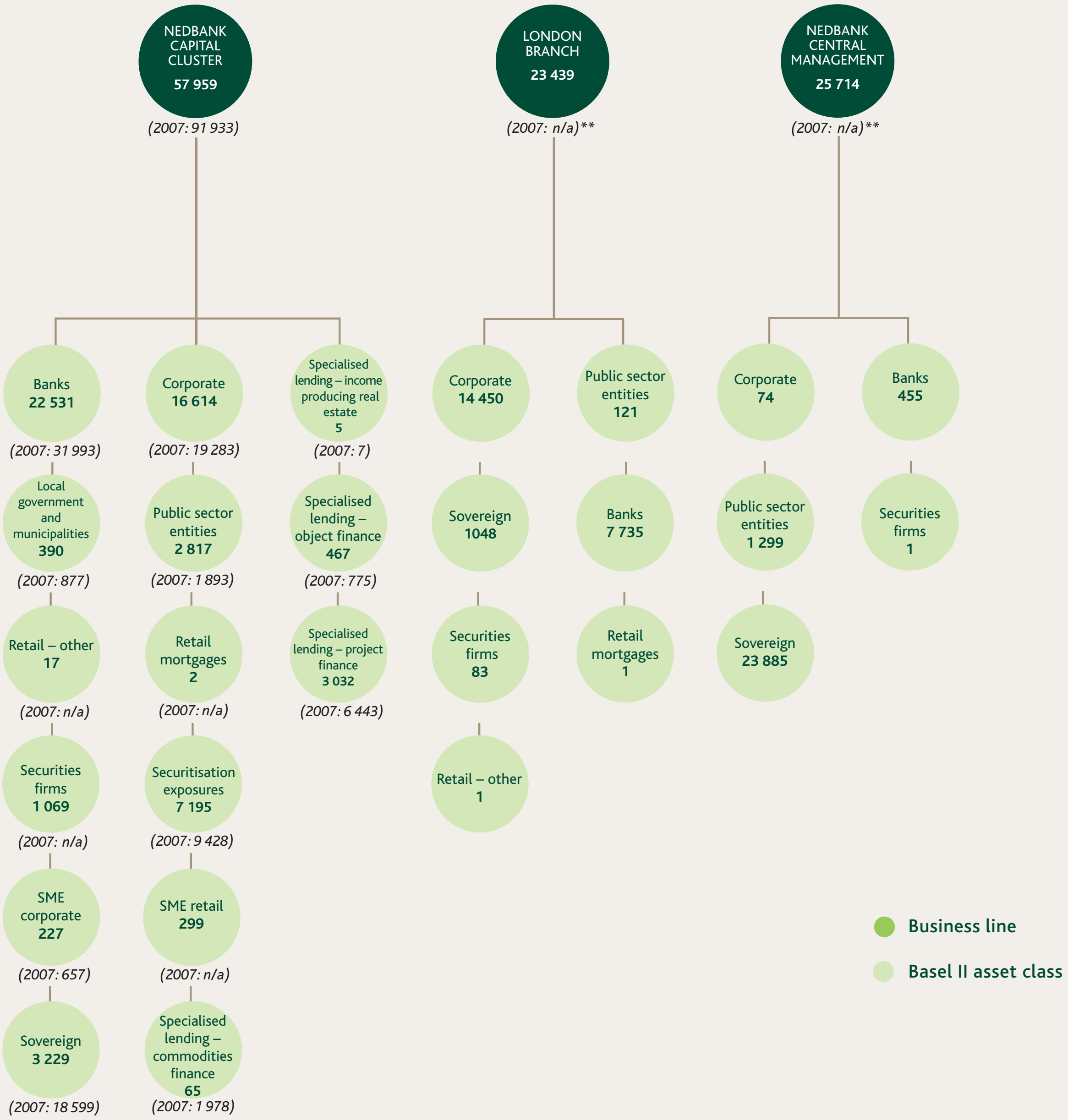
n/a no value at period end.

Wholesale Advanced Internal Ratings-based rating system

Rm (Basel II EAD basis at 31 December 2008)



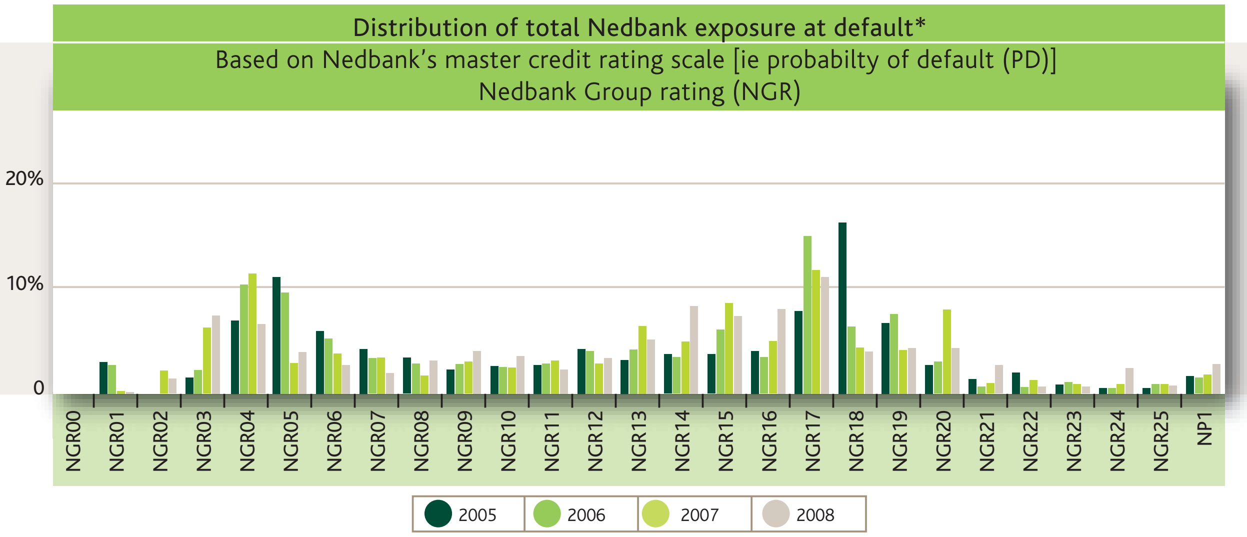
n/a no value at period end.
* *Includes centralised credit risk and finance.*



** Information for 2007 not available.

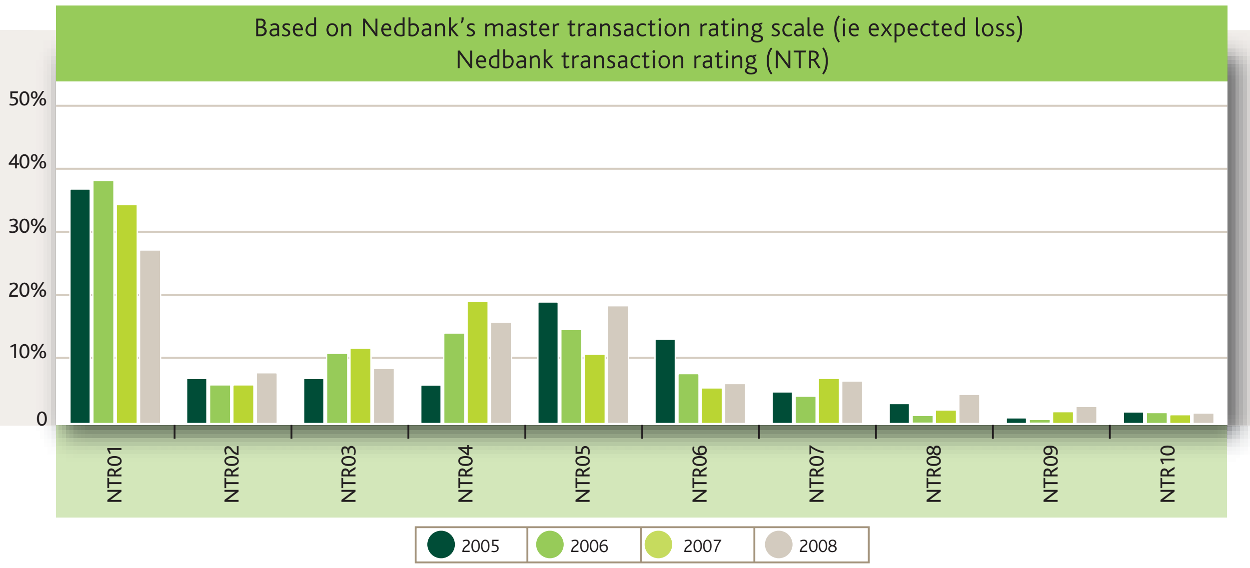
NEDBANK GROUP

The distribution of Nedbank Group's credit exposure is set out below. Comprehensive details on the distribution, trends and migration of the group's credit risk profile, across its various credit portfolios, businesses and Basel II asset classes, are provided in our full Pillar 3 Report available on the Nedbank website.



Average performing book EAD-weighted PD 2,76%*	Average performing book EAD-weighted LGD 22,65%*	Average performing book EAD-weighted EL 0,78%*
Average total book EAD-weighted PD 5,40%*	Average total book EAD-weighted LGD 22,67%*	Average total book EAD-weighted EL 1,39%*

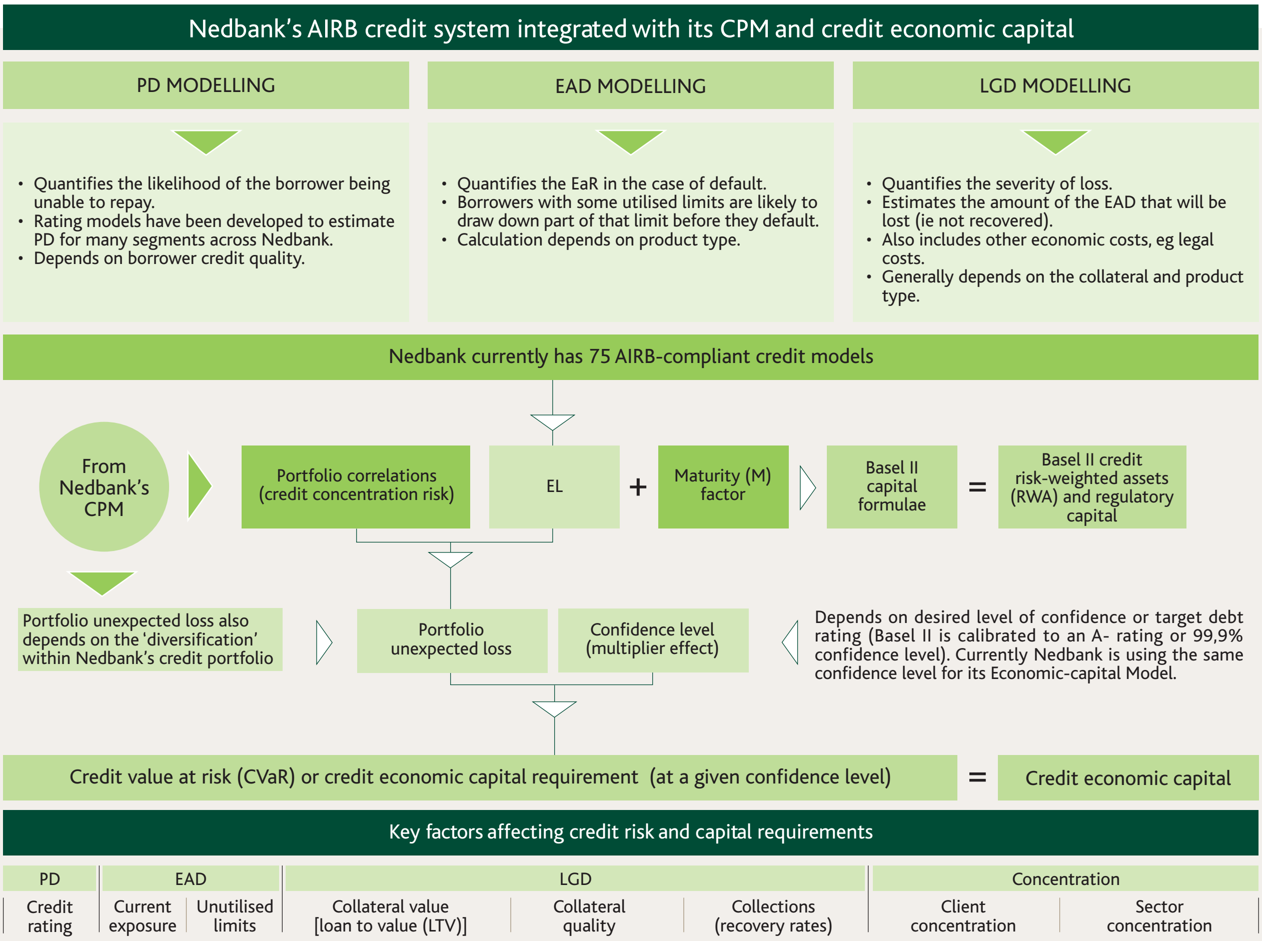
* For reporting group results, AIRB benchmarks based on expert judgement are applied to Imperial Bank and the small group subsidiaries under the Standardised Approach. Nedbank Limited operates fully under the AIRB Approach and this accounts for 88% of total group credit exposure inclusive. EAD is inclusive of debt securities and derivatives.



CREDIT CONCENTRATION RISK

Nedbank's AIRB credit system forms the basis of its measurement and management of credit risk across the bank. The bank requires that ratings be performed for all transactions, not only to achieve Basel II regulatory compliance, but more importantly to allow the bank to measure credit risk consistently and accurately across its entire portfolio. The Group Credit Portfolio Management Unit in the Group Capital Management Division measures, manages and strives to optimise the group's credit portfolios and credit concentration risk. For this purpose the group uses a tailored Credit Porfolio Model (CPM) run on KMV Portfolio Manager software.

Nedbank's credit economic capital is separately derived by integrating the same key Basel II AIRB credit risk parameters with Nedbank's sophisticated CPM. The CPM takes credit portfolio concentrations and intrarisk diversifications into account.



Nedbank's CPM thus measures and estimates concentration risk in its credit portfolio, and intrarisk diversification, in arriving at an integrated credit economic capital requirement.

Nedbank GCRF includes the following salient features relevant to the management and monitoring of credit concentration risk:

- A separate board subcommittee, the GCC.
- A large exposure approval committee, comprising three non-executive directors, in addition to the CE, CFO, CRO and Chief Credit Officer.
- An ECC and seven executive DCCs covering all the businesses segments of the group.
- A comprehensive credit mandate structure/process.
- GCRM in Group Risk and the CPM Unit housed within Group Capital Management in Group Finance.

SINGLE-NAME CREDIT CONCENTRATION

Our top-20 exposure analysis, in particular the percentage of total group credit economic capital by individual borrowers, confirms that Nedbank does not have undue single-name credit concentration risk. Nedbank's credit concentration risk measurement incorporates the asset size of obligors/borrowers into its calculation of credit economic capital. Nedbank also includes stress testing of single-name large exposures, and their potential impact on capital ratios, in its stress and scenario testing in assessing capital buffers.

Top 20 Nedbank Group exposures

31 December 2008 No.	Internal NGR (PD) rating	EAD value Rm	% of total group credit economic capital
1	NGR03	27 054	0,13
2	NGR04	3 770	0,09
3	NGR09	3 141	0,20
4	NGR03	3 282	0,02
5	NGR04	2 704	0,02
6	NGR15	2 674	0,29
7	NGR05	2 793	0,04
8	NGR09	2 564	0,04
9	NGR03	2 976	0,01
10	NGR04	2 750	0,05
11	NGR05	2 345	0,02
12	NGR02	2 073	0,01
13	NGR08	2 329	0,15
14	NGR03	2 050	0,01
15	NGR13	1 975	0,28
16	NGR10	1 943	0,12
17	NGR05	1 837	0,02
18	NGR04	1 842	0,04
19	NGR10	1 609	0,12
20	NGR08	1 603	0,06
Total of top 20 exposures		73 315	1,72

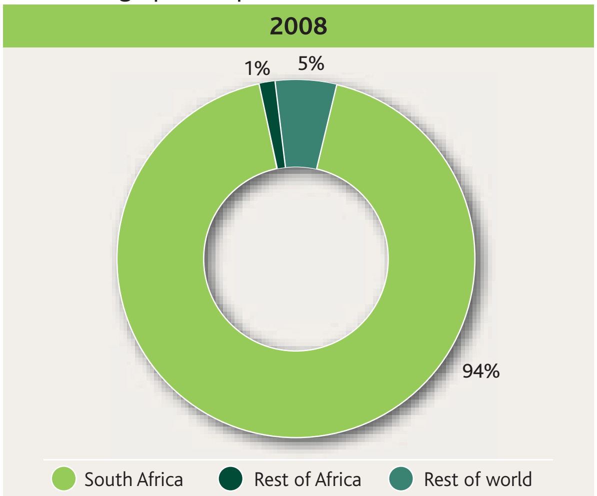
The largest exposure (no 1 above) is to the South African government and is in respect of government bonds, treasury bills and other similar paper arising in the ordinary course of business.

GEOGRAPHIC CONCENTRATION RISK

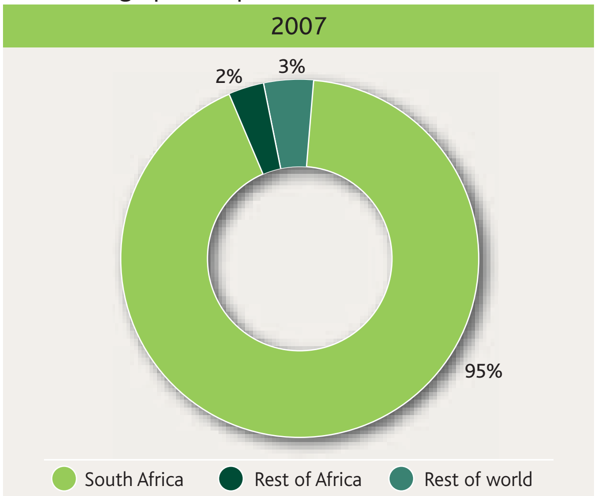
Geographically, almost all of Nedbank Group's credit exposure originates in South Africa (non-South African exposure is approximately 6%). This geographical and industry concentration risk is built into Nedbank's concentration risk measurement for economic capital purposes. Refer to page 222 for a detailed analysis of our geographical segmental analysis.

It is concluded that credit concentration risk is adequately measured, managed, controlled and ultimately capitalised. There is no undue single-name concentration. Nedbank is also a well-diversified banking group in the South African context, split across its three major business clusters.

Geographical split of loans and advances

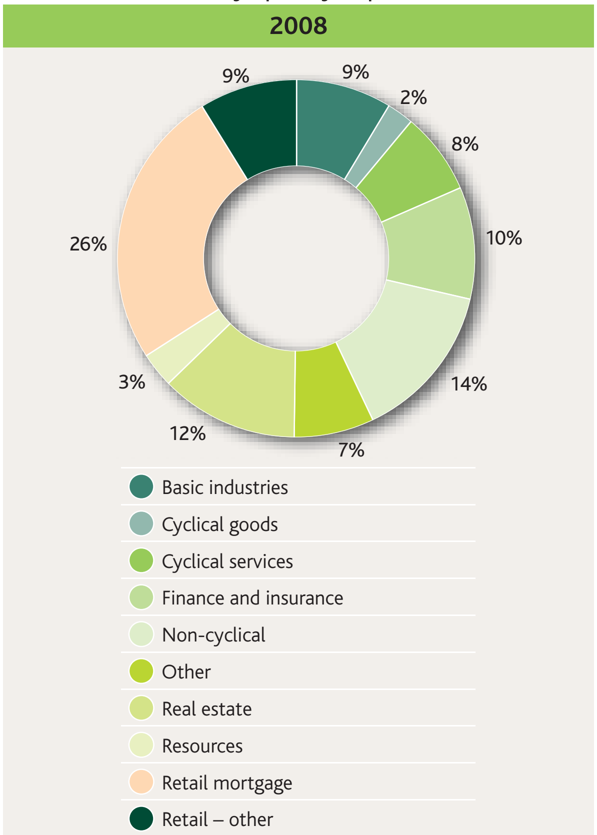


Geographical split of loans and advances

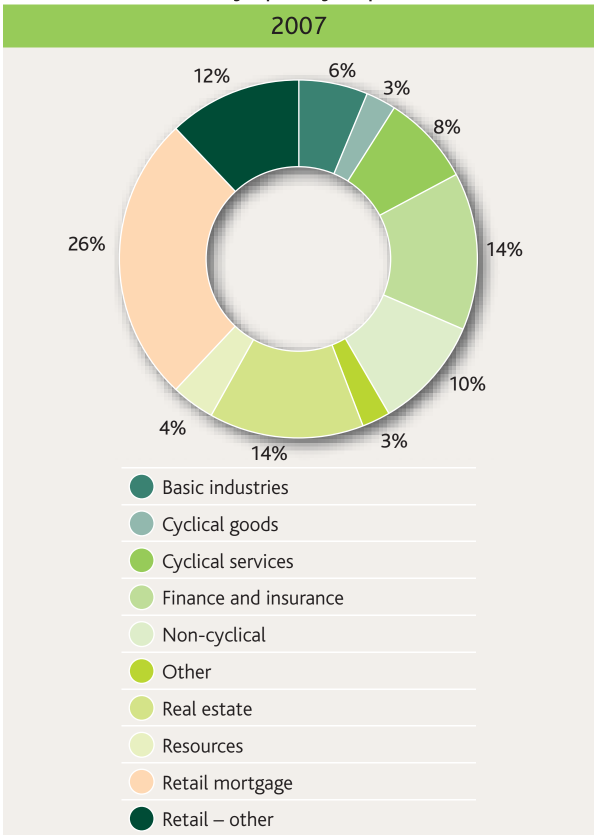


INDUSTRY CONCENTRATION RISK

Industry split by exposure



Industry split by exposure



NEDBANK GROUP

COUNTERPARTY CREDIT RISK (AND SETTLEMENT RISK)

Credit derivative activities have been restricted to single-name trades of South African exposures and biased towards providing risk mitigation. Nedbank has no direct exposure to United States subprime credit assets, nor involvement in any related credit derivative transactions or structures.

There is continued emphasis on the use of credit risk mitigation strategies, such as netting and collateralisation of exposures. Nedbank and its large bank counterparties have International Securities Lending Association (ISLA), International Security Management Association (ISMA) and International Swaps and Derivatives Association (ISDA) 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.

Counterparty credit limits are set at an individual counterparty level and approved within the GCRF. Counterparty credit exposures are reported and monitored at a business unit 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.

Where appropriate, Nedbank transacts over-the-counter (OTC) derivatives under master netting agreements published by the ISDA and the ISMA. 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.

Collateral arrangements make provision for adjustment of the collateral posted in the event of a credit-rating downgrade of either Nedbank or our counterparty bank. Limits for our Corporate and Business Banking businesses favour a nominal limit to facilitate monitoring. Prior to execution material trading credit risk exposures within Nedbank Group are modelled to determine an estimate of total risk exposure. Monte Carlo simulations are used in this process.

Nedbank 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. In terms of active management of counterparty credit risk there is continued emphasis on the use of credit mitigation strategies, such as netting and collateralisation of exposures. These strategies have been particularly effective in situations where there has been a higher risk of default.

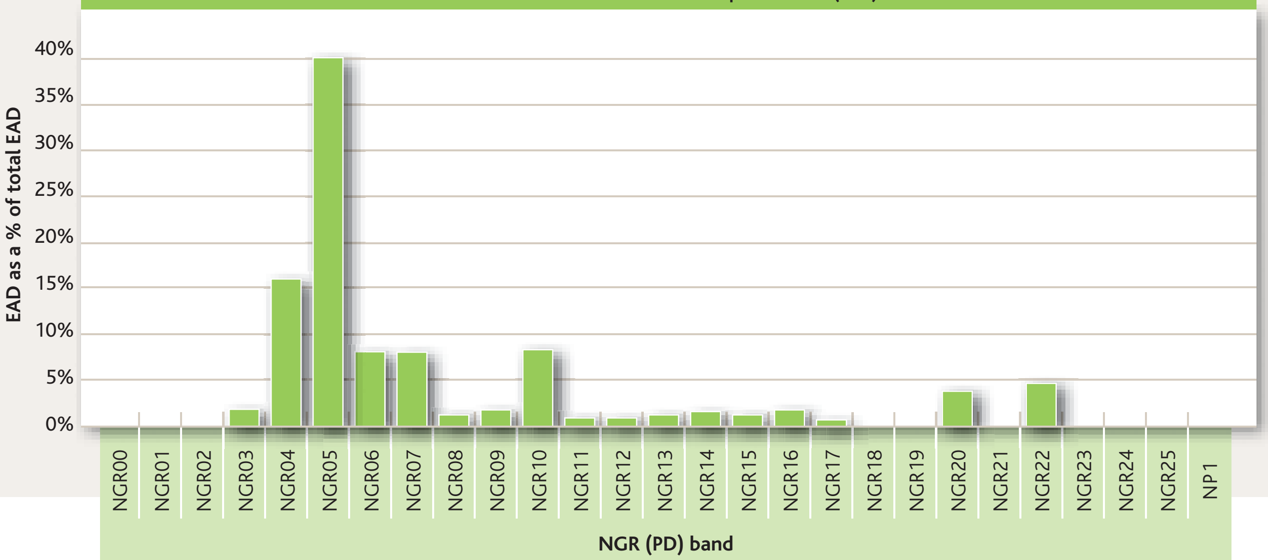
Over-the-counter derivatives for Nedbank Limited solo and London branch

OTC derivative products 2008	Notional value Rm	Gross positive fair value Rm
Credit-default swap	2 104	2
Equities	4 497	778
Forex and gold	215 724	14 807
Interest rates	324 480	8 598
Other commodities	13	599
Precious metals except gold	4	36
Total	**546 822**	**24 820**

OTC derivative products 2008	Gross positive fair value Rm	Current netting benefits Rm	Netted current credit exposure (pre-mitigation) Rm	Collateral amount Rm	Netted current credit exposure (post-mitigation) Rm	EAD value Rm	Risk-weighted exposure Rm
Total	24 820	13 272	10 581	1 796	8 996	12 861	3 138

OTC derivatives per NGR (PD) band 2008	Notional value Rm	Gross positive fair value Rm	EAD value Rm
NGR01	–	–	–
NGR02	–	–	–
NGR03	12 741	241	236
NGR04	187 234	8 198	2 187
NGR05	239 191	10 601	5 114
NGR06	33 544	1 885	990
NGR07	23 213	896	968
NGR08	2 846	123	142
NGR09	4 216	163	181
NGR10	10 093	909	994
NGR11	4 154	162	178
NGR12	1 878	108	121
NGR13	2 561	145	116
NGR14	2 955	142	168
NGR15	3 566	123	143
NGR16	5 861	109	201
NGR17	1 546	58	74
NGR18	797	15	19
NGR19	135	6	7
NGR20	9 506	367	444
NGR21	144	3	5
NGR22	72	539	539
NGR23	190	15	17
NGR24	319	2	6
NGR25	2	0	0
NP1	58	10	11
Total	546 822	24 820	12 861

Over-the-counter derivatives per NGR (PD) band

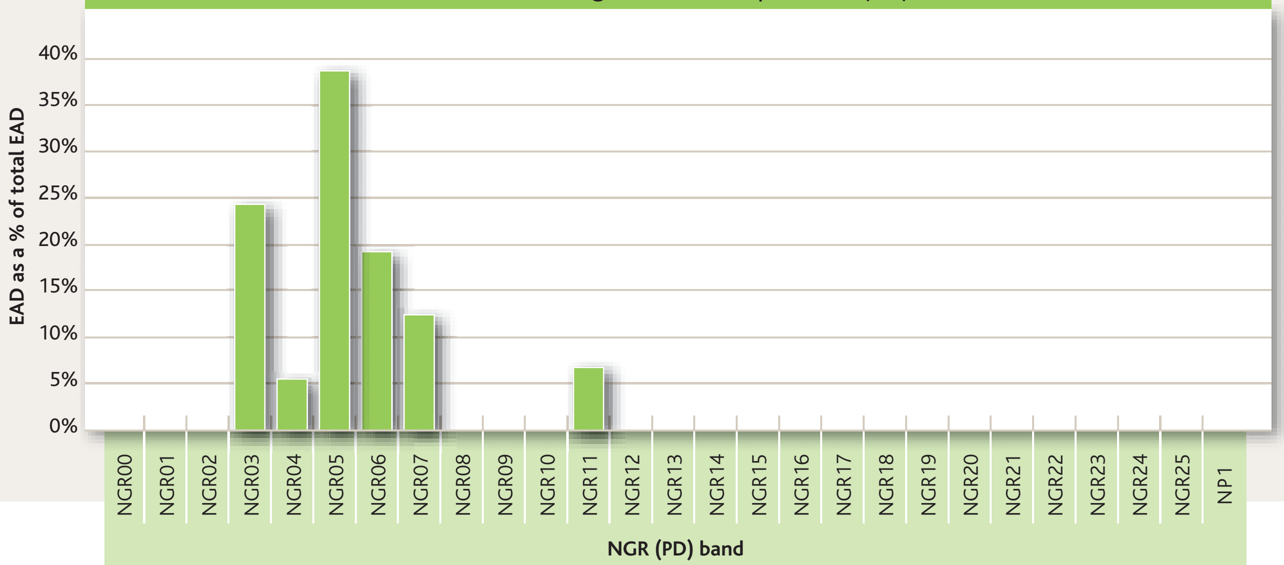


Securities financing transactions (SFTs) for Nedbank Limited solo and London branch

SFTs Rm	Gross positive fair value	Collateral value after haircut	Netted current credit exposure (postmitigation)	EAD value	Risk-weighted exposure
Repurchase agreements (repos)	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 2008	Gross exposure Rm	EAD value Rm
NGR03	725	27
NGR04	185	6
NGR05	5 155	41
NGR06	729	21
NGR07	430	13
NGR08	10	–
NGR11	82	7
Total	7 316	115

Securities financing transactions per NGR (PD) band



Settlement risk is the risk where the group delivers an asset to a buyer or pays an account to a seller without receiving payment or the asset bought as expected. This risk is an element of credit risk if counterparties default and of operational risk if Nedbank is defrauded or transactions are disrupted due to technical or system errors.

SECURITISATION RISK

Nedbank primarily uses securitisation as a funding diversification tool and to assist with the management of asset-liability mismatches.

During the year under review no new securitisation transactions were concluded by the group. Nedbank concluded two securitisation transactions in 2007, namely GreenHouse Funding (Pty) Limited ('GreenHouse'), a residential mortgage-backed securitisation programme, and Octane ABS 1 (Pty) Limited ('Octane'), a securitisation programme of motor vehicle loans advanced by subsidiary Imperial Bank Limited. Nedbank also has an asset-backed commercial paper mortgage programme, Synthesis Funding Limited ('Synthesis'), which was established in 2004. These vehicles are the full extent of the group's current securitisation exposure.

During the year, amid the adverse external environment, although credit quality deteriorated, all securitisation vehicles continued to perform within the specified parameters detailed in the transaction documentation applicable to the respective transactions and no securitisation assets were subject to early amortisation. As a consequence the group has not suffered any losses in respect of these securitisation exposures.

The group's securitisation initiatives are ultimately overseen by the Group ALCO. All securitisation transactions are subject to the stringent South African regulatory securitisation framework.

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

On-balance-sheet securitisation exposure

Transaction	Year initiated	Rating agency	Transaction type	Asset type	2008 Assets securitised Rm	2008 Carrying amount of assets Rm	2007 Assets securitised Rm	2007 Carrying amount of assets Rm
GreenHouse	2007	Moody's and Fitch	Traditional securitisation	Retail mortgages	**2 000**	**1 972**	2 000	183
Octane	2007	Fitch	Traditional securitisation	Auto loans	**2 000**	**1 781**	2 000	1 806
Total					**4 000**	**3 753**	4 000	1 989

The table below contains a summary of Synthesis, Nedbank's asset-backed commercial paper (ABCP) mortgage programme.

Transaction	Year initiated	Rating agency	Transaction type	Asset type	Programme size	Conduit size 2008 Rm	Conduit size 2007 Rm
Synthesis	2004	Moody's and Fitch	ABCP Conduit	Asset-backed securities, Corporate term loans and bonds	15 000	**7 801**	9 233

Off-balance-sheet securitisation exposure

Transaction	Transaction type	Exposure type	Exposure 2008 Rm	Exposure 2007 Rm
Own transactions				
Synthesis	ABCP Conduit	Liquidity facility	7 806	9 390
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	436	417
Total			**8 382**	9 947

The various roles fulfilled by Nedbank in the securitisation transactions mentioned on the previous page 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 2008 Rm	Capital charge 2007 Rm
AAA or A1/P1	3,9	3,9
AA+ to AA-	1,1	1,1
A+	1,0	1,0
A or A2/P2	–	–
A-	5,7	5,7
BBB+	–	–
BBB or A3/P3	7,2	9,1
BBB-	9,4	10,8
BB+	15,9	15,9
BB	–	–
BB-	–	–
Unrated	–	–
Unrated liquidity facilities to ABCP programme	44,4	55,6
Total	**88,6**	103,1*

** Restated.*

ALM

ALM addresses two of Nedbank's key risk types, 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.

Group ALM is one of three support functions of the Group Asset and Liability Committee (ALCO), specifically facilitating this committee's responsibility regarding these important risks. Group ALM, which reports direct to the Group CFO, is supported by an established ALM desk and maintains a close interaction with the centralised funding desk. Both desks are located in Nedbank's Group Treasury dealing room. These desks facilitate the implementation of on- and off-balance-sheet strategies by providing access to products and tools available within Group Treasury.

LIQUIDITY RISK

There are two types of liquidity risk, namely market liquidity risk and funding liquidity risk.

The international market turbulence that has affected and continues to affect many financial markets around the world has sharply focused attention on the crucial role liquidity plays in assuring the effective functioning of the banking sector and related markets. The significant reduction of liquidity in short-term international money markets and the virtual drying-up of liquidity in the securitisation and covered bonds market, coupled with problems in accessing funding in the secured financing markets, even for highly rated assets, have caused severe liquidity difficulties for many international companies in funding their on- and off-balance-sheet requirements. This has prompted significant action by central banks and governments around the world, including equity stakes, special liquidity facilities and the acquisition of tainted assets.

The change in market liquidity since the start of this crisis has highlighted how quickly liquidity can evaporate and how illiquidity can last for prolonged periods of time, having catastrophic consequences on what have been seen as strong, mature organisations as well as economic growth rates. This crisis has further highlighted that many banks around the world failed to adopt basic principles of sound liquidity risk management.

In February 2008 the Basel Committee on Banking Supervision noted that financial innovation and global market developments had transformed the nature of liquidity risk in recent years, highlighting the following:

- Greater reliance on capital markets, a more volatile source of funding.
- Growth in securitisation leading to:
  - an increase in 'originate-to-distribute' assets;
  - more wholesale funding; and
  - an increase in trading vs banking book activity, which meant more volatility in earnings.
- An increase in the complexity of financial instruments, resulting in a lack of transparency.
- An increase in real-time payments and settlements, heightening intraday liquidity risk management.
- An increase in crossborder business, resulting in events in one market moving quickly to other markets.

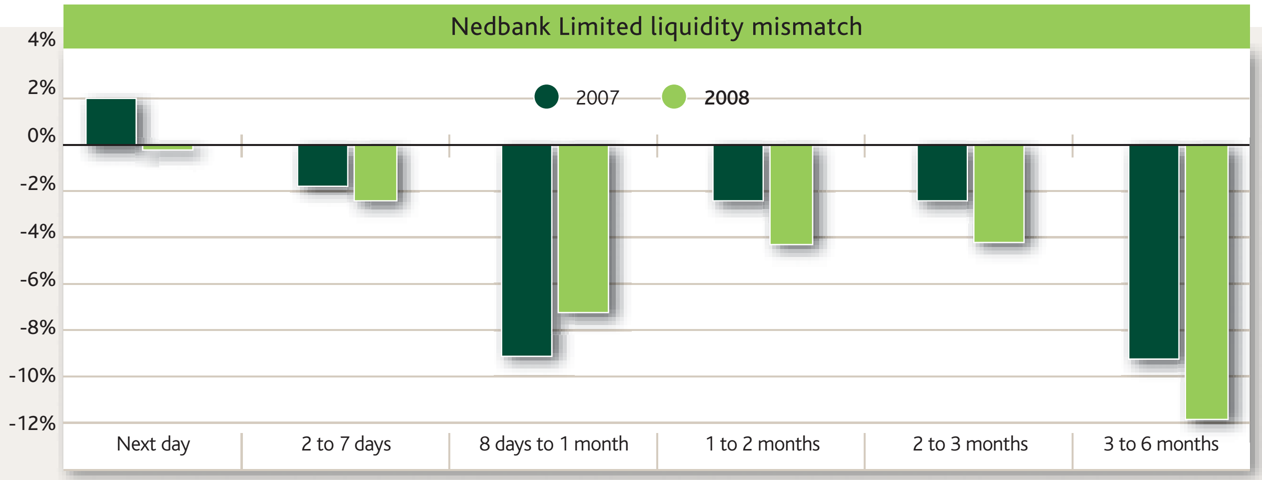
As these events continue to develop and unfold, the result continues to play out with devastating consequence. This led to financial institutions increasing capital bases (including significant deleveraging), unprecedented government intervention and support, a refocus on the money-in side of the business and a shift back to vanilla banking books and products (rather than complex financial products).

By contrast the South African banking system has remained resilient to these adverse global market conditions and remains structurally sound in a tough economic and financial environment. To date global contagion has largely been restricted to the domestic capital markets and has significantly reduced domestic banks' access to the foreign funding markets. This has resulted in a repricing of securitised funding and a decline in appetite for this asset class, and has caused Tier 1 and Tier 2 capital initiatives to become a lot more expensive and has reduced their programme sizes.

Importantly, the domestic financial market continues to clear efficiently and effectively as the South African banks have not lost trust in one another.

The following is specific to Nedbank:

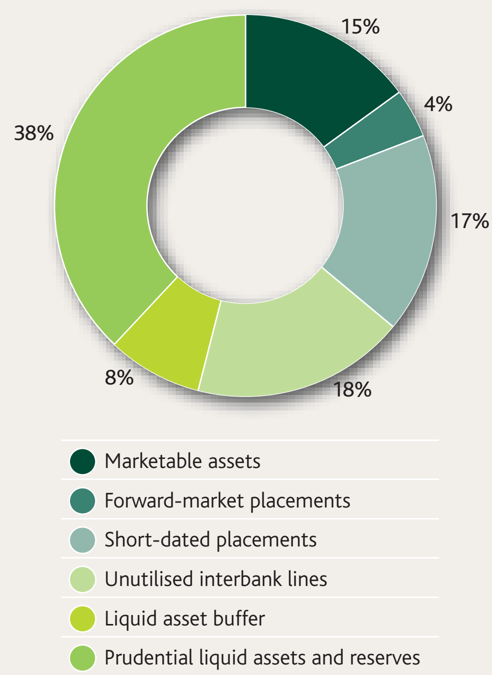
- Liquidity management is a vital risk management function in all entities across all jurisdictions and currencies, and is a key focus of Nedbank Group.
- A bank's role in financial intermediation is the transformation of short-term deposits into longer-term loans. This makes Nedbank inherently susceptible to liquidity mismatches that are managed through a combination of strategic initiatives.
- The impact of the global liquidity events on Nedbank has not been material – primarily because these events have not impacted the domestic funding market. Nedbank has an immaterial foreign-funding requirement, a small international footprint and a relatively small conduit business that has no foreign balance sheet components. Nedbank has no direct exposure to the United States subprime market.



(Expressed on total assets and based on maturity assumptions, but before rollovers and risk management)

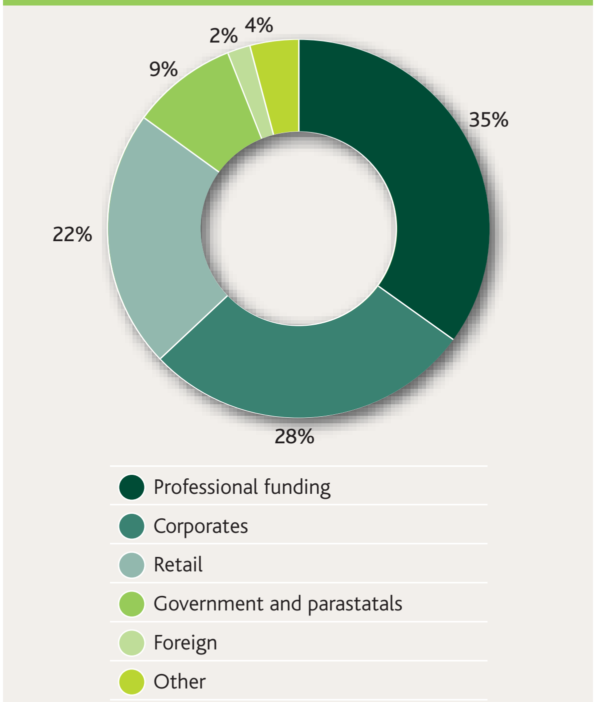
- Although the impact of these ongoing global liquidity developments has not been significant for Nedbank Group, the appropriate risk management resources and forums continue to monitor these developments closely to identify any early signs of contagion within the South African markets in order to manage such risk appropriately.
- Ultimate responsibility for liquidity risk management rests with the board of directors, which has approved an appropriate liquidity risk management framework for the management of the group's funding requirements and liquidity mismatches. This framework includes, inter alia, appropriately constituted non-executive and executive risk committees, a funding strategy forum, a centralised funding desk and divisional pricing/interest rate committees. It also includes appropriately defined charters for these forums as well as supporting policies and limits defining risk appetite.
- The group's daily liquidity requirements are managed by an experienced centralised funding team in Group Treasury.
- Strategic liquidity initiatives are motivated to and approved by Group ALCO before execution.
- Group ALCO monitors all liquidity strategies to ensure compliance with the Liquidity Risk Management Framework and their successful implementation.
- Nedbank has established a number of liquidity contingency triggers, which are monitored regularly to facilitate early warning. This process is supported by an appropriate liquidity risk contingency plan and framework to ensure an immediate response and process should the need arise.
- Group ALCO separately identifies deposits that are deemed to be potential funds at risk. These funds are adequately covered by sources of quick liquidity, including prudential reserves and liquid assets. Sources of quick liquidity totalled R76,6 billion at year-end, including prudential liquidity holdings of R29,5 billion and an additional liquid asset buffer of approximately R6 billion, which are actively used to create liquidity in the carry market.
- Liquidity risk reporting, including appropriately designed dashboards, provides the Group ALCO, as well as the board's Group Risk and Capital Management Committee, with appropriate liquidity risk information. This includes measures of compliance with approved policies and limits.

Nedbank's sources of quick liquidity



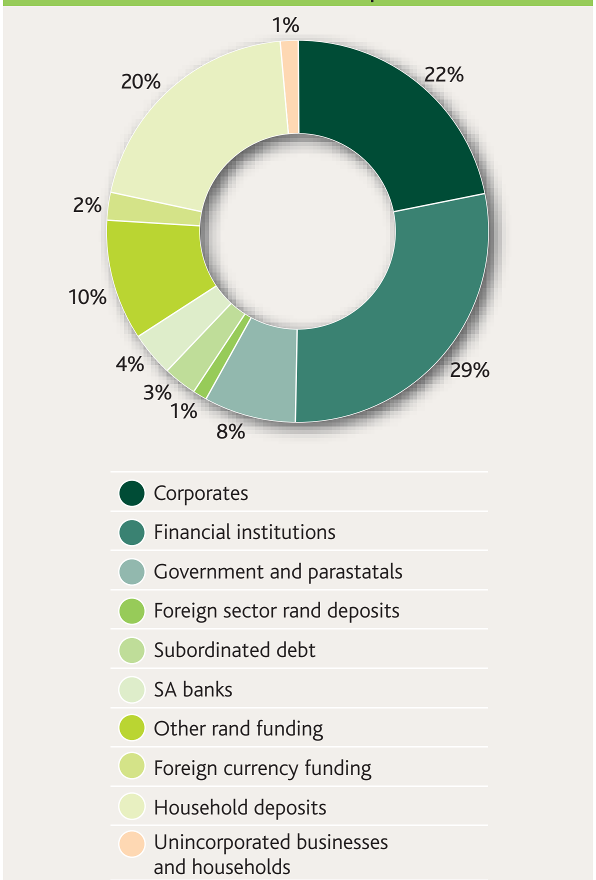
- Behavioural modelling and stress analysis to identify business as usual as well as potential stress cashflow requirements are carried out regularly.
- Portfolios of marketable and highly liquid assets that can be liquidated to meet unforeseen or unexpected funding requirements are held in the group in terms of the Liquidity Risk Management Framework (refer pie chart on previous page).
- Net daily funding requirements are forecast by estimating daily rollovers and withdrawals, managing pipeline dealflow and actively managing daily settlements.
- The centralised funding desk maintains regular interaction with the group's larger depositors to understand and manage their cashflow requirements.
- Close liaison is maintained with the retail banking, business banking and corporate banking deposit-raising activities, through separate direct dealing desks within the centralised funding team, ensuring that stable sources of funds are maximised and priced correctly, and client rollovers and flows are understood. Nedbank has strong retail, business banking and corporate deposit bases.
- Funding mismatches are managed by currency denomination and a focus is placed on managing short-term funding maturities, daily settlements and collateral management processes. Nedbank Group has very little funding mismatches in its foreign operations.

Nedbank Limited South African funding distribution



- Liabilities are appropriately diversified, including by product, market and maturity.
- Funding is sourced from a large variety of depositors representing a cross-section of South African public and private economic sectors, industries, commercial enterprises and individuals with a wide range of maturities and using a large number of investment and transactional banking products. Concentration risk within the deposit base is appropriately diversified.
- The Group ALCO is always looking to identify diversified sources of funding and will continue to look to make use of the capital markets and foreign banks to diversify funding sources during 2009.
- Scenario analysis is used in the management of the bank's liquidity risk, including plausible stress scenarios.
- The management of liquidity risk and particularly cash-flows is strongly focused on the short to medium term to ensure that risk management is quick to respond to immediate cashflow requirements under different stress scenarios.

Nedbank Limited South African sectoral distribution of liabilities to the public



NEDBANK GROUP

INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

The table below highlights the group's and bank's exposure to interest rate risk measured for normal and stressed interest rate changes over a 12-month period.

2008 Rm	Note	Nedbank Limited	Other group companies	Nedbank Group
Net interest income sensitivity	1			
1% instantaneous decline in interest rates		(338)	(143)	(481)
2% instantaneous decline in interest rates		(674)	(286)	(960)
Linear path space	2			
Lognormal interest rate sensitivity		(445)	n/a	n/a
Basis interest rate risk sensitivity	3			
0,25% narrowing of prime/call differential		(138)	(44)	(182)
Economic value of equity sensitivity	4			
1% instantaneous decline in interest rates		238	n/a	n/a
2% instantaneous decline in interest rates		517	n/a	n/a
Stress testing				
Net interest income sensitivity				
Instantaneous stress shock	5	(1 428)	n/a	n/a
Stress shock modelled as a ramp	6	(1 706)	n/a	n/a
Linear path space	2			
Absolute-return interest rate sensitivity		(2 284)	n/a	n/a

N/a: not modelled.

Notes

1 **Interest rate risk**, 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 (npv) of asset cashflows less the npv of liability cashflows.

5 **The instantaneous stress shock** is derived from the principles espoused in the Bank for International Settlements paper 'Principles for the Management and Supervision of Interest Rate Risk'. For 2008 the shock scenario uses an instantaneous interest rate shock of a 4% (2007: 4%) downward shift in interest rates.

6 **The stress shock modelled as a ramp** uses the same interest rate shock as the instantaneous stress shock described above, but the rate shock is phased in over a nine-month period.

Nedbank Group's interest rate risk in the banking book arises largely as a result of the non-sensitivity of its net endowment position (comprising equity, ambiguous deposits and working capital) and prime-linked (or equivalent) assets funded with a degree of fixed-rate deposits and negotiable certificates of deposit. This risk is largely concentrated within Nedbank Limited.

The Group ALCO reduced the group's sensitivity in 2008 to align with its view on interest rates. These strategies were largely completed during the first half of 2008 and better positioned the group for a downward rate cycle. Interest rate risk in the banking book is managed as a natural hedge against impairment sensitivity as this risk demonstrates an inverse relationship to credit risk, albeit with a lagging consequence that needs to be modelled and closely managed.

CURRENCY TRANSLATION RISK IN THE BANKING BOOK

Currency translation risk arises as a result of Nedbank'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.

Offshore capital split by functional currency

		USD equivalent ($ millions)			
Rm	I/S	Equity	Forex sensitivity	Non-forex sensitivity	Total
US dollar		88	88		88
Pound sterling	3	91	94		94
Swiss franc		6	6		6
Malawi kwatcha		5	5		5
Other				391	391
Total	3	190	193	391	584

Offshore capital earnings at risk and capital at risk

	Rm
Earnings at risk	10
Capital at risk	621

The increase in currency translation risk this year has been caused by an increase in exchange rate volatilities and not from an increase in the group's foreign-exchange-sensitive position. This position has in fact been further reduced in 2008 as noted above.

The effective average capitalisation rate of the foreign-denominated business is 15%. The total foreign RWA as a percentage of the Nedbank Group total is very low at 2,4% (R8,5 billion out of total group RWA of R355 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 will decrease capital adequacy by only 0,02%.

MARKET RISKS

Market risk in Nedbank Group arises in three main areas:

- Market risk (or position risk) in the trading book arises exclusively in Nedbank Capital.
- Equity (investment) risk in the banking book arises in the private equity and property portfolios within Nedbank Capital and Nedbank Corporate clusters respectively and in other strategic investments of the group. This risk also includes market risk in respect of business premises, property required for future expansion and properties in possession.
- IRRBB that arises from repricing and/or maturity mismatches between on- and off-balance-sheet components originated across all the business clusters. This is covered in the ALM section above.

A group market risk management framework including governance structures is in place to achieve effective independent monitoring and management of market risk as follows:

- The board's Group Risk and Capital Management Committee.
- The Group ALCO, which is responsible for ensuring that the impact of market risks is being effectively managed and reported on throughout Nedbank Group, and that all policy, risk limit and relevant market risk issues are reported to the Group Risk and Capital Management Committee.
- The Trading Risk Committee, which is responsible for ensuring independent oversight and monitoring of the trading market risk activities of the trading areas. In addition, the Trading Risk Committee also approves new market risk activities and appropriate trading risk limits for the individual business units within the trading area. The

committee meeting is held monthly and is chaired by the Head of Group Market Risk Monitoring. Attendees include the CRO, the CFO, risk managers from the cluster, managing executive and CRO of the cluster, and representatives from Group Market Risk Monitoring (GMRM).

- An independent function within the Group Risk Division, namely GMRM, which monitors market risks across Nedbank Group – this is a specialist risk area that provides independent oversight of market risk, validation of risk measurement, policy coordination and reporting.
- The federal model followed by Nedbank Group in terms of which business clusters are responsible and accountable for the management of the market risks that emanate from their activities, with a separate risk function within each cluster.
- Specialist investment risk committees within the business areas. Meetings are convened monthly and as required to approve acquisitions and disposals, and on a quarterly basis to review investment valuations and monitor investment risk activities. Membership includes the CRO, CFO, managing executive and head of risk of the relevant business cluster, and a representative from GMRM.

The board ultimately approves the market risk appetite and related limits for both the banking book (asset and liability management and investments) and the trading book. GMRM reports on the market risk portfolio and is instrumental in ensuring that market risk limits are compatible with a level of risk acceptable to the board. No market risk is permitted outside these board-approved limits. Hedging is an integral part of managing trading book activities on a daily basis. Banking book hedges are in line with Group ALCO strategies and stress testing is performed monthly to monitor residual risk.

Nedbank Capital may incur risk only in the trading market, but is restricted to formally approved securities and derivative products. Products and product strategies that are new to business undergo a new product review and approval process to ensure that their market risk characteristics are understood and can be properly incorporated into the risk management process. The process is designed to ensure that all risks, including market, credit (counterparty), specific, operational, legal, tax and regulatory (eg exchange control, tax and accounting) risks are addressed and that adequate operational procedures and risk control systems are in place.

In terms of market-trading activities Nedbank is adequately capitalised. Nedbank does not have exposure to the credit derivatives that contributed to the global financial crisis and equity exposures were further reduced in 2008. In terms of Nedbank's economic capital the capital requirement is based on VaR trading limits, which is a conservative approach as limit utilisation is generally moderate. From a regulatory capital perspective the standardised approach is used, which is more conservative as it does not take any diversification into account. In addition to VaR, stress testing is applied on a daily basis to identify exposure to extreme market moves.

TRADING MARKET RISK

The potential for changes in the market value of trading positions is referred to as market risk. Such positions result from market-making and proprietary trading. All material positions are MTM on a daily basis.

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

- Interest rate risk primarily results from exposure to changes in the level, slope and curvature of the yield curve.
- 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, 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.

In addition to applying business judgement, senior management use 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 VaR; 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 the Market Risk Department reports that 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 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. The one-day, 99% VaR number used by the group reflects a 99% confidence level that the daily loss will not exceed the reported VaR. Daily losses exceeding the VaR figure are likely to occur, on average, once in every 100 business days.

The group uses historical data to estimate VaR. One year of historical data is used in the calculation. The following should be considered when reviewing the VaR numbers:

- 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 the group's exposure under normal market conditions, sensitivity and stress-scenario analyses (and in particular stress testing) are used to give insight into the possible outcomes under abnormal market conditions.

The group's trading market risk exposure, expressed as average daily VaR, decreased by 21% from R24,9 million to R19,7 million over the year. The reduction was due mainly to a strategic decision to reduce the group's exposure to equities in 2008.

Group trading book value at risk for 2008 (i)

Rm	Historical VaR (99%, one-day) by risk type			
Risk categories	**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

Group trading book value at risk for 2007 (i)

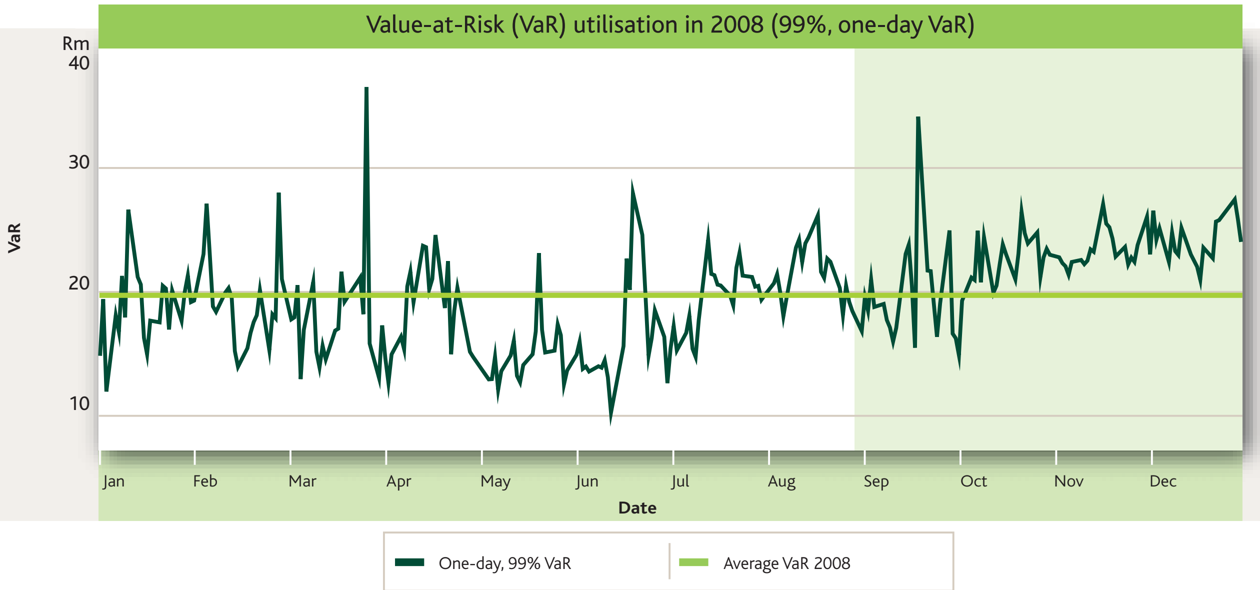
Rm	Historical VaR (99%, one-day) by risk type			
Risk categories	**Average**	**Minimum(ii)**	**Maximum(ii)**	**Year-end**
Foreign exchange	2,5	0,7	6,4	4,4
Interest rate	14,5	10,4	22,0	13,8
Equity	12,6	5,7	28,7	7,5
Diversification(iii)	(4,7)			(2,4)
Total VaR exposure	24,9	14,9	37,4	23,3

(i) *Certain positions are illiquid and VaR may not always be the most appropriate measure of risk. (We summarise the other market risk measures we apply to mitigate this later on.)*

(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 of diversification, numbers for the maximum and minimum values has 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.*

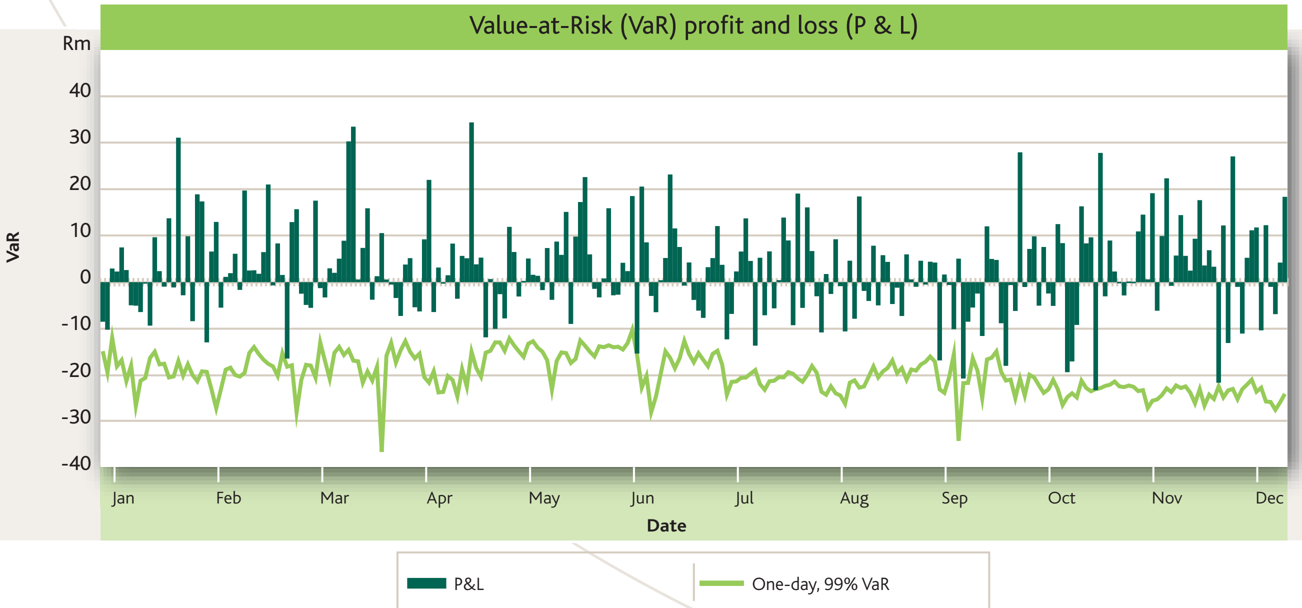
The graph below illustrates the daily VaR for the period 1 January to 31 December 2008. The daily VaR for the second half of 2008 increased due to higher levels of exposure to interest rates and credit spreads, as well as the increased levels of volatility in the market.



Foreign exchange and interest rate activities produced consistent revenue during 2008. VaR for all material risk factors has been reported.

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 (includes net interest but excludes commissions and primary revenue) outcomes with its VaR estimate and counts the number of times the trading loss exceeds the VaR estimate.

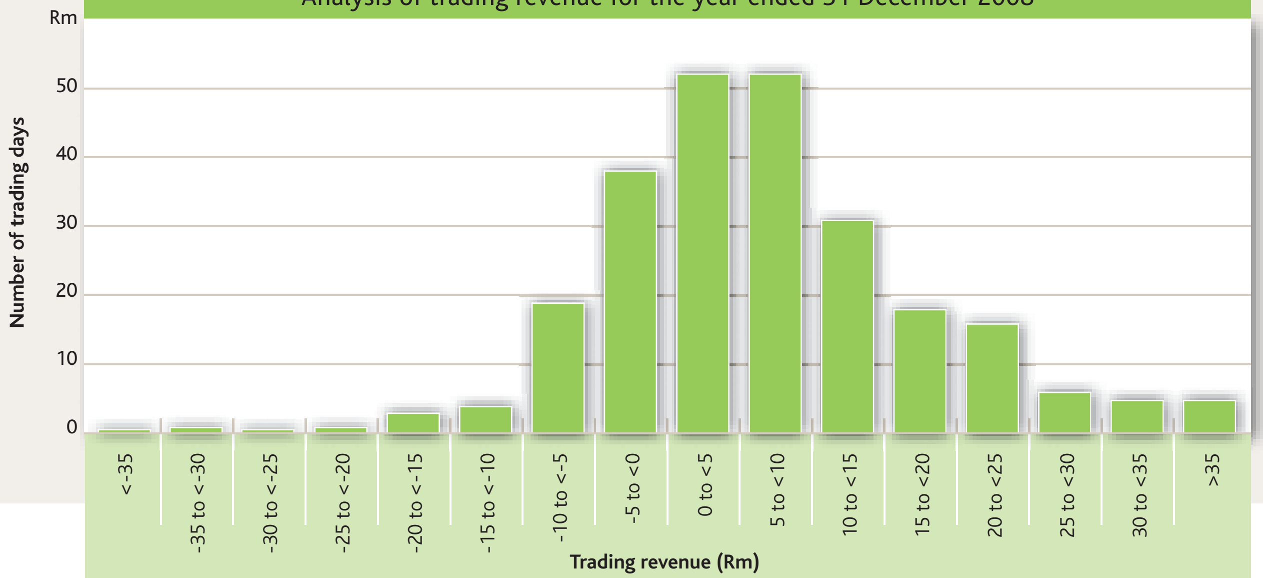
The group uses a holding period of one day with a confidence level of 99%, and had one backtesting exception for 2008. This suggests that VaR, as currently implemented, has been a conservative measure of the potential net revenue variability on the daily trading activities.



The histogram below illustrates the distribution of daily revenue during 2008 for Nedbank's trading businesses (including net interest, commissions and primary revenue income of the trading businesses). The distribution is skewed to the profit side and the graph shows that trading revenue was realised on 185 days out of a total of 251 days in the trading businesses. The average daily trading revenue generated for 2008 was R6,8 million.

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. Stress tests results are reported daily to senior management and monthly to the Trading Risk Committee.

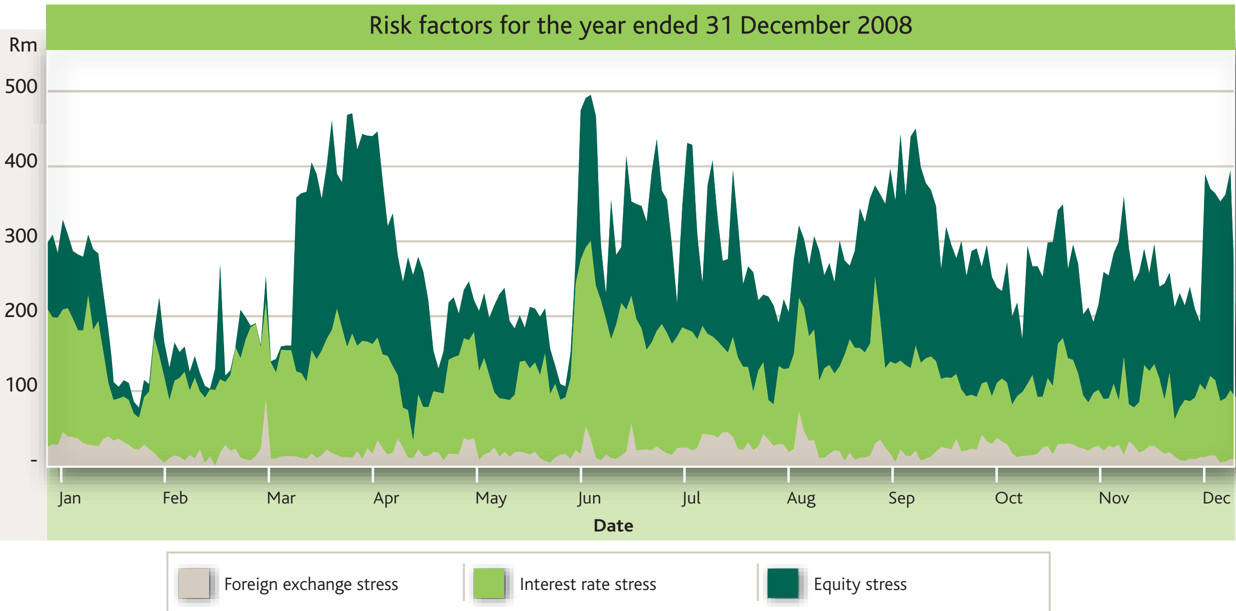
Analysis of trading revenue for the year ended 31 December 2008



Risk factors

2008	Average	High	Year-end
Interest rate stress	117	265	72
Equity position stress	131	310	102
Foreign exchange stress	21	90	5
Overall	269	496	179

NEDBANK GROUP



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 with detail ranging from individual trader level right through to group level.

Disclosure on the group's risk position under the Standardised Approach may be found in our full Pillar 3 Report on the Nedbank website.

EQUITY RISK (INVESTMENT RISK) IN THE BANKING BOOK

The total equity portfolio for investment risk is R3 779 million (December 2007: R3 450 million), which comprises R2 612 billion as in note 30 of the financial statements plus R1 167 billion (December 2007: R977 million) in investments in associate companies and joint ventures as in note 31 of the financial statements. Of that, R2 716 million (December 2007: R2 285 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. The detailed accounting policies and valuation methodologies for equity risk in the banking book are covered in the notes to the 2008 annual financial statements.

Nedbank Group has adopted the market-based Simple Risk Weight Approach for regulatory and economic capital measurement purposes, with one exception. For economic capital the PD/LGD Approach is used for exposures in respect of investments in property holding and development companies in our Property Finance Division. The approach for regulatory capital was approved by SARB.

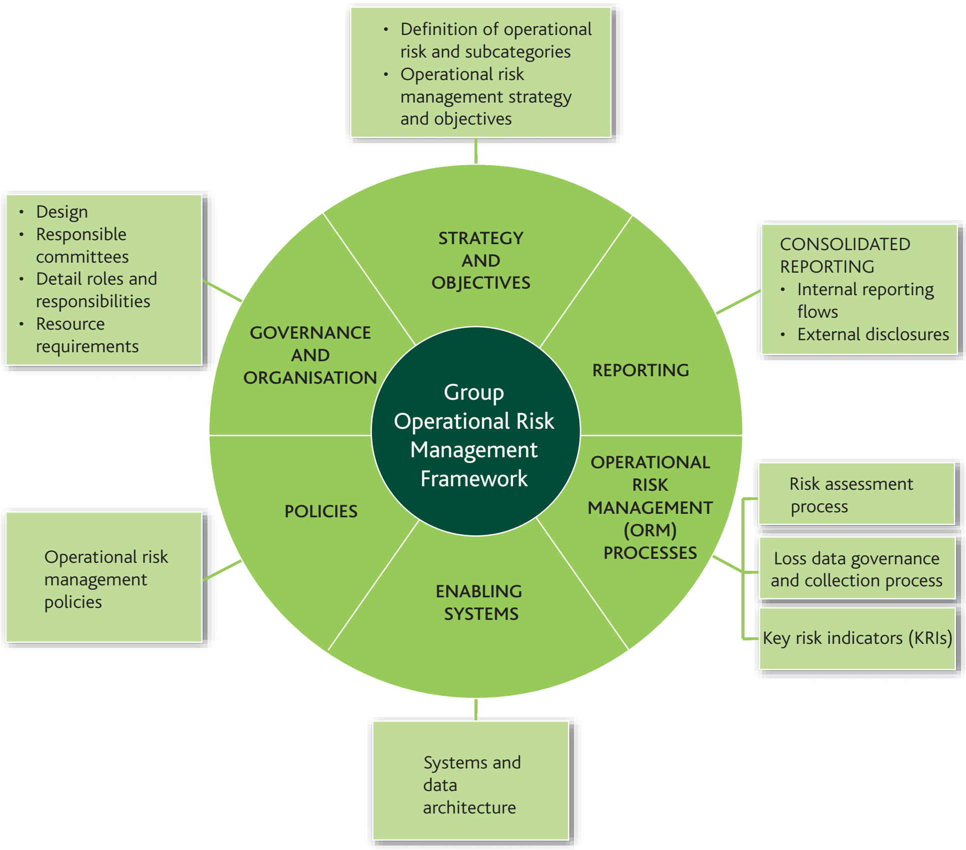
Investments	Publicly listed		Privately held		Total	
Rm	2008	2007	2008	2007	2008	2007
Fair value disclosed in balance sheet [excluding associates and joint ventures (JVs)]	525	598	2 087	1 875	2 612	2 473
Fair value disclosed in balance sheet (including associates and JVs)	525	598	3 254	2 852	3 779	3 450
Cumulative realised gains/(losses) arising from sales and liquidations	647	88	28	211	675	299
Total unrealised gains to income statement (fair value through profit and loss)	(94)	47	95	184	1	231

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties or punitive damages resulting from supervisory actions, as well as private settlements.

To minimise the exposure to operational risk that arises as a consequence of the group's financial risk-taking (credit and market) and operating activities, we have embedded a Group Operational Risk Management Framework (GORF) that facilitates a consistent and worldclass approach to operational risk management.

Overview of Group Operational Risk Managment Framework



Nedbank Group has approval from SARB to use the Standardised Approach for operational risk for Basel II regulatory capital from 1 January 2008. The group is well-advanced on our operational risk measurement journey to the Advanced Measurement Approach (AMA), having implemented worldclass operational risk management in all other respects.

Business management is responsible for the identification, management and monitoring of operational risk. Operational risk is addressed at the divisional enterprisewide risk committees. Significant operational risks are escalated to the cluster operational risk committees and then, if warranted, to the board's Group Risk and Capital Management Committee. Operational risk officers, who are tasked with coordinating the implementation and maintenance of the operational risk management processes and GORF in the business, support management in the execution of its duties.

The Group Operational-risk Monitoring (GORM) Division functions in the second line of defence, its primary responsibilities being to maintain and champion the GORF, policies and enablers to support operational risk management in the business. GORM also champions the implementation of the Basel II requirements for operational risk.

NEDBANK GROUP

Specialist functions in Group Risk, for example forensic services, business continuity planning, group legal and corporate insurance, also assist frontline businesses with specialist advice, policies and standard setting. Pervasive operational risk trends are monitored and reported on to the Group Risk and Capital Management Committee.

GIA (the third line of defence) and EGC provide assurance to the board that the GORF is sound and that the policies and processes related to operational risk management are adhered to.

There are several other important operational risk specialist functions that assist the business in managing operational risk. These functions include but are not limited to:

- information security;
- safety and security services;
- regulatory risk services (including money-laundering control, financial advice and the new credit legislation awareness);
- forensic services;
- business continuity planning and disaster recovery;
- legal-risk management; and
- the group insurance programme.

OTHER KEY RISKS IN OUR ERMF

Capital (and solvency) risk is covered on page 169. Details on our other remaining key risks are contained in our full Pillar 3 Report on the Nedbank website. These include the following:

- new-business risk;
- accounting and taxation risks;
- technology risk;
- reputational, strategic, social and environmental, and compliance risks; and
- HR (people) and transformation risks.

Readers requiring more details on Nedbank Group's EGC should refer to pages 94 to 109 of this 2008 Nedbank Group Annual Report.

MAJOR CONCENTRATION RISKS

Credit concentration has been addressed on page 147. Another 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 and related governance is covered on page 155.

Property concentration risk was addressed on page 121.

Concentration risk is not considered to prevail in the group's trading, IRRBB, forex and equity risk portfolios, nor assets and liabilities subject to MTM fair-value accounting.

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

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 procyclicality and stressed scenarios. The total requirement is then compared with available financial resources.

Details of Nedbank's economic capital methodology may be found in the full Pillar 3 Report on Nedbank's website. Results of the group's and bank's economic capital adequacy and capital allocation to business clusters are covered on page 178.

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 intrarisk 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 also done.	300/400% risk weighting in line with Basel II equity risk; PD/LGD Approach for Property Finance.	Multiple on 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 interrisk diversification benefits)

+

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

=

Total economic capital requirement

Measurement period/time horizon: one year (same as Basel II)
Confidence interval (solvency standard): 99,9% (A-) (Currently same as Basel II)

vs

Available financial resources

Comprises regulatory Tier 1-type capital only

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 quarterly by the board, and integrated into the group's strategy, business and capital plans.

Nedbank's risk appetite culture is inherently conservative. Details of this, and on the current risk profile, were summarised in the '2008 highlights' section earlier from page 121.

Nedbank measures and expresses risk appetite in terms of quantitative risk metrics and qualitatively. The quantitative metrics include EaR (or earnings volatility) and, related to this, the chance of regulatory insolvency, the chance of experiencing a loss and economic capital adequacy. These comprise Nedbank's '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 ALM risks).

Earnings volatility is the level of potential deviation from expected financial performance that Nedbank is prepared to sustain at relevant points on its risk profile. It is established with reference to the strategic objectives and business plans of the group, including the achievement of financial targets, payment of dividends, funding of capital growth and maintenance of target capital ratios.

Qualitatively risk appetite is also expressed in terms of policies, procedures, statements and controls meant to limit risks that may or may not be quantifiable.

Nedbank Group's risk appetite is defined across five broad categories as set out in our board-approved Risk Appetite Framework:

- Group-level risk appetite metrics. These were expanded on in the table on page 124.
- Specific risk-type limit setting (clarifying across our businesses the mandate levels that are of an appropriate scale relative to the risk and reward of the underlying activities so as to minimise concentrations and other risks that could lead to unexpected losses of a disproportionate scale).
- Stakeholder targets (such as target debt rating for economic capital adequacy and dividend policy).
- Policies, procedures and controls.
- Zero-tolerance statements.

Nedbank has a cascading system of risk limits at all levels of the group and for all financial risks, which is a core component of the implementation of the Risk Appetite Framework. The size of the various limits is a direct reflection of the board's risk appetite, given the business cycle, market environment, business plans and strategy, and capital planning. All IRRBB and foreign currency translation risk are transferred to Group ALM who, in conjunction with ALCO, would have primary responsibility for managing/hedging these risks.

Another key component of the ERMF is a comprehensive set of board-approved risk policies and procedures, which is updated annually. The coordination and maintenance of this formal process rest with the head of ERMF, who reports direct to the CRO.

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

NEDBANK ASSESSES CAPITAL REQUIREMENTS USING ACTIVE CAPITAL MANAGEMENT INTEGRATED WITH ITS STRATEGY, FINANCIAL POSITION, RISK PROFILE AND RISK APPETITE.

CAPITAL RISK AND CAPITAL MANAGEMENT

Nedbank's CMF 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 to be capitalised at the greater of Basel II regulatory capital and economic capital.

Importantly though, one should not see Nedbank's economic capital as divorced from Basel II regulatory capital. Quite the contrary, its 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 and South Africa, and taking more of a rating agency perspective (eg Tier 2 regulatory capital does not qualify for our economic capital definition of available financial resources).

The Group Capital Management Division reports direct to the CFO and is mandated to champion the successful implementation of the CMF and ICAAP across the group. The capital management and ICAAP responsibilities of the board and Group Exco are incorporated in their respective terms of reference (charters) contained in the ERMF. They are assisted in this regard, and in overseeing the group's capital risk, by the board's Group Risk and Capital Management Committee, and Group ALCO, respectively.

Group ALCO is assisted by its Capital Management Committee chaired by the head of Group Capital Management.

Capital investment

Group ALM is responsible for managing the investment profile raised through the issue of capital and the internal generation of capital (ie retention of profits). This is integrated into the overall ALCO process of Nedbank. The Group ALM and Group Capital Management Divisions work closely together, both being part of the Group Finance Division reporting to the CFO.

Nedbank's Macroeconomic Factor Model provides further science behind Group ALCO's decisions on what extent to hedge, if at all, the group's capital against interest rate changes and hence the impact on endowment income. This is done by modelling the relationship between changes in credit extension volumes, impairment levels and the group's endowment income when the economic cycle changes and the extent to which a natural hedge exists between them.

Capital structuring, allocation and optimisation (including risk optimisation and credit portfolio management)

Group Capital Management is responsible for the group's Strategic Capital Plan (SCP). This is a dynamic plan and process that is updated and reviewed regularly monthly to Group ALCO and at least quarterly to the board's Group Risk and Capital Management Committee and the full board itself. In addition, the plan is updated and accompanies all capital actions for which board approval is ultimately required.

A key sophisticated planning tool enabling the SCP is our Capital Adequacy Projection Model (CAPM). CAPM is fully integrated with the group's three-year business and strategic plans, together with the economic capital, Basel II, IFRS and other important parameters and financial data.

Basel II and economic capital requirements are projected by CAPM for the current and the next three years. This also covers, inter alia, capital requirements, available capital resources, capital buffers, target capital ratios, dividend plan, any constraints or limits, risk appetite metrics and details on proposed capital actions and contingencies.

Each quarter the group updates its financial forecasts and projected risk parameters, and so updates the projections in the SCP. This would also take into account any actual change in the business environment and/or the group's risk profile, as well as any capital actions (or proposed revisions to previous capital plans, including any new constraints).

This ensures that Nedbank's capital management is forward-looking and proactive (not reactive), and driven off sophisticated and comprehensive long-run capital planning.

The above process provides base case (or expected) projections. The base case is then stressed using various macroeconomic scenarios (eg Pillar 2 stress testing), in addition to risk-specific stress testing (eg Pillar 1 stress testing). The scenarios include mild stress (negative and positive), high stress and severe stress. Details of this is covered from page 181. The outcome of this stress and scenario testing is the key factor in assessing and deciding on Nedbank's capital buffers – another key component of the SCP.

Capital optimisation in Nedbank Group is about seeking an optimal level of capital by optimising the risk profile of the balance sheet through risk portfolio and economic value-based management principles, risk-based strategic planning, economic capital allocation and sound management of the capital buffers. This is achieved by integrating risk-based capital into the group's strategy and aligning this with management's performance measurement, through established governance and management structures, the formal strategic planning process, performance scorecards and the group's risk-adjusted performance measurement (RAPM) framework.

Group Capital Management is therefore also responsible for managing the efficient employment of capital across Nedbank Group's businesses, using risk-based economic capital allocation, credit portfolio management and RAPM (primarily driven by economic profit principles).

The group is capitalised at the higher of regulatory capital and economic capital, being regulatory capital. The capital allocation process to business clusters is then as follows:

SOURCING OF REGULATORY CAPITAL	CAPITAL ALLOCATION TO BUSINESS CLUSTERS FOR PERFORMANCE MEASUREMENT
Tier 1 capital	
• Shareholders' equity (Core Tier 1)	Allocated as capital using bottomup economic capital measurement. Any difference vs Core Tier 1 regulatory capital is addressed via allocation of a buffer to the businesses.
• Preference shares and hybrid debt capital (Non-core Tier 1)	Allocated as part of funding costs; impacting businesses' earnings.
Tier 2 capital	
• Subordinated debt	Allocated as part of funding costs; impacting businesses' earnings.

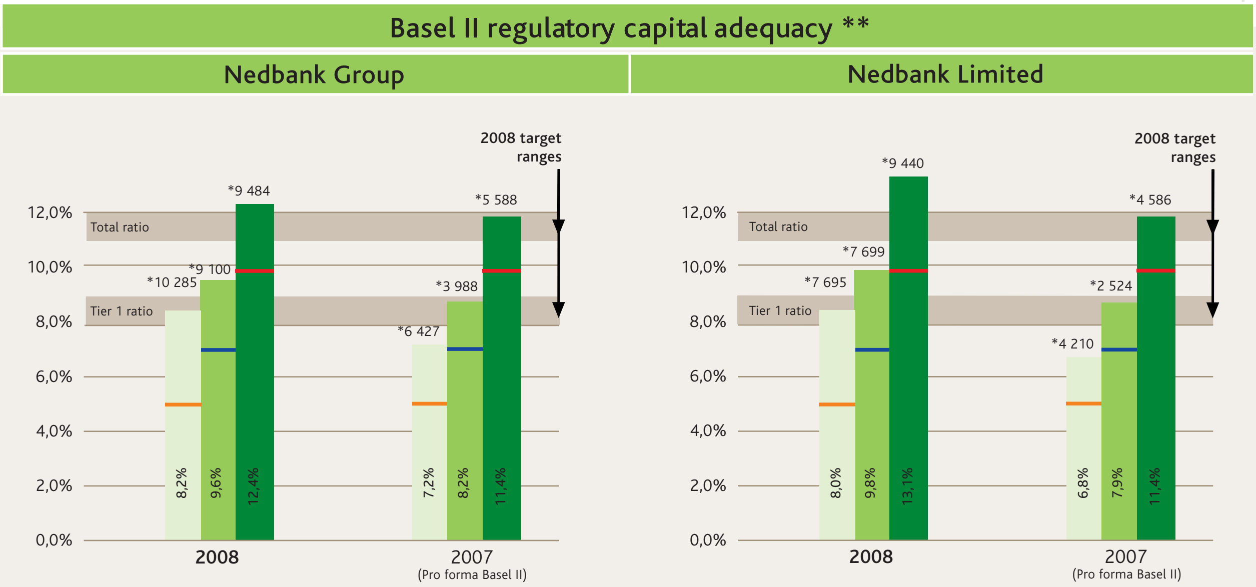
An ongoing challenge for Nedbank is to extract as much value as possible from the bank's new position as a risk and capital management front-runner from its significant Basel II investment by continuing to build the emerging 'managing for value' culture in Nedbank. In summary, this 'managing for value' emphasis currently incorporates:

- comprehensively embedding risk-based economic profit in the strategic planning and management processes;
- articulating a revised group financial target fit for the new economic profit world, supplemented with business unit economic profit targets;
- conducting quantitative and qualitative strategic position analyses at business unit level for all clusters, involving a heavy emphasis on risk-based economic profit and so also driving much enhanced business portfolio reviews at group level, with quantified drivers for risk and growth optimisation; and
- prioritising the business-oriented strategic thrusts quantitatively through high-level economic profit impact analysis applied to single and appropriately grouped initiatives.

Aside from helping to optimise financial performance and shareholder value creation, Nedbank's enhanced 'managing for value' capabilities will enable it to operate better in a much more capital- and liquidity-constrained market environment, including the taking of strategic decisions as to where and to what extent it chooses to allocate the group's capital.

NEDBANK'S CAPITAL ADEQUACY IS STRONG RELATIVE TO ITS BUSINESS ACTIVITIES, STRATEGY, RISK PROFILE AND THE EXTERNAL ENVIRONMENT IN WHICH IT OPERATES.

REGULATORY CAPITAL



Target ranges	Tier 1 (%)	Total (%)
To 2008	8 – 9	11 – 12
From 2009	8,5 – 10	11,5 – 13

**Includes unappropriated profits.

Core Tier 1
Tier 1
Total
Reg min core Tier 1 (5,25%)
Reg min Tier 1 (7,0%)
Reg min total (9,75%)
* Surplus in Rm

Nedbank Group has strengthened its regulatory capital ratios significantly, with a Tier 1 capital adequacy ratio of 9,6% (December 2007: 8,2% pro forma Basel II) and a total capital adequacy ratio of 12,4% (December 2007: 11,4% pro forma Basel II). The core Tier 1 capital adequacy ratio was 8,2% (December 2007: 7,2% pro forma Basel II).

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

Nedbank Limited has also significantly strengthened regulatory capital ratios, with a Tier 1 capital adequacy ratio of 9,8% (December 2007: 7,9% pro forma Basel II) and a total capital adequacy ratio of 13,1% (December 2007: 11,4% pro forma Basel II). The core Tier 1 capital adequacy ratio was 8,0% (December 2007: 6,8% pro forma Basel II).

All capital ratios are now well above the group's historic target ranges. Capital adequacy ratios include unappropriated profits at year-end to the extent that it is not expected to reverse and is expected to be appropriated subsequent to year-end.

The group's capital adequacy ratios increased significantly due to a strong focus on the optimisation of risk-weighted assets, enabled by enhancing data quality and more selective asset growth using the group's economic profit-based 'managing for value' philosophy, the retention of earnings, the profits made on the disposal of Visa shares and the issue of the first hybrid Tier 1 capital instruments in South Africa (amounting to R1,75 billion).

Basel II was successfully implemented by Nedbank. Within that the group's first comprehensive ICAAP required under Pillar 2 of Basel II was successfully completed across the group in the second half of the year, and this attained a favourable outcome from the SREP completed by the Banking Regulator.

However, on the back of the global financial crisis and the more conservative stance taken to capital, the group has increased its levels of surplus capital and extended its target regulatory capital ranges, now also including a target capital adequacy range for core Tier 1 capital. This applies to both Nedbank Group and Nedbank Limited. In the current external environment the group's objective is to move towards the top end of these new target ranges by the end of 2009.

Target capital adequacy ratios Regulatory	Revised range % from 2009	Previous range % to end 2008	Regulatory minimum %
Core Tier 1	7,5 – 9,0	n/a	5,25
Tier 1	8,5 – 10,0	8,0 – 9,0	7,00
Total	11,5 – 13,0	11,0 – 12,0	9,75

The global financial crisis also highlighted that the appropriate level of capital for a bank is a function of its strategy, individual risk appetite and existing risk profile. This aligns with one of the key objectives of Basel II, which 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 following the 'one size fits all' approach that Basel I engendered. The Basel Committee reinforced this objective in January 2009.

Against the background of the group's conservative risk appetite and sound risk management discussed later on, 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 their business activities, strategy, risk appetite, risk profile and the external environment in which they operate. Additionally, the group is currently not holding excess capital for acquisitions.

Actual capital adequacy ratios (including unappropriated profits)

	Nedbank Group			Nedbank Limited		
	Basel I	Basel II		Basel I	Basel II	
%	2007	(pro forma Basel II) 2007	**2008**	2007	(pro forma Basel II) 2007	**2008**
Core Tier 1	7,5	7,2	**8,2**	6,7	6,8	**8,0**
Tier 1	8,5	8,2	**9,6**	7,8	7,9	**9,8**
Total	12,4	11,4	**12,4**	11,9	11,4	**13,1**
Leverage ratio	16,2 times		16,2 times			

There was a negative impact on the group's capital ratios in the transition from Basel I to Basel II on 1 January 2008.

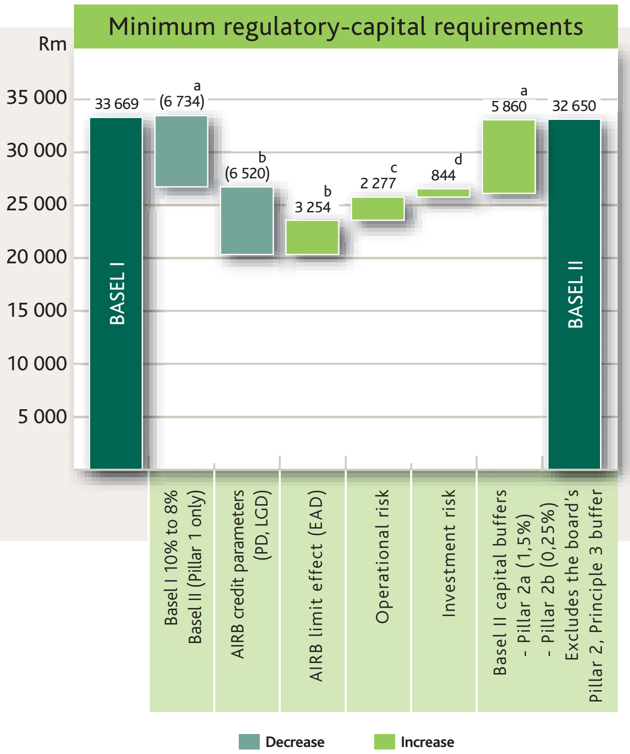
While minimum regulatory capital requirements decreased marginally, qualifying capital and reserves decreased materially, mainly due to the following:

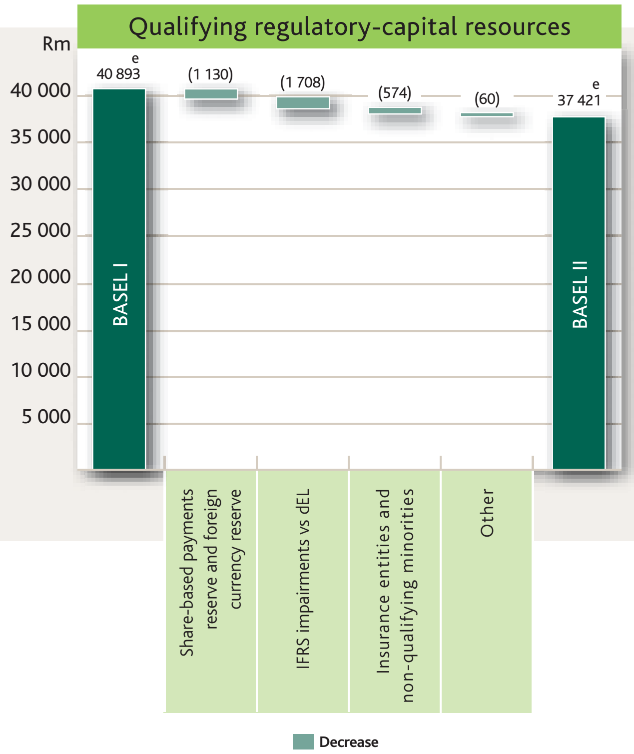
- The foreign currency translation reserve of R256 million, share-based payments reserve of R874 million and available-for-sale reserve of R134 million were all no longer allowed to qualify as capital in South Africa under Basel II.

  These reserves do continue to qualify as regulatory capital in certain overseas jurisdictions. At 31 December 2008 these reserves collectively amounted to R1,6 billion.

- The excess of IFRS accounting impairments over Basel II downturn expected loss (dEL) of R1 708 million has to be deducted per the AIRB Approach for credit risk. At 31 December 2008 this amounted to R1 176 million.
- Surplus capital within insurance entities and certain non-qualifying minority interests of R574 million is no longer allowed. At 31 December 2008 this amounted to R774 million.

Nedbank Group transition from Basel I to Basel II at 31 December 2007/1 January 2008





a) The minimum capital ratio reduced from 10% Basel I to 9,75% Basel II. A Pillar 2, Principle 3 regulatory capital buffer is also required to be set at the board's discretion and currently this is set at 10% above the minimum regulatory ratio set by SARB. However, other considerations such as rating agencies, peer benchmarking and the external environment are also taken into account in setting the target capital ratio ranges (as set out earlier), which are well above these regulatory minimum levels.

b) Overall there was a benefit for Nedbank Limited obtaining SARB approval for the AIRB Approach for credit risk under Basel II. This was offset to an extent by the new requirement to hold capital for committed, unutilised facilities (limits) under Basel II.

c) New capital requirement for operational risk under Basel II.

d) Much higher risk weightings (300%/400% vs 100%) for equity (investment) risk under Basel II.

e) Excludes unappropriated profits at year-end.

In line with a specific provision of the Banks Act regulations, profits do not qualify as qualifying regulatory capital unless formally appropriated by the board. Accordingly, Nedbank's capital ratios, excluding unappropriated profits at year-end, are shown below, which profits could be appropriated at any time if needed.

Actual regulatory capital adequacy ratios (excluding unappropriated profits)

	Nedbank Group			Nedbank Limited		
	Basel I	Basel II		Basel I	Basel II	
%	2007	(pro forma Basel II) 2007	**2008**	2007	(pro forma Basel II) 2007	**2008**
Core Tier 1	7,2	6,9	**8,0**	6,5	6,6	**8,0**
Tier 1	8,3	8,0	**9,4**	7,6	7,7	**9,7**
Total	12,2	11,2	**12,3**	11,7	11,2	**13,1**

Summary of risk-weighted assets (by risk type)

Risk type	Nedbank Group		Nedbank Limited	
	2008 Rm	2007 Rm	**2008 Rm**	2007 Rm
Credit risk	**285 457**	267 010	**221 969**	222 126
Credit portfolios subject to AIRB Approach (ie Nedbank Limited)	**238 480**	220 396	**218 142**	215 170
– Corporate, sovereign, bank (incl SME)	**131 955**	117 413	**114 050**	112 187
– Residential mortgage	**70 401**	58 712	**67 968**	58 712
– Qualifying revolving retail	**6 554**	7 562	**6 554**	7 562
– Other retail	**29 570**	36 709	**29 570**	36 709
Credit portfolios subject to Standardised Approach	**42 829**	39 598	**–**	–
– Corporate, sovereign, bank	**16 849**	19 007		
– Retail exposures	**25 980**	20 591		
Counterparty credit risk	**3 169**	6 184	**3 109**	6 124
Securitisation exposures (IRB Approach)	**979**	832	**718**	832
Equity risk (Market-based Simple Risk Weight Approach)	**13 035**	17 141	**10 190**	14 630
– Listed (300% risk-weighting)	**1 574**	538	**1 471**	459
– Unlisted (400% risk-weighting)	**11 461**	16 603	**8 719**	14 171
Market risk (Standardised Approach)	**7 049**	4 632	**5 445**	3 470
Operational risk (Standardised Approach)	**36 497**	28 462	**30 559**	25 131
Other assets (100% risk-weighting)	**13 197**	17 632	**10 170**	9 416
Total risk-weighted assets	**355 235**	334 877	**278 333**	274 773
Total minimum regulatory capital requirements (at 9,75%)	**34 635**	32 651	**27 137**	26 790
Total qualifying regulatory capital and reserves*	**44 119**	38 239	**36 577**	31 376
Total surplus capital over minimum requirements	**9 484**	5 588	**9 440**	4 586

** Includes unappropriated profits.*

Analysis of total surplus capital				
Core Tier 1	**9 100**	3 988	**7 699**	2 524
Tier 1	**10 285**	6 427	**7 695**	4 210
Total	**9 484**	5 588	**9 440**	4 586

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

Risk type and business cluster	2008 Rm	Mix %
Credit risk	**285 457**	81
– Nedbank Corporate	**112 568**	32
– Nedbank Capital	**17 309**	5
– Nedbank Retail	**87 721**	25
– Imperial Bank	**35 377**	10
– Africa and UK	**32 482**	9
Equity risk	**13 035**	4
Market risk	**7 049**	2
Operational risk	**36 497**	10
Other assets	**13 197**	3
Total risk-weighted assets	**355 235**	100

Summary of qualifying capital and reserves

	Nedbank Group		Nedbank Limited	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Tier 1 capital (primary)	**33 458**	26 611	**27 031**	21 188
Core Tier 1 capital	**28 427**	23 190	**22 156**	18 066
Ordinary share capital	**410**	402	**27**	27
Ordinary share premium	**11 370**	10 721	**14 433**	14 434
Reserves	**23 133**	19 070	**14 298**	10 488
Minority interest: ordinary shareholders	**1 881**	1 511		
Deductions	**(8 367)**	(8 514)	**(6 602)**	(6 883)
Impairments	**(6)**	(8)	**(3 608)**	(3 498)
Goodwill	**(3 894)**	(3 898)	**(1 126)**	(1 126)
Excess of EL over eligible provisions (50%)	**(588)**	(854)	**(588)**	(793)
Unappropriated profits	**(658)**	(852)	**(300)**	(604)
Foreign currency translation reserves	**(545)**	(256)		
Share-based payment reserves	**(949)**	(874)	**(281)**	(9)
Property revaluation reserves	**(951)**	(848)	**(668)**	(592)
Surplus capital held in insurance entities (50%)	**(387)**	(287)		
Other regulatory differences	**(389)**	(637)	**(31)**	(261)
Non-core Tier 1 capital	**5 031**	3 421	**4 874**	3 122
Preference share capital and premium	**3 279**	3 421	**3 122**	3 122
Hybrid debt capital instruments	**1 752**		**1 752**	
Tier 2 capital (secondary)	**10 153**	10 510	**9 395**	9 318
Long-term debt instruments	**10 464**	10 873	**9 812**	9 815
Revaluation reserves (50%)	**476**	424	**334**	296
Deductions	**(787)**	(787)	**(751)**	(793)
Surplus capital held in insurance and financial entities (50%)	**(387)**	(287)		
Excess of EL over eligible provisions (50%)	**(588)**	(854)	**(588)**	(793)
General allowance for credit impairment	**212**	350		
Other regulatory differences	**(24)**	4	**(163)**	
Tier 3 capital (tertiary)	**–**	300	**–**	300
Total capital	**43 611**	37 421	**36 426**	30 806

Capital including unappropriated profits*	Nedbank Group		Nedbank Limited	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Tier 1 capital (primary)	**33 966**	27 429	**27 182**	21 758
Core Tier 1 capital	**28 935**	24 008	**22 307**	18 636
Total capital	**44 119**	38 239	**36 577**	31 376

** Includes unappropriated profits at year-end to the extent that they are not expected to reverse and are expected to be appropriated subsequent to year-end.*

Growth in risk-weighted assets during 2008 was only 6% while loans and advances grew by 16% due to data quality enhancements and more selective asset growth. Further upside still exists in reducing risk-weighted assets due to further data enhancements and extra conservatism previously introduced during Basel II implementation.

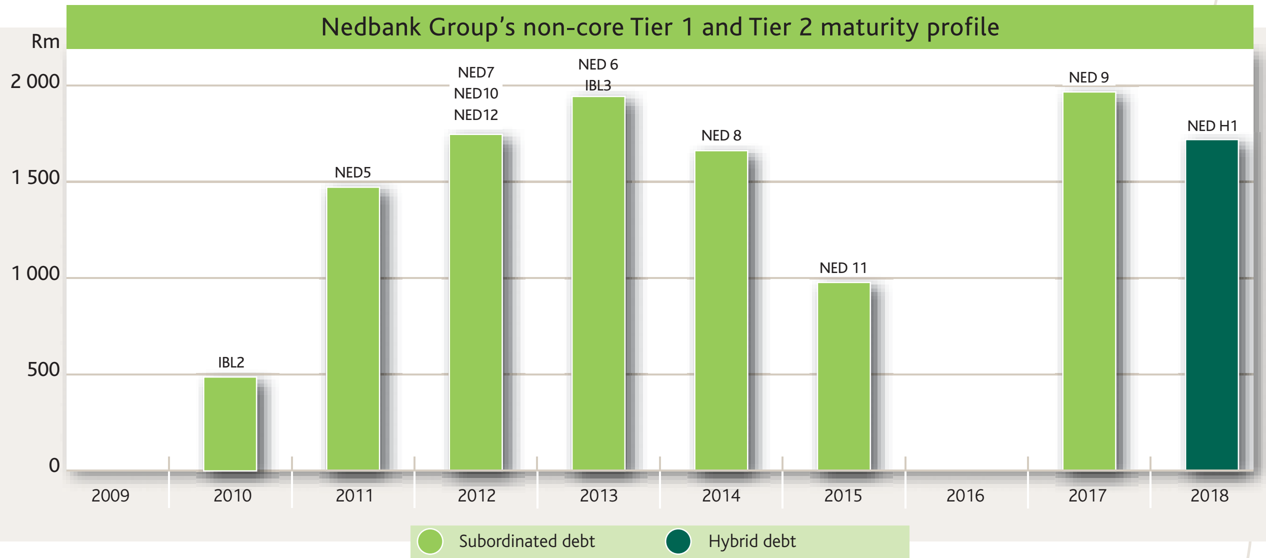
Details of capital instruments issued by Nedbank Group are listed in note 43 to the 31 December 2008 annual financial statements on pages 301 and 302.

The following is a summary of the group's capital management actions over the past two years:

- Saw South Africa's inaugural hybrid debt capital issues in 2008, which came from Nedbank Limited, totalling R1,75 billion.
- Redeemed the NED2 R4 billion subordinated debt (July 2007).
- Concluded R6,77 billion in subordinated-debt issues. Subordinated-debt issuance was significant due to refinancing of the NED2 R4 billion bond and the NED1 R2 billion bond.
- Included in the above R6,77 billion issuance is a 10-year landmark deal with the International Finance Corporation and African Development Bank for R2 billion (NED 9).
- Issued R364 million in perpetual preference shares in April 2007.
- Executed no share buybacks.

The group has maintained its dividend cover policy at 2,25 to 2,75 times.

Nedbank has achieved its objective of a smoothed, well-diversified non-core Tier 1 and Tier 2 capital maturity profile, removing the maturity concentration risk previously associated with the NED1 (R2 billion) and NED2 (R4 billion), in 2006 and 2007 respectively. Further capital issues will continue to build on this. There are no maturities until 2011 (Nedbank Limited) and 2010 (Imperial Bank Limited).



OVERVIEW
GROUP REPORTS
OPERATIONAL REVIEWS
GOVERNANCE
ANNUAL FINANCIAL STATEMENTS
SHAREHOLDER MEETINGS AND OTHER INFORMATION

Regulatory capital adequacy of all banking subsidiaries of Nedbank Group

A summary of the banking subsidiaries' regulated capital adequacy positions at 31 December 2008 is provided below:

Banking subsidiary (solo supervision)	Country capital adequacy ratio %	2008 Risk-weighted assets Rm	2008 Capital ratio %	2007 Risk-weighted assets Rm	2007 Capital ratio %
Nedbank Limited	9,75	278 333	13,1	274 773	11,2
Imperial Bank Limited	9,75	38 074	11,1	33 909	10,6
Nedbank (Namibia) Limited	10,00	3 264	13,9	3 147	11,9
Fairbairn Private Bank (IOM) Limited	10,00	2 526	16,1	2 919	12,8
Fairbairn Private Bank Limited	10,00	1 722	14,5	1 504	14,7
Nedbank (Swaziland) Limited	8,00	619	17,4	582	19,3
Nedbank (Lesotho) Limited	8,00	320	23,3	453	21,2
Nedbank (Malawi) Limited	8,00	80	23,0	97	12,8

The above entities are all incorporated in Nedbank Group's economic capital and ICAAP process discussed earlier.

Nedbank owns 50,1% of Imperial Bank Limited in a joint venture with Imperial Holdings Group. Nedbank provides half of the capital needs of Imperial Bank Limited, but also 100% of its funding requirements. Nedbank expects Imperial Bank Limited to operate at regulatory capital ratio targets commensurate with those of Nedbank and its risk profile.

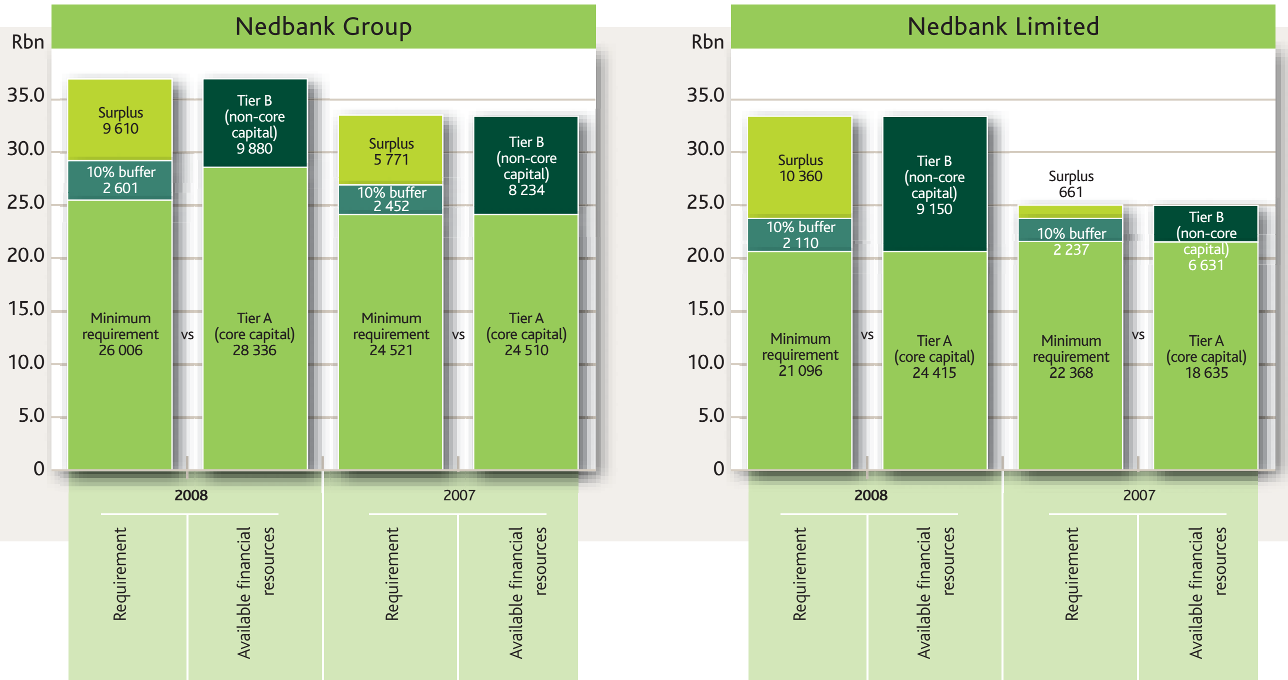
In conclusion, the capitalisation of all these banking entities is adequate, all with conservative risk profiles and all well-managed and monitored as part of the group's ERMF and ICAAP.

ECONOMIC CAPITAL ADEQUACY AND ALLOCATION

Nedbank Group's Economic Capital Model has been discussed on page 135. Set out below is Nedbank Group's economic capital adequacy and capital alloction to business clusters.

Nedbank Group's ICAAP confirms that the group is capitalised to its A- or 99,9% target debt rating (or solvency standard) in terms of its proprietary economic capital methodology set out earlier. This includes a 10% capital buffer based on the group's risk appetite metrics and results of stress and scenario testing of the projected base case capital requirements.

Summary of economic capital



Target for economic capital adequacy

Capitalised to a 99,9% confidence interval (target debt rating A-, currently same calibration as Basel II) plus a 10% capital buffer.

Actual economic capital requirements and available financial resources

	Nedbank Group				Nedbank Limited			
	2008		2007		**2008**		2007	
By risk type	**Rm**	**%**	Rm	%	**Rm**	**%**	Rm	%
Credit risk*	**15 605**	**60**	16 018	65	**13 197**	**63**	14 367	64
Transfer (sovereign) risk	**166**	**0,6**	317	1,3	**25**	**0,1**	321	1,4
Market risk	**3 066**	**12**	2 472	10	**1 598**	**8**	2 177	10
Trading risk	**352**	**1,4**	353	1,4	**137**	**0,6**	353	1,6
IRRBB risk	**33**	**0,1**	31	0,1	**21**	**0,1**	31	0,1
Property risk	**1 019**	**3,9**	919	3,7	**765**	**3,6**	722	3,2
Investment risk	**1 635**	**6,3**	1 139	4,6	**675**	**3,2**	1 053	4,7
Forex translation risk	**27**	**0,1**	30	0,1	**0**	**0,0**	18	0,1
Operational risk	**1 682**	**6**	1 099	4	**1 510**	**7**	1 071	5
Business risk	**4 798**	**18**	3 885	16	**4 168**	**20**	3 875	17
Other assets	**689**	**3**	730	3	**598**	**3**	557	2
Minimum economic capital requirement	**26 006**	**100**	24 521	100	**21 096**	**100**	22 368	100
+ Capital buffer (10%)	**2 601**		2 452		**2 110**		2 237	
= Total economic capital requirement	**28 607**		26 973		**23 206**		24 605	
vs Available financial resources	**38 216**		32 744		**33 566**		25 266	
Tier A capital (shareholders' equity)	**28 336**		24 510		**24 415**		18 635	
Tier B capital (non-core Tier 1 capital)	**9 880**		8 234		**9 150**		6 631	
= Surplus available	**9 610**		5 771		**10 360**		661	

** Credit risk economic capital incorporates counterparty credit risk and securitisation risk.*

NEDBANK GROUP

Overall credit risk economic capital has decreased marginally from 2007 to 2008. Although the worsening credit cycle has resulted in increases in PDs and non-performing loans in Retail, this has been more than offset by an increase in specific impairments and the optimisation of risk-weighted assets, enabled by data quality enhancements and more selective asset growth (as discussed under regulatory capital).

Property risk has increased mainly as a result of the increase in properties-in-possession due to the worsening economic conditions, while investment risk has increased due to revaluations in the book value of investment exposures. Operational risk increased due to the inclusion of the most recent year of gross income data in the calculation. The increase in business risk is also largely as a result of income growth.

The cost of equity has been revised to 13,25% for 2009 as a result of a lower 10-year risk-free rate expected for the year. In line with international trends, long-term government rates have been trending downwards in South Africa. This is due to the higher-than-normal risk aversion and the expectation of lower rates on the back of lower inflation expectations, both of which can be ascribed to the current crisis.

EXTERNAL CREDIT RATINGS

In December 2008 Moody's Investors Service affirmed Nedbank's national-scale short-term deposit rating of Prime- 1.za and long-term deposit of Aa 1.za.

Nedbank Limited received a rating upgrade from Fitch Ratings in November 2007, which was reaffirmed in July 2008. In November 2008 Fitch maintained the ratings, but changed the outlook for a number of the local banks on the back of a rating outlook adjustment for South Africa, including changing the outlook for Nedbank for its international sovereign rating from stable to negative. No adjustment was made to Nedbank's local ratings or outlooks and the Fitch Ratings national short-term rating remains F1+ (zaf).

Nedbank Limited also registered a European domestic medium-term note programme (EMTN) during December 2008. This programme was separately rated by both Moody's and Fitch. Moody's has assigned an A2 foreign currency rating together with a positive outlook to both senior and subordinated notes. Fitch has assigned BBB+ and BBB foreign currency ratings to the long-term senior and subordinated debt, respectively.

Details of Nedbank Group's and Nedbank Limited's credit ratings by Fitch and Moody's are included in the full Pillar 3 Report on the Nedbank website.

COMPREHENSIVE STRESS AND SCENARIO TESTING IS USED TO STRESS NEDBANK'S BASE CASE PROJECTIONS AND SO ASSESS THE ADEQUACY OF ITS CAPITAL BUFFERS AND TARGET RATIOS.

Nedbank's stress and scenario testing recognises and estimates the potential volatility of its capital requirements and the base case (expected) projections covered earlier, including the key assumptions and sensitivities contained therein, which themselves are subject to fluctuation, and ultimately the adequacy of its capital buffers and target capital ratios.

Risk relating to procyclicality

Procyclicality is the extent to which the buffer between available capital and required capital levels (regulatory and economic) changes as a direct result of changes in the economic cycle, and would decrease in a downturn economic cycle.

Nedbank explicitly addresses the issue of procyclicality through an effective capital management process, of which an integral part includes the holistic stress testing of required and available capital under various macroeconomic stress scenarios. Details on this are provided in the full Pillar 3 Report on the Nedbank website.

Nedbank applies a downturn adjustment to all its LGDs used for regulatory capital requirements, which mutes the effect of procyclicality. Through-the-cycle LGDs are utilised for economic capital requirements and are stressed for worsening economic conditions but not adjusted for improved conditions. The Macroeconomic Factor Model explicitly models increases in through-the-cycle LGDs over time for different macroeconomic stress scenarios differentiated by subportfolio. Therefore, the effect of increasing PDs together with increasing LGDs for economic capital is addressed within the groupwide macroeconomic factor stress testing.

The stress testing of impacts of procyclicality is performed both for regulatory capital and for economic capital purposes in setting and assessing the adequacy of the economic capital buffer. Specific-risk (Pillar 1) stress tests are performed on individual major risk types in addition to ongoing monitoring and reporting to assess the maximum potential for unexpected losses and so the impact on capital levels.

Nedbank's strategy and approach to macroeconomic stress and scenario testing

Stress- and scenario-testing capabilities were significantly enhanced in 2006 with Nedbank's building of a proprietary Macroeconomic Factor Model and completion of a comprehensive Stress- and Scenario-testing Framework. This framework goes beyond the minimum Pillar 1 and Pillar 2 requirements of Basel II and has been integrated with Nedbank's existing risk appetite and CAPM as discussed earlier. A high-level depiction of the framework is provided below.

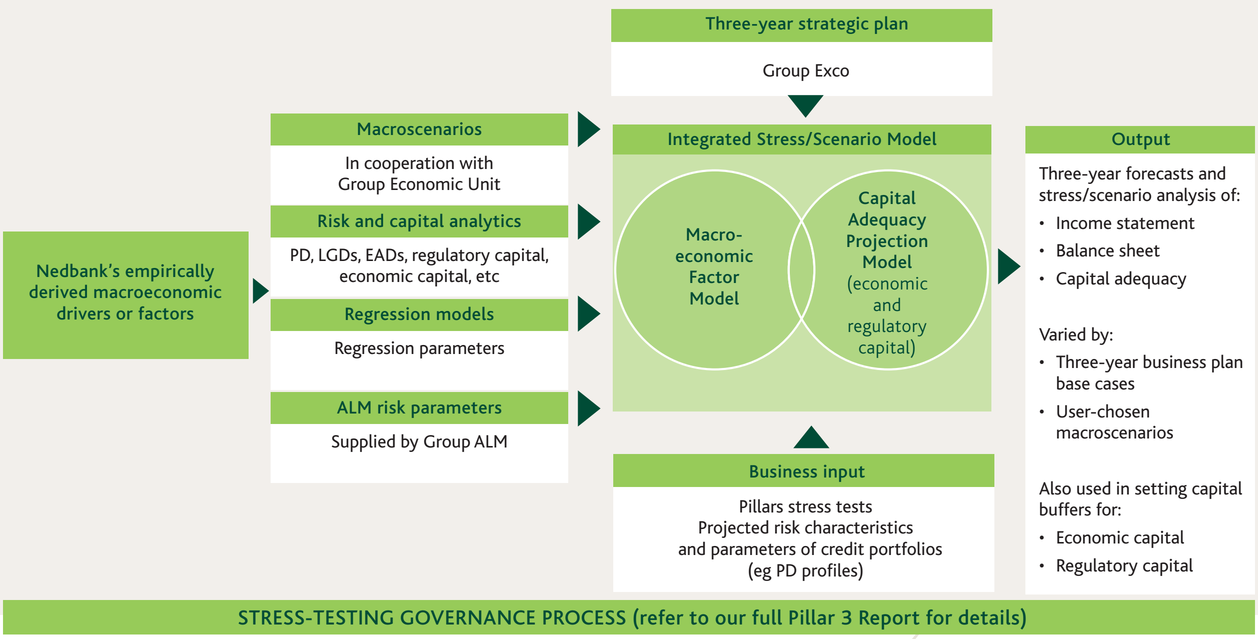
The groupwide Macroeconomic Factor Model is utilised to stress-test Basel II regulatory capital, economic capital, expected losses as well as available financial resources for Nedbank Group and Nedbank for different macroeconomic stress events.

The key factors influencing economic capital buffer size may include:

- procyclicality (economic cycles) as discussed above;
- abnormal constraints arising in the market impacting capital raising and/or liquidity (funding);
- earnings volatility levels;
- concentration risks;
- accounting impacts on available financial resources (eg IFRS);
- foreign capital deployment; and
- strategic acquisitions (if applicable).

As highlighted above, Nedbank's economic capital buffer level is set mainly using Nedbank's Macroeconomic Factor Model and its comprehensive Stress and Scenario-testing Framework.

Overview of Nedbank's Stress- and Scenario-testing Framework



NEDBANK GROUP

Using the Macroeconomic Factor Model an economic capital buffer of 10% above the minimum economic capital requirements has been set and approved by the board. The target minimum available financial resources to cover the economic capital requirements will therefore be at least the minimum economic capital requirement plus 10%. This is continuously monitored against the actual available financial resources to assess the surplus/deficit as illustrated below.

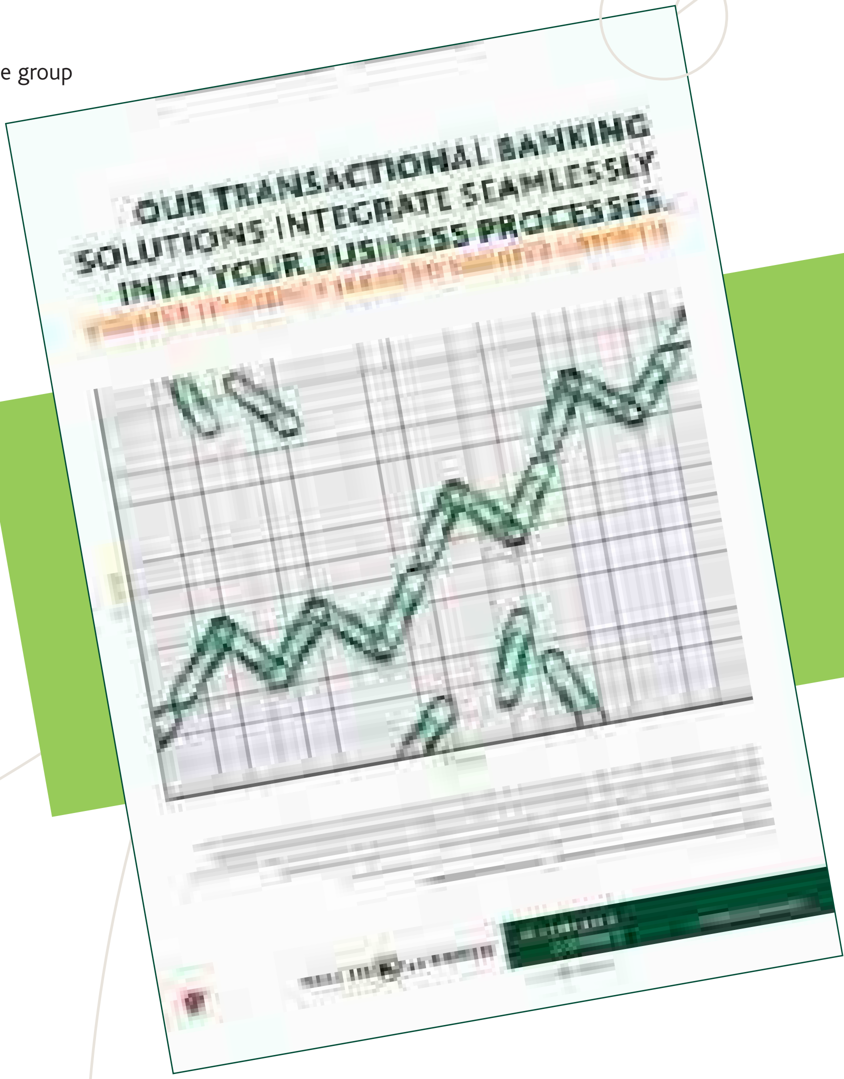
The group's strategy to cover stress and scenario testing comprehensively, both for regulatory and economic capital purposes, comprises the following three levels:

- Specific-risk (Pillar 1) and AIRB credit procyclicality testing (using the Macroeconomic Factor Model to calculate forward-looking, stressed PDs and LGDs, which then also feeds the items below).
- Macroeconomic factor modelling (Pillar 2) covering four scenarios, namely:
  - mild stress;
  - high stress;
  - severe stress; and
  - positive scenario (ie better than the expected base case).
- Specific-event scenario analysis. The four events the group has chosen are:
  - severe recession;
  - liquidity crisis in Nedbank;
  - property value crash (akin to United States subprime scenario and 1998 South African interest rate crisis); and
  - default of two and three large exposures (credit concentration risk).

The overall stress test results and effects on regulatory capital, economic capital, available capital resources and therefore capital adequacy ratios are reported to the Group ALCO and Group Risk and Capital Management Committee on a regular basis (at least quarterly).

The result and impacts are provided on both a pre- and post-management intervention basis. Management intervention may include tightening of credit limits, limiting RWA growth in the credit portfolio, especially to high-risk clients and so reduce average PDs, and/or raise more capital than what was originally planned. The results of the stress-testing scenarios form part of the group's ICAAP, which is submitted to the board of directors and then SARB. The forward-looking capability of the Stress-testing Model ensures that management action can be taken in advance when necessary.

It is therefore ultimately concluded that Nedbank's capital planning and base case projected regulatory and economic capital levels, ratios, targets and buffers, including the results and impacts of the stress and scenario testing applied, are sound and appropriate.



ANNUAL FINANCIAL STATEMENTS
CONTENTS

NEDBANK GROUP

DIRECTORS' RESPONSIBILITY

The directors are responsible for the preparation and fair presentation of the group annual financial statements and annual financial statements of Nedbank Group Limited, comprising the balance sheets at 31 December 2008; the income statements, the statements of changes in equity and cashflow statements for the year then ended; the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes; and the directors' report in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

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

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

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

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

APPROVAL OF GROUP ANNUAL FINANCIAL STATEMENTS AND ANNUAL FINANCIAL STATEMENTS

The group annual financial statements and annual financial statements of Nedbank Group Limited, as identified in the first paragraph, were approved by the Nedbank Group Board of Directors on 25 February 2009 and are signed on its behalf by:

Dr RJ Khoza
Chairman

TA Boardman
Chief Executive

Sandown
25 February 2009

COMPANY SECRETARY'S CERTIFICATION

In terms of section 268G(d) of the Companies Act of South Africa I certify that, to the best of my knowledge and belief, Nedbank Group Limited has lodged with the Registrar of Companies for the financial year ended 31 December 2008 all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

GS Nienaber
Company Secretary

Sandown
25 February 2009

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF NEDBANK GROUP LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the group annual financial statements and annual financial statements of Nedbank Group Limited, which comprise the directors' report, the balance sheets as at 31 December 2008, the income statements, statements of changes in equity and cashflow statements for the year then ended, a summary of significant accounting policies and other explanatory notes, and the Remuneration Report as set out on pages 190 to 341.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Nedbank Group Limited as at 31 December 2008, and of its consolidated and separate financial performance and cashflows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc

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

KPMG Crescent
85 Empire Road, Parktown
Johannesburg
2193

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

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

Sandown
25 February 2009

Deloitte & Touche

Deloitte & Touche
Per D Shipp
Partner

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

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

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

AUDIT COMMITTEE REPORT

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

COMPOSITION OF THE COMMITTEE

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

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

- CJW Ball (Chairman)
- TCP Chikane
- JB Magwaza
- NP Mnxasana (appointed October 2008)
- BE Davison (resigned August 2008)
- MA Enus-Brey (resigned March 2008)
- RM Head (resigned March 2008)
- GT Serobe (resigned March 2008)
- CML Savage (retired May 2008)

Biographical details of the current members of the committee are set out on pages 38 to 43. Members' fees are included in the table of directors' remuneration on pages 198 and 199.

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

INTERNAL AUDIT

Internal audit is an independent assurance function, forming part of the third-line-of-defence as set out in the Enterprisewide Risk Management Framework (ERMF) on pages 132 and 133 of the annual report. The Chief Internal Auditor has a direct reporting line to the committee chairperson and also meets regularly with the Chief Executive Officer. Further details on the internal audit function are contained in the Enterprise Governance and Compliance Report on pages 94 to 109.

EXTERNAL AUDIT

The group's external auditors are Deloitte & Touche and KPMG Inc. Fees paid to the auditors are disclosed in note 14 to the annual financial statements on page 257. Further details are contained in the Enterprise Governance and Compliance Report on page 106.

KEY FUNCTIONS AND RESPONSIBILITIES OF THE COMMITTEE

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

- assist the board of directors in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied within the group in the day-to-day management of its business;

- facilitate and promote communication between the board, management, the external auditors and the Chief Internal Auditor;
- introduce such measures as in the committee's opinion may serve to enhance the credibility and objectivity of financial statements and reports prepared with reference to the affairs of the group;
- nominate for appointment as auditors the company registered auditors who, in the opinion of the committee, are independent of the group;
- determine the fees to be paid to the auditors and the auditors' terms of engagement;
- ensure that the appointment of the auditors complies with the Companies Act and any other legislation relating to the appointment of auditors;
- determine the nature and extent of any non-audit services that the auditors may provide to the group;
- approve any contract with the auditors for the provision of non-audit services to the group;
- receive and deal appropriately with any complaints (whether from within or outside the group) relating either to the accounting practices and internal audit of the group or to the contents or auditing of its financial statements, or any other related matter thereto; and
- perform such further functions as may be prescribed.

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

EFFECTIVENESS OF INTERNAL CONTROL

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

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

The functions of the three lines of defence, as well as the principal responsibilities that extend across the group, are set out in the Risk and Capital Management Report on pages 116 to 182.

Specific responsibilities of the committee include the following:

Internal control

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

Financial control, accounting and reporting

- Monitoring the adequacy and reliability of management information and the efficiency of management information systems.
- Delegating to the Board Strategic Information Technology Committee the monitoring of the adequacy and efficiency of the group's information systems and receiving from them reports thereon.
- Reviewing quarterly, interim and final financial results and statements and reporting for proper and complete disclosure of timely, reliable and consistent information and confirming the appropriateness of accounting policies used.
- Evaluating on an ongoing basis the appropriateness, adequacy and efficiency of accounting policies and procedures, compliance with generally accepted accounting practice and overall accounting standards as well as any changes thereto.
- Discussing and resolving any significant or unusual accounting problems.
- Reviewing and monitoring capital expenditure throughout the group for adequate control, monitoring and reporting.

- Reviewing reports from the Group Credit Committee regarding the effectiveness and efficiency of the credit-monitoring process, exposures and related impairments and adequacy of impairment provisions to discharge its board and Banks Act obligations satisfactorily.
- Monitoring the management and reporting of tax-related matters.
- Monitoring the management and effectiveness of the accounting and taxation risks as set out in the group's ERMF.
- Reviewing and monitoring all key performance indicators to ensure that decisionmaking capabilities and the accuracy of the related reporting and financial results they aid are maintained at industry levels.

Internal audit

- Direct reporting by the Chief Internal Auditor to the chairman of the committee.
- Monitoring the effectiveness of the internal audit function in terms of its scope, plans, coverage, independence, skills, staffing, overall performance and position within the organisation.
- Monitoring and challenging, where appropriate, action taken by management with regard to adverse internal audit findings.
- Forming a view on the adequacy and effectiveness of the control environment.
- Monitoring compliance with the bank's Advanced Internal Ratings-based (AIRB) credit approach.

External audit

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

Regulatory reporting

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

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

- the internal controls of the group have been effective in all material aspects throughout the year under review;
- these controls have ensured that the group's assets have been safeguarded;
- proper accounting records have been maintained;
- resources have been utilised efficiently; and
- the skills, independence, audit plan, reporting and overall performance of the external auditors are acceptable and that it recommends their reappointment in 2009.

APPROPRIATENESS OF THE EXPERTISE AND EXPERIENCE OF THE CHIEF FINANCIAL OFFICER

In terms of the JSE Listings Requirements the Audit Committee had, at its meeting held on 28 January 2009, satisfied itself as to the appropriateness of the expertise and experience of the Chief Financial Officer.

ANNUAL FINANCIAL STATEMENTS

The committee has:

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

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

CJW Ball
Audit Committee Chairman

25 February 2009

DIRECTORS' REPORT 2008
FOR THE YEAR ENDED 31 DECEMBER

NATURE OF BUSINESS

Nedbank Group Limited ('Nedbank Group' or 'the company') is a widely held company and a registered bank controlling company that, through its subsidiaries, provides a wide range of banking and financial services. Nedbank Group maintains a primary listing under 'Banks' on JSE Limited ('JSE'), with a secondary listing on the Namibian Stock Exchange.

FINANCIAL RESULTS

Full details of the financial results are set out on pages 194 to 341 of these annual financial statements.

YEAR UNDER REVIEW

The year under review is fully covered in the Chairman's Statement, Chief Executive's Report, operational reviews and the Chief Financial Officer's Report.

SHARE CAPITAL

Details of the authorised and issued share capital, together with details of shares issued and options granted during the year, appear in note 39 to the annual financial statements.

OWNERSHIP

The holding company of Nedbank Group is Old Mutual Life Assurance Company (SA) Limited and associates, which hold 53,89% of the issued ordinary shares of the company. The ultimate holding company is Old Mutual plc, incorporated in England and Wales. Further details of shareholders appear on pages 62 and 63.

DIVIDENDS

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

DIRECTORS

Biographical details of the current directors appear on pages 38 to 43. Details of directors' remuneration and shareholdings appear on pages 194 to 205.

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

- CML Savage resigned as an independent non-executive director (14 May 2008).
- BE Davison resigned as an independent non-executive director (2 August 2008).
- JH Sutcliffe resigned as a non-executive director (9 September 2008).
- NP Mnxasana was appointed as an independent non-executive director (1 October 2008).
- A de VC Knott-Craig was appointed as an independent non-executive director (1 January 2009).

Also during the period under review the Nedbank Group Board decided to do away with the position of vice-chairman of the board. The role of the vice-chairman is no longer considered to be necessary following the creation of the position of senior independent non-executive director, which post is held by Mr CJW Ball. As a result of this decision the Joint Vice-chairmen of the board, Prof MM Katz and Mr ML Ndlovu, will formally step down from their positions as Vice-chairmen at the annual general meeting to be held on 14 May 2009 and will continue to serve as directors of Nedbank Group.

The directors who, in terms of the articles of association, are required to seek reelection at the annual general meeting are Dr RJ Khoza, Mr MA Enus-Brey and Ms GT Serobe. Being eligible, they make themselves available for reelection.

Directors of Nedbank Group who have served on the board for a period longer than nine years are now required to seek reelection annually. These directors are Prof MM Katz and Messrs JB Magwaza, ME Mkwanazi and ML Ndlovu and they, being eligible, make themselves available for reelection.

Ms NP Mnxasana and Mr A de VC Knott-Craig were appointed by the board of directors with effect from 1 October 2008 and 1 January 2009 respectively, and in terms of the articles of association their appointments terminate at the close of the annual general meeting. They are available for election and separate resolutions to seek their election will be submitted for approval at the annual general meeting to be held on 14 May 2009.

At a board meeting held on 20 February 2009 Prof MM Katz and Mr ML Ndlovu were reclassified as independent non-executive directors.

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

Name	Position as director	Date appointed as director	Date resigned/retired (where applicable)
CJW Ball	Senior independent director	1 November 2002	
TA Boardman	Chief Executive – executive director	1 November 2002	
MWT Brown	Chief Financial Officer – executive director	17 June 2004	
TCP Chikane	Independent non-executive director	1 November 2006	
BE Davison	Independent non-executive director	25 November 2002	2 August 2008
MA Enus-Brey	Non-executive director	16 August 2005	
B de L Figaji	Independent non-executive director	25 November 2002	
R Harris (British)	Non-executive director	10 December 2007	
RM Head (British)	Non-executive director	1 January 2005	
MM Katz	Vice-chairman – independent non-executive director*	4 November 1997	
RJ Khoza	Chairman – non-executive director	16 August 2005	
JB Magwaza	Independent non-executive director	1 October 1996	
ME Mkwanazi	Independent non-executive director	20 April 1999	
NP Mnxasana	Independent non-executive director	1 October 2008	
ML Ndlovu	Vice-chairman – independent non-executive director*	5 May 1993	
CML Savage	Independent non-executive director	1 November 2002	14 May 2008
GT Serobe	Non-executive director	16 August 2005	
JH Sutcliffe (British)	Non-executive director	10 December 2001	9 September 2008

** With effect from 20 February 2009: independent non-executive director.*

AUDIT COMMITTEE

The Audit Committee Report appears on pages 186 to 189.

COMPANY SECRETARY AND REGISTERED OFFICE

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

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

Registered address
135 Rivonia Road
Sandown
2196

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

PROPERTY AND EQUIPMENT

There was no material change in the nature of the property and equipment of the group or in the policy regarding their use during the year.

CONTRACTS

In 2004 Nedbank Group and Old Mutual plc entered into a relationship agreement, which formally records the terms of the relationship between the two parties. This agreement is available on the Nedbank Group website, www.nedbankgroup.co.za.

DIRECTORS' REPORT 2008

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

In 2005 the Wiphold Consortium and the Brimstone Consortium were chosen as active black business partners to assist in growing and repositioning the Nedbank Group business and driving its internal transformation. Aka Capital fulfils the role of business development partner. Consequently, performance agreements were entered into between Nedbank Group and the aforementioned parties, which govern, inter alia, the setting of the performance criteria, their evaluation and the resultant performance fees in respect of the black business partners.

Nedbank Limited entered into a contract with Group Five Building (Pty) Limited in 2008 for the construction of the second phase of the headoffice campus situated at 135 Rivonia Road. The building will comprise 43 258m^2 of mainly office space and a portion of retail space. The contract is due for completion on 13 March 2010.

Details of other contracts material to the affairs of Nedbank Group are discussed in the operational reviews included in the annual report.

DIRECTORS' SERVICE CONTRACTS

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

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

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

A similar service contract was agreed at the time of the appointment of Mr MWT Brown on 17 June 2004. This service contract is effective until Mr Brown reaches the normal retirement age and stipulates a maximum notice period of six months under most circumstances.

Mr ML Ndlovu's employment was governed by a consultancy contract, agreed at the time of his appointment as a Non-executive Vice-chairman of the company on 1 May 2005, and which expired on 31 December 2008.

INSURANCE

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

SUBSIDIARY COMPANIES

Details of principal subsidiary companies are reflected on pages 330 to 332 of the annual financial statements.

SPECIAL RESOLUTIONS BY SUBSIDIARIES

Bellissima Investments Seventy Two (Pty) Limited passed a special resolution at its shareholders' meeting on 31 October 2008, changing its name to NedProperties (Proprietary) Limited with effect from 7 November 2008.

BoE Developments (Pty) Limited passed a special resolution at its shareholders' meeting on 16 October 2008, amending certain articles contained in its articles of association to conform to Nedbank Group practice, with effect from 14 November 2008.

BoE Unit Trust Management Company Limited passed a special resolution at its shareholders' meeting on 28 May 2008, changing its name to Nedinvest Limited with effect from 25 June 2008.

CKD Leasing (Pty) Limited passed a special resolution at its shareholders' meeting on 9 December 2008, disposing of its major asset in terms of section 228 of the Companies Act, 61 of 1973 (as amended), with effect from 6 January 2009.

Manco Management Company (Pty) Limited passed a special resolution at its shareholders' meeting on 25 July 2008, changing its name to Tunga Management Company (Pty) Limited with effect from 31 July 2008.

NedEurope Limited (Isle of Man) passed a special resolution on 3 November 2008, adopting a new memorandum and articles of association and applying for reregistration as a company incorporated under the Isle of Man Companies Act 2006.

Nedcor Securities (Pty) Limited passed a special resolution at its shareholders' meeting on 23 July 2008, changing its name to Nedgroup Securities (Pty) Limited with effect from 11 August 2008.

Umlingo Trade and Invest 71 (Pty) Limited passed a special resolution at its shareholder's meeting on 25 January 2008, changing its name to Aard Mining Equipment (Pty) Limited with effect from 22 February 2008.

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

A number of subsidiary companies, registered as dormant share block companies, amended their articles of association to incorporate use agreements as part of the articles of association in compliance with the Share Block Control Act.

ACQUISITION OF SHARES

No shares in Nedbank Group were acquired by Nedbank Group or by a Nedbank Group subsidiary during the financial year under review, other than those subject to the repurchase of shares from the Nedbank Eyethu Retail Scheme, the terms and conditions of which scheme are detailed in the circular to ordinary shareholders dated 15 June 2005. Members will be requested to renew the general authority enabling the company or a subsidiary of the company to repurchase shares.

POST-BALANCE-SHEET EVENTS

The directors are not aware of any material post-balance-sheet events that have occurred between the balance sheet date and 25 February 2009.

DIRECTORS' INTERESTS

The directors' interests in ordinary shares in Nedbank Group and non-redeemable non-cumulative preference shares in Nedbank Limited at 31 December 2008 are set out in the Remuneration Report on pages 204 and 205.

REMUNERATION REPORT

REMUNERATION PHILOSOPHY

The overall purpose of remuneration in Nedbank Group is to attract, retain, motivate and reward high-performing and talented staff. Furthermore, the remuneration philosophy is aimed at encouraging sustainable long-term performance and at all times to align performance with the strategic direction and specific value drivers of the business, as well as the interests of stakeholders.

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

The group's market position is to pay for performance, while ensuring that there is a distribution of remuneration around the market median when performance is on par with predetermined financial and non-financial targets. Performance in excess of these financial targets is rewarded through additional incentives created through Nedbank Group's short-term incentive (STI) scheme, as well as Nedbank Group's recognition programme. Performance is measured at a group and business unit level against agreed targets after the finalisation of the year-end results. The financial results drive the creation of STI pools in the group and in each business unit. Distribution of these STI pools to individuals is on the basis of relative individual performance measured against agreed targets as stated in individual performance scorecards.

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

Nedbank Group does not use a generic grading structure. Instead, the bank benchmarks remuneration in terms of the roles employees are required to perform by comparison with the external market and in relation to individual performance. Information on external remuneration is critical to ensure that remuneration is market-related and substantial effort is made to ensure that market information is sourced from a number of different and credible remuneration surveys.

REMUNERATION COMMITTEE MEMBERSHIP AND CHARTER

The Group Remuneration Committee (the 'committee') operates according to a charter approved by the Nedbank Group Board. The board delegates responsibility to the committee for the investigation and benchmarking of remuneration practices and for considering and approving proposals made on remuneration practices for the group.

During 2008 the committee initially comprised four independent non-executive directors, namely JB Magwaza (Chairman), Chris Ball, Brian Figaji and Cedric Savage, and one non-executive director, Jim Sutcliffe. Mr Savage retired in May 2008 and Mr Sutcliffe resigned in September 2008. Bob Head, Regional Director, Old Mutual Europe, was appointed to the committee in October 2008. Tom Boardman, Chief Executive, Shirley Zinn, Group Executive: Human Resources, and Mike Brown, Chief Financial Officer, are permanent invitees to the committee meetings and recuse themselves from discussions on their own remuneration. The committee met six times during 2008.

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

The committee's responsibilities include:

- investigating and benchmarking remuneration practices and broad terms and conditions of employment for all permanent employees to ensure that these are fair and competitive, and approving the cost of annual remuneration increases awarded to employees;
- reviewing, monitoring and approving the design principles supporting incentive arrangements and the quantification of final STI pools for distribution to eligible employees;
- reviewing, monitoring and approving the Nedbank Group Employee Share Scheme rules, including the Eyethu Employee Scheme rules;
- approving the design principles supporting the LTI arrangements and the granting of LTIs to employees, as well as the financial targets linked to these incentives where applicable;
- making recommendations to the board on guaranteed remuneration adjustments, as well as short- and long-term incentives for the executive directors and members of the Group Executive Committee. The Chief Executive's remuneration is subject to final confirmation by the Remuneration Committee of Old Mutual plc;

- establishing a subcommittee to make recommendations on the fees paid to the Chairman, senior independent non-executive director and non-executive directors; and
- approving performance scorecards for the Chief Executive and members of the Nedbank Group Executive Committee.

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

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

A self-assessment of the committee was conducted in July 2008 to evaluate the committee's effectiveness against the objectives of the committee's charter and to highlight and therefore focus on areas where its performance could be enhanced.

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

- the committee performs its responsibilities according to its charter;
- there is good interaction between the board and the committee; and
- the committee meetings are productive and well-facilitated, with appropriately robust discussions and debate.

An area of improvement relates to the communication between the committee and other shareholders and stakeholders.

The Chairman of the board, Dr Reuel Khoza, also completed an evaluation that confirmed his satisfaction with the performance of the committee.

Advisers to the committee

The committee is informed of market-related information on guaranteed packages (remuneration on a total cost-to-company basis), as well as short- and long-term incentives, based on a number of remuneration surveys in which the group participates. These include Remchannel, the GRS Top Executive Remuneration Survey, the LMO Executive Remuneration Survey, the Hay Investment Banking Survey and a number of smaller niche remuneration surveys. Specialists within the Group Remuneration Services Department collate and analyse the information sourced from external service providers and prepare documentation for consideration and approval by the committee. Where appropriate, the committee has access to independent executive remuneration consultants, and has utilised the services of Vasdex Associates and PricewaterhouseCoopers during the year. During 2008 Kevin Stacey, in his capacity as the Old Mutual plc remuneration specialist, provided the committee with input from the perspective of the Old Mutual plc Remuneration Committee.

Education of committee members

As part of the ongoing education of directors, a training session on the latest remuneration practices in Europe and the high-level principles on remuneration and incentive schemes in the other Old Mutual plc businesses was facilitated by Kevin Stacey.

Guaranteed-package increases

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

Non-managerial employees form part of a bargaining unit, and annual increases granted for this grouping depend on negotiations with the recognised trade unions, SASBO and IBSA. In April 2008 the non-managerial remuneration bill was increased by 8,375% and the managerial and executive remuneration bill increased by 7,25%. Individual increases are granted on the basis of personal performance and market comparisons within the overall adjustment percentage.

Chief Executive Tom Boardman's guaranteed package was reviewed in February 2008 and adjusted to R4 600 000 pa with effect from 1 April 2008. This increase took into account an annual increase in line with CPIX as well as a market adjustment based on his performance and remuneration levels relative to his peer group at the other major banks. Chief Financial Officer Mike Brown's guaranteed package was reviewed and adjusted to R2 700 000 pa with effect from 1 April 2008 using the same CPIX performance and market-related criteria. These increases cover the period from 1 April 2008 to 31 March 2009.

Remuneration

All employees in the Nedbank Group are remunerated on a total cost-to-company basis (referred to in this report as 'the guaranteed package'), which includes a basic salary, 13th cheque (if selected), allowances and contributions to benefit funds. From the guaranteed package contributions are made to the Nedgroup Medical Aid Scheme, a postretirement medical aid fund (applicable only to qualifying employees), a retirement fund, a disability fund and a death benefit scheme. A car allowance/company car contribution may be structured into the package where the employee is required to travel on group business. The amounts stipulated under basic salary and other benefits in table 1 on page 197 exclude the contributions to the retirement fund, but include contributions to the disability fund, the car allowance/ company car, medical aid and postretirement medical aid subsidy.

Retirement scheme

The executive directors are members of Nedbank's defined-contribution retirement schemes. There are therefore no defined-benefit liabilities in respect of the executive directors. Contributions to the retirement funds form part of the guaranteed package.

Short-term incentives

Short-term incentives are intended to encourage particular behaviours and obtain desired results. Nedbank Group incentive schemes are structured to support collaborative work across different clusters. The committee has agreed a set of principles and all group and cluster incentive schemes are designed according to those principles.

The level of Nedbank Group's economic profit (EP) in excess of the target for 2008 was the driver for the creation of the incentive pools for all support clusters and the group pool component for the income-generating clusters.

In the income-generating clusters incentive pools are structured with a weighting linked to the group, cluster and, where appropriate, divisional performance. The three income-generating clusters within Nedbank (Retail, Corporate and Capital) were measured against relevant EP targets, with these pools being calculated independently of one another. Independent calculations are done to ensure that the total amount calculated on the group's EP performance and the amounts calculated taking into consideration each cluster's and division's independent performance do not differ by more than 5%. If the difference is more than 5%, the calculated group pool will be used. Distribution of these pools is based on individual performance relative to the agreed deliverables in the performance management process (performance scorecards for managers, senior managers and executives).

Executive remuneration is benchmarked to data provided in national executive remuneration surveys and information disclosed in annual financial statements. Executive bonuses are based on actual performance measured against agreed financial and non-financial targets as approved by the committee.

To align with the group's three-year business plan targets, which are aligned with the group's risk appetite as part of the planning process, the short-term incentives were aligned to EP in 2008. At a group level EP is calculated using International Financial Reporting Standards (IFRS) headline earnings and average shareholders' funds together with an appropriate hurdle above the group's cost of equity. Similar calculations are performed in the clusters using economic capital allocations and cluster-specific cost of equity estimates.

Deferred short-term incentive scheme

In 2006, in response to a buoyant labour market and a higher-than-normal staff turnover, a deferred short-term incentive (DSTI) scheme was approved and implemented for 337 employees, serving as a retention scheme. The Chief Executive and members of the Group Executive Committee were excluded from the 2006 scheme. An initial payment took place in October 2006 with a two-year lock-in period and the balance of the DSTI payment was paid in November 2008. The participants from Nedbank Capital were given a three-year lock-in with the final payment scheduled for November 2009. Employees who left the service of Nedbank before the attainment of the lock-in date were required to reimburse Nedbank the gross initial amount paid. The scheme achieved its key aim of retaining critical skills.

In 2008 Nedbank was in a situation where the retention of key staff again became increasingly challenging in a tougher financial services sector where these skills were in demand. In July 2008 the committee approved a further retention scheme to be used for key staff and at 31 December 2008, the scheme included 153 participants. The Chief Executive and members of the Group Executive Committee were also excluded from the 2008 scheme. An initial payment took place in October 2008 and the balance of the cash award will be paid in October 2011. Participants leaving the service of the group before the termination date of the scheme are required to reimburse Nedbank the gross initial amount paid.

EXECUTIVE DIRECTORS

Service contracts

In order to allow Tom Boardman to present the 2009 financial results his service contract was extended to 28 February 2010. The extension of the contract was agreed in January 2007. His service contract stipulates a maximum notice period of six months under most circumstances. A service contract was agreed with Mike Brown on 17 June 2004, with a notice period of six months under most circumstances and retirement age of 60 years.

Executive directors' remuneration

The remuneration of executive directors for the years ended 31 December 2008 and 31 December 2007 was as follows:

Table 1: Executive directors' remuneration – year to 31 December 2008

Name	Basic salary and other benefits* (R000)	Retirement fund contributions (R000)	Guaranteed remuneration (R000)	Performance bonus** (R000)	Total (R000)	2008-on-2007 change (%)
TA Boardman	4 104	309	4 413	6 000***	10 413	(11,5)
MWT Brown	2 282	319	2 601	3 250	5 851	(19,3)
Total	**6 386**	**628**	**7 014**	**9 250**	**16 264**	**(14,5)**

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

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

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

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

Table 2: Executive directors' remuneration – year to 31 December 2007

Name	Basic salary and other benefits* (R000)	Retirement fund contributions (R000)	Guaranteed remuneration (R000)	Performance bonus** (R000)	Total (R000)	2007-on-2006 change (%)
TA Boardman	3 499	263	3 762	8 000	11 762	18,4
MWT Brown	1 974	276	2 250	5 000	7 250	15,8
Total	**5 473**	**539**	**6 012**	**13 000**	**19 012**	**17,4**

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

*** Bonus relates to performance in 2007, paid in March 2008.*

A fully taxed refund of R128 686 relating to previous earnings was made to TA Boardman during 2007.

Performance bonus for executive directors

For both the Chief Executive and the Chief Financial Officer the performance bonus for 2008 was based on a combination of the level of group economic profit as well as performance against their individual performance scorecards.

The individual performance of Tom Boardman and that of Mike Brown is measured across five dimensions to determine their respective share of the bonus pool, namely financial, clients, internal processes, transformation and organisational learning. The specific objectives for each of these dimensions are as follows:

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

Performance across all five of these dimensions in 2008 was solid in the light of market conditions. Targets across four of the major focus areas, ie clients, internal processes, transformation and organisational learning, were exceeded. Financial targets were largely met, but group economic profit declined compared with that of 2007, resulting in reduced bonus pools. This represents a resilient performance in the light of global conditions and compares favourably with that of our international and local peers.

Severance arrangements for executive directors

In the event of their services being terminated executive directors will be entitled to a severance package equal to two weeks' guaranteed remuneration per completed year of defined operational service, with no maximum. In addition, executive directors are entitled to a maximum notice period of six months, during which they may or may not be required to work.

Non-executive directors' remuneration

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

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

In October 2008 the boards of Nedbank Group and Nedbank Limited decided to withdraw the position of vice-chairman of the board following the creation of the post of senior independent non-executive director. As a result the Joint Vice-chairmen of the boards, Michael Katz and Lot Ndlovu, will formally step down from their positions at the annual general meeting on 14 May 2009 and will continue to serve as independent non-executive directors of the group. Chris Ball is the senior independent non-executive director.

Non-executive directors' remuneration for the years ended 31 December 2008 and 31 December 2007 were as follows:

Name	Note	Board meeting fees R000	Committee meeting fees R000	**2008 R000**	2007 R000
CJW Ball	1, 2	514	814	**1 328**	1 093
TCP Chikane		240	199	**439**	331
BE Davison	b	141	167	**308**	461
N Dennis	f				300
MA Enus-Brey	1	240	176	**416**	346
B de L Figaji		240	190	**430**	335
R Harris	4, e	240	86	**326**	10
RM Head	2, 4	354	210	**564**	584
MM Katz		240	395	**635**	550
RJ Khoza	c		3 000	**3 000**	2 500
JB Magwaza	3	490	680	**1 170**	1 061
NP Mnxasana	1, g	124	49	**173**	
ME Mkwanazi		240	215	**455**	375
ML Ndlovu	2, d	354	995	**1 349**	2 258
CML Savage		88	76	**164**	361
GT Serobe	2, 5	494	77	**571**	535
JH Sutcliffe	4, a	166	69	**235**	270
Total		4 165	7 398	**11 563**	11 370

1 *Includes fees for board, subsidiary board and committee memberships (including Imperial Bank) for the years 2007 and 2008.*
2 *Includes fees for board and committee memberships (including Mutual & Federal) for the years 2007 and 2008.*
3 *Includes fees for board and committee memberships (and additional services to Mutual & Federal) for the years 2007 and 2008.*
4 *Fees for RM Head and JH Sutcliffe and R Harris are paid to Old Mutual (SA) Limited for 2007 and 2008.*
5 *Includes fees for board and committee memberships (including Old Mutual Life Company South Africa) for the years 2007 and 2008.*
a *JH Sutcliffe has resigned as a non-executive director from the boards of Nedbank Group and Nedbank Limited with effect from 9 September 2008 following his resignation as Chief Executive of Old Mutual plc.*
b *BE Davison resigned as non-executive director with effect from 2 August 2008.*
c *From 1 January 2008 to 29 February 2008, RJ Khoza's fees were paid directly to AKA Capital (Pty) Limited.*
d *As part of the negotiations to conclude the termination of ML Ndlovu's services as a consultant to the Nedbank Group, it was agreed that he would receive a payment of R500 000 in 2008.*
e *R Harris was appointed as a non-executive director with effect from 10 December 2007.*
f *N Dennis resigned as an independent non-executive director effective 31 December 2007.*
g *NP Mnxasana was appointed as an independent non-executive director with effect from 1 October 2008.*

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

Committee Boards	Proposed (with effect from 1 January 2009)*** (R)	**Annual fee**** **2008** **(R)**	Annual fee 2007 (R)
Chairman of the board*	3 300 000	**3 000 000**	2 500 000
Vice-chairmen premium ****	100 000	**100 000**	
Senior Independent Director*****	105 600	**96 000**	
Nedbank Group Limited	143 000	**130 000**	95 000
Nedbank Limited**	121 000	**110 000**	80 000
Committees			
Group Audit Committee**	114 000	**105 000**	96 000
Group Finance and Oversight Committee	20 000	**20 000**	30 000
Group Remuneration Committee**	64 800	**60 000**	55 000
Group Risk and Capital Management Committee**	90 000	**75 000**	60 000
Group Credit Committee	67 500	**65 000**	65 000
Group Directors' Affairs Committee	44 000	**40 000**	40 000
Board Strategic Innovation Management Committee**	42 000	**40 000**	35 000
Group Transformation and Sustainability Committee**	65 000	**65 000**	40 000

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

** *At the annual general meeting held on 13 May 2008 approval was granted to increase non-executive directors' fees in order to align the board fees with local market practices.*

*** *Subject to shareholders' approval at the 2009 annual general meeting.*

**** *This function terminates at the close of the May 2009 annual general meeting.*

*****A fee of 40% on the Nedbank Group Limited and Nedbank Limited Board member fee is paid to the Senior Independent Director.*

Chairmen of committees (other than the Chairman of the Nedbank and Nedbank Group Directors' Affairs Committee, who receives a set annual remuneration package) receive double the member fees. Fees payable to the non-executive directors and the Nedbank Group Chairman are reviewed annually and adjustments are considered by a subcommittee of the Remuneration Committee. The subcommittee recommended the above increases with effect from 1 January 2009. These were approved by the board, but are still subject to shareholder approval at the annual general meeting to be held on 14 May 2009. Committee meeting attendance is recorded in the Enterprise Governance and Compliance Report on page 109.

SHARE INCENTIVES

Share option/Restricted-share grants

Long-term incentives are intended to achieve two strategic objectives: to retain high-impact employees and provide long-term reward that is aligned with the interests of the shareholders. The value of the incentive issued is based on the most recent performance review, individual career path planning, scarcity of skills and the organisation's need for retaining the individual. The value of the instrument allocated is benchmarked to the external market and overall affordability. During 2008 the committee elected to issue restricted shares as opposed to share options to eligible participants. In line with market best practice, the restricted shares were introduced with corporate performance targets.

On-appointment allocations (internal and external appointments)

On-appointment restricted share allocations are offered at the discretion of the committee to new senior management employees in addition to employees who have been appointed to more senior positions and have been recommended by the Group Executive Committee. On-appointment allocations take place three trading days after the announcement of the interim and annual financial results (in February and August), subject to the Nedbank Group Personal Account and Insider Trading Policy. The committee will determine annually whether performance-based vesting conditions will apply. The vesting period for on-appointment allocations is three years from the date of allocation, subject to the achievement of corporate performance targets.

Annual allocations

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

Annual allocations take place once a year (typically in February), subject to the Nedbank Group Personal Account and Insider Trading Policy. The committee will determine annually whether performance-based vesting conditions will apply in respect of the allocation to qualifying employees.

At 31 December 2008 share options and restricted shares in issue under the Nedbank employee schemes (vested and unvested), as a percentage of issued share capital, was 4,5% This is well within the maximum of the 10% provided by the scheme rules.

EMPLOYEE LONG-TERM INCENTIVE SCHEMES

2005 Nedbank Employee Share Scheme

This scheme consists of three parts:

1 **Share Option Scheme**
Share options can be issued to qualifying employees with or without performance conditions (as determined annually by the committee). No new share options were granted to employees in 2008.

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

- employees are still in the service of the group on the vesting date (three years after acquisition) for 50% of the matched shares; and
- the group has met an agreed performance target over a three-year period for the remaining 50% of the matched shares.

In May 2008 enhancements to the Matched Share Scheme were approved at the annual general meeting. The Matched Investment Plan (MIP) was approved as an enhanced scheme for participants, and the previous Matched Share Scheme was renamed the Bonus Share Scheme (the principles remain unchanged). The MIP was not offered to employees during 2008 due to the current economic climate. The committee retains the discretion to implement the MIP based on business and market conditions.

3 **Restricted Share Plan**

During 2008 Nedbank granted restricted shares with time-based and performance–based vesting criteria.

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

Annual allocations were made to 1 141 employees on 3 March 2008. On-appointment allocations were made to 112 employees in total on 3 March 2008 and 11 August 2008.

Where applicable, restricted shares will vest only if the predetermined financial targets are achieved. In the event of no performance targets applying time-based vesting criteria will apply. The committee agreed that a combination of the following three performance targets is to be used for the period 2008 – 2011 on a graduated scale of vesting: return on equity (ROE) (excluding goodwill), fully diluted headline earnings per share (HEPS) growth and the cost-to-income ratio. Employees granted restricted shares during 2008, which were initially subject to only an ROE (excluding goodwill) target, were given the option to elect the graduated vesting targets or retain on the ROE (excluding goodwill) target. All restricted shares allocated under this scheme will vest subject to the achievement of targets after three years from the date of allocation. As part of the Restricted Share Plan rules, participants are entitled to receive dividends.

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

Phantom Share Plan
During 2007 the committee approved the Phantom Share Plan (cash-settled) for key staff of the business in the United Kingdom. The scheme design principles mirror the South African LTI schemes as far as possible. A total of 14 United Kingdom employees participated in the scheme in 2008.

Status of the share schemes
1994 Nedcor Group Employee Incentive Scheme
At 31 December 2008 there were 351 participants and 1 870 387 Nedbank Group share options outstanding, of which 47 911 were as a result of the rights issue grant linked to the underlying options during 2004. Of these share options outstanding 715 035 were issued with performance-based vesting criteria and 1 155 352 were time-based allocations.

All corporate performance targets for share options issued in 2005 were met and hence all these share options vested.

2005 Nedbank Employee Share Trust

At 31 December 2008 there were 1 172 participants and 14 083 839 Nedbank Group share options outstanding. All share options under this scheme were issued with time-based vesting criteria. The restricted-share allocations made in 2008 were also linked to the achievement of financial targets. A total of 2 516 999 restricted shares were issued in 2008.

Matched Share Scheme

The number of participants who have committed shares to the scheme at 31 December 2008 is noted below:

2008	2007	2006	2005
412	414	437	461

The number of shares held in the trust totals 595 170 shares.

NEDBANK EYETHU EMPLOYEE SCHEMES

Nedbank Group implemented its black economic empowerment (BEE) staff schemes in August 2005. The objective of the schemes is to support the achievement of Nedbank's broad transformation strategy. The group has completed a project to ensure that the schemes also meet the requirements of the Department of Trade and Industry (dti) codes. A final audit to confirm that all the requirements have been met will be concluded in July 2009.

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

At 31 December 2008 a total of 42 black employees in senior positions with group-wide impact, as identified by the Group Executive Committee and approved by the committee and trustees, are beneficiaries of the Black Executive Trust.

Black permanent employees earning in excess of R325 654 per annum received new or top-up options and shares under the Black Management Scheme in the period under review.

At the 13 May 2008 AGM it was agreed that 2,4 million shares be transferred to the Black Management Scheme from the Nedbank Eyethu Retail Scheme in order to bolster the scheme for future allocations.

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

The Evergreen Trust was created with the specific purpose of uplifting the living standards and personal circumstances of black permanent employees who meet certain eligibility criteria. In April 2009 55 beneficiaries will be completing their Grade 12 qualification equivalent to a NQF4.

NEDBANK EYETHU NON-EXECUTIVE DIRECTORS TRUST

This trust holds 900 966 shares. At 31 December 2008 a total of 654 068 shares were allocated to five participants.

On 3 March 2008 81 815 shares were allocated to TCP Chikane as a participant in the Nedbank Eyethu Non-Executive Directors Scheme.

At 28 October 2008 a total of 19 376 shares were allocated to TCP Chikane, B de L Figaji, JB Magwaza, ME Mkwanazi and ML Ndlovu, utilising the 2008 interim cash dividend in terms of the rules governing this scheme.

NEDBANK AFRICA SUBSIDIARY SCHEMES

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

Executive directors' share option holdings

Name	Opening balance at December 2007				
	Number of options	Date of issue	Issue price (R)	Vested	Expiry date
TA Boardman	126 200	02/07/2002	123,60	126 200	02/07/2008
	125 000*	11/05/2004	60,01		11/05/2010
	100 000	30/06/2005	76,79		30/06/2010
	120 000	28/02/2006	110,98		28/02/2011
	72 765*	27/02/2007	144,30		27/02/2012
	543 965			126 200	
MWT Brown	72 800	02/07/2002	123,60	72 800	02/07/2008
	20 000*	11/05/2004	60,01	10 000	11/05/2010
	80 000*	10/08/2004	55,75		10/08/2010
	13 934*	10/05/2004	45,00	13 934	10/08/2010
	20 000	30/06/2005	76,79		30/06/2010
	70 000	28/02/2006	110,98		28/02/2011
	40 000*	27/02/2007	144,30		28/02/2012
	316 734			96 734	

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

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

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

** *No share options were issued in 2008 as a result of the introduction of the Restricted Share Plan.*

Executive directors' restricted shareholding (2008)*

Name	Restricted shares issued during 2008			Closing balance at December 2008			
	Number of restricted shares	Date of issue	Issue price (R)	Number of restricted shares	Date of issue	Issue price (R)	Vesting date
TA Boardman	60 167	03/03/2008	120,62	60 167	03/03/2008	120,62	04/03/2011
	60 167			60 167			
MWT Brown	38 613	03/03/2008	120,62	38 613	03/03/2008	120,62	04/03/2011
	38 613			38 613			

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

	Exercised during 2008			Closing balance at December 2008**				
Number of options	Date of exercise/ cancellation	Issue price (R)	Gain on options exercised/ lapsed	Number of options	Date of issue	Issue price (R)	Vested	Expiry date
126 200	02/07/2008	123,60	lapsed					
125 000*	28/08/2008	60,01	5 782 650					
				100 000	30/06/2005	76,79	100 000	30/06/2010
				120 000	28/02/2006	110,98		28/02/2011
				72 765*	27/02/2007	144,30		27/02/2012
251 200			5 782 650	292 765			100 000	
72 800	02/07/2008	123,60	lapsed					
				20 000*	11/05/2004	60,01	20 000*	11/05/2010
				80 000*	10/08/2004	55,75	80 000*	10/08/2010
13 934	25/03/2008	45,00	1 036 968					
				20 000	30/06/2005	76,79	20 000	30/06/2010
				70 000	28/02/2006	110,98		28/02/2011
				40 000*	27/02/2007	144,30		28/02/2012
86 734			1 036 968	230 000			120 000	

Shares purchased/committed by executive directors under the Matched Share Scheme for the period 2005 – 2008:

Name	Number of shares	Date of inception	Strike price (R)
TA Boardman	15 098	02/06/2005+	76,50
	10 000	28/03/2006	130,18
	20 000	31/03/2008	117,83
MWT Brown	9 803	02/06/2005+	76,50
	7 400	28/03/2006	130,18
	8 878	27/03/2007	141,92
	13 155	31/03/2008	117,83

+ 100% of the ordinary shares were matched on 3 June 2008 in terms of the rules of the Nedbank Group (2005) Matched Share Scheme.

Directors' interests

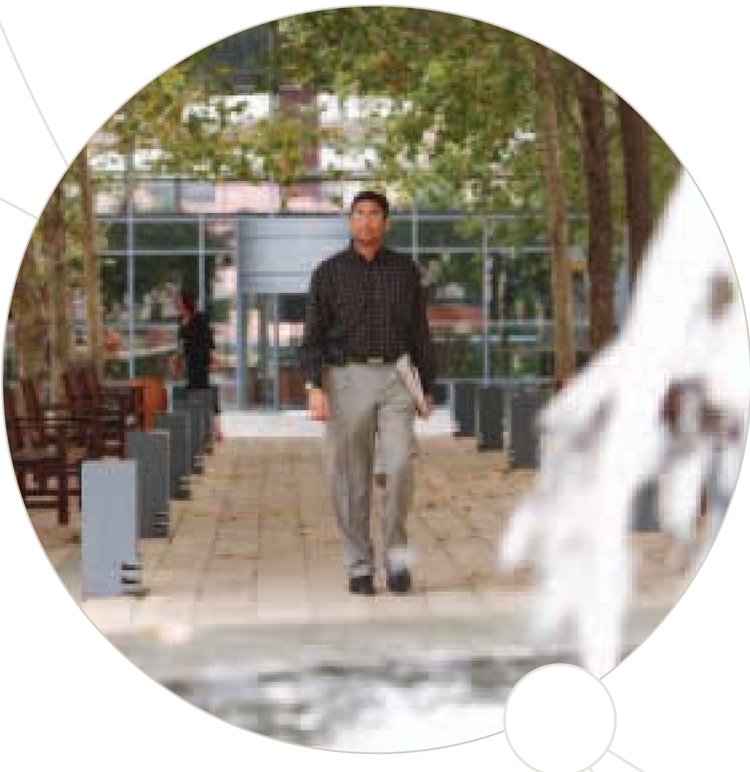
At 31 December 2008 the directors' interests in ordinary shares in Nedbank Group were as follows:

	Beneficial				Non-beneficial	
	Direct		Indirect		Indirect	
Number of shares	**2008**	2007	**2008**	2007	**2008**	2007
CJW Ball	**10 000**	10 000				
TA Boardman	**98 936**	50 098	**60 167**			
MWT Brown	**49 940**	26 203	**39 522**	909		
TCP Chikane			**86 912**			
MA Enus-Brey*+			**1 650**	1 633**	**546**	546**
B de L Figaji*			**114 579**	107 928	**2 296**	2 296
R Harris						
RM Head						
MM Katz			**4 826**	4 682		
RJ Khoza*++			**1 031**	1 031	**1 031**	1 031
JB Magwaza*	**160**	160	**114 529**	107 878	**549**	549
ME Mkwanazi*	**1 768**	1 768	**114 579**	107 928	**1 148**	1 148
NP Mnxasana						
ML Ndlovu			**246 769**	232 871		
GT Serobe*+++			**972**	972	**2 458**	2 458
Total	**160 804**	88 229	**785 536**	565 832	**8 028**	8 028

* *Includes shares bought in terms of the Retail Eyethu Scheme by immediate family members.*
** *Shares awarded in 2007 (in terms of final dividend paid for 2006) are shown as being held beneficially indirect.*
+ *Excludes 4 353 200 and 4 662 678 shares held by The Brimstone-Mtha Financial Services Trust in 2007 and 2008 respectively.*
++ *Excludes 1 837 021 and 1 946 719 shares held by The Aka-Nedbank Eyethu Trust in 2007 and 2008 respectively.*
+++ *Excludes 4 366 046 and 4 676 324 shares held by The Wiphold Financial Services Number Two Trust in 2007 and 2008 respectively.*

Refer to the circular to ordinary shareholders issued on 15 June 2005 for further information relating to the abovementioned trusts.

None of the directors had any direct non-beneficial interest in the shares of the company during the year under review.



At 31 December 2008 the directors' interests in the non-redeemable non-cumulative preference shares of R0,001 each in Nedbank Limited were as follows:

Number of shares	Beneficial Direct 2008	2007	Non-beneficial Indirect 2008	2007
CJW Ball	**144 300**	144 300		
TA Boardman			**85 000**	85 000
MWT Brown				
TCP Chikane				
B de L Figaji				
MA Enus-Brey				
R Harris				
RM Head				
MM Katz	**165 000**	475 000	**105 000**	105 000
RJ Khoza				
JB Magwaza				
ME Mkwanazi				
NP Mnxasana				
ML Ndlovu				
GT Serobe				
Total	**309 300**	619 300	**190 000**	190 000

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

On 3 March 2009 altogether 99 340 restricted shares will be granted to TA Boardman with corporate performance targets in terms of the Nedbank Group (2005) Share Option, Matched and Restricted Share Scheme. Furthermore, on 3 March 2009 MWT Brown will be granted 118 827 restricted shares in terms of the Nedbank Group (2005) Share Option, Matched and Restricted Share Scheme. 52 812 restricted shares will be granted with corporate performance targets and 66 015 without corporate performance targets.

On 3 March 2009 NP Mnxasana will acquire 46 722 ordinary shares through the Nedbank Eyethu Non-executive Directors' Scheme. There are 100 000 (2007: 437 934) options outstanding that have been granted to executive directors in terms of the Nedcor Group (1994) Employee Incentive Scheme and 422 765 (2007: 422 765) options outstanding that have been granted to executive directors in terms of the Nedbank Group (2005) Share Option, Matched Share and Restricted Share Scheme. Refer to pages 202 and 203.

NEDBANK GROUP EMPLOYEE INCENTIVE SCHEMES

FOR THE YEAR ENDED 31 DECEMBER

	2008	2007
Movements		
Options outstanding at the beginning of the year	**21 174 877**	20 384 608
Granted	**2 812 982**	6 557 583
Exercised	**(2 351 454)**	(3 503 475)
Expired	**(1 313 279)**	(173 313)
Surrendered	**(1 404 848)**	(2 090 526)
Options outstanding at the end of the year	**18 918 278**	21 174 877
Analysis		
Performance-based options – 1994 Scheme	**715 035**[P]	1 311 740[P]
Non-performance-based options – 1994 Scheme	**1 155 352**	2 960 131
Performance-based options – 2005 Scheme	**8 095 501**[P]	6 227 766[P]
Non-performance-based options – 2005 Scheme	**8 357 220**	10 078 478
Performance-based options – Matched Shares Scheme 2005	**297 585**	298 381
Non-performance-based options – Matched Shares Scheme 2005	**297 585**	298 381
	18 918 278	21 174 877
Summary by scheme		
Nedcor Group Employee Incentive Scheme (1994)	**1 822 476**	3 971 572
Options granted in respect of the rights offer (1994 scheme)	**47 911**	271 409
Ex-NIB Share Incentive Scheme – now part of Nedcor Group Employee Incentive Scheme (1994)		28 890
Nedbank Group Share Option Scheme (2005)	**16 452 721**	16 306 244
Nedbank Group Matched Share Scheme (2005)	**595 170**	596 762
Options outstanding at the end of the year	**18 918 278**	21 174 877

NEDCOR GROUP EMPLOYEE INCENTIVE SCHEME (1994)

The following options granted had not been exercised at 31 December 2008:

Option expiry date	Number of shares	Issue price R	Option expiry date	Number of shares	Issue price R
			b/f	143 790	
25-Feb-09	54 750	102,19	28-Jan-10	2 875[P]	60,01
30-Mar-09	650	60,01	1-Mar-10	5 000	60,01
30-Mar-09	650[P]	60,01	1-Mar-10	5 000[P]	60,01
21-May-09	1 000	60,01	1-Apr-10	5 000	60,01
21-May-09	1 000[P]	60,01	1-Apr-10	5 000[P]	60,01
12-Jun-09	3 750	69,20	1-May-10	11 500[P]	60,01
29-Aug-09	12 000	74,40	11-May-10	609 988[P]	60,01
1-Oct-09	11 840[P]	69,20	11-May-10	453 023	60,01
1-Oct-09	46 900	69,20	10-Aug-10	56 000[P]	55,75
1-Dec-09	5 000	60,01	10-Aug-10	198 950	55,75
1-Dec-09	5 000[P]	60,01	20-Apr-11	326 350	74,40
1-Jan-10	1 250[P]	60,01			
Total	**143 790**			**1 822 476**	

OPTIONS GRANTED IN RESPECT OF THE RIGHTS OFFER (1994 SCHEME)

Option expiry date	Number of shares	Issue price R
25-Feb-09	21 876	45,00
12-Jun-09	1 563	45,00
1-Oct-09	19 540	45,00
1-Oct-09	4 932[P]	45,00
Total	**47 911**	

NEDBANK GROUP (2005) SHARE OPTION, MATCHED SHARE AND RESTRICTED SHARE SCHEME

Share options:

The following options granted had not been exercised at 31 December 2008:

Option expiry date	Number of shares	Issue price R	Option expiry date	Number of shares	Issue price R	Option expiry date	Number of shares	Issue price R
31-Jan-09	12 700	110,98	b/f	96 600		b/f	212 200	
31-Jan-09	4 000[P]	134,30	1-May-09	15 000	110,98	7-Oct-09	1 000	76,79
31-Jan-09	18 000[P]	144,30	1-May-09	7 100	84,68	1-Nov-09	10 000	76,79
1-Feb-09	7 000	76,79	1-Jun-09	4 000	76,79	1-Nov-09	17 500	110,98
23-Feb-09	2 500	76,79	1-Jul-09	2 000	76,79	1-Nov-09	15 000[P]	144,30
28-Feb-09	2 000	76,79	1-Jul-09	1 000	110,98	1-Dec-09	5 000	76,79
28-Feb-09	9 400	84,68	1-Jul-09	2 000[P]	144,30	1-Dec-09	8 000	110,98
28-Feb-09	11 000	110,98	2-Jul-09	5 000	76,79	1-Dec-09	6 000[P]	144,30
28-Feb-09	9 500[P]	144,30	2-Jul-09	2 000	110,98	30-Jun-10	3 026 040	76,79
6-Mar-09	500	76,79	2-Jul-09	2 000[P]	144,30	8-Aug-10	356 900	84,68
31-Mar-09	1 000	76,79	1-Sep-09	20 000	76,79	28-Feb-11	4 394 980	110,98
18-Apr-09	1 000	76,79	1-Oct-09	11 000	76,79	3-Mar-11	2 173 651[P]	*
22-Apr-09	1 000	76,79	1-Oct-09	25 000	110,98	10-Aug-11	376 100	107,03
30-Apr-09	5 000	76,79	1-Oct-09	12 000[P]	144,30	11-Aug-11	195 231[P]	*
30-Apr-09	2 000	110,98	2-Oct-09	4 500	110,98	27-Feb-12	4 963 119[P]	144,30
1-May-09	10 000	76,79	2-Oct-09	3 000[P]	144,30	10-Aug-12	692 000[P]	134,30
Total	**96 600**			**212 200**			**16 452 721**	

** Restricted shares issued at a market price for no consideration to participants and held by the scheme until expiry date (subject to achievement of 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 2008:

Option expiry	Number of shares
1-Apr-09	136 243
31-Mar-10	168 593
1-Apr-11	290 334
Total	**595 170**

[P] Performance-based options.

GROUP INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER

	Notes	2008 Rm	2007 Rm
Interest and similar income	11	57 986	42 001
Interest expense and similar charges	12	41 816	27 855
Net interest income		16 170	14 146
Impairments charge on loans and advances	27.1	4 822	2 164
Income from lending activities		11 348	11 982
Non-interest revenue	13	10 729	10 446
Operating income		22 077	22 428
Total operating expenses		13 741	13 489
– Operating expenses	14	13 547	13 341
– BEE transaction expenses	15	194	148
Indirect taxation	16	374	305
Profit from operations before non-trading and capital items		7 962	8 634
Non-trading and capital items	17	756	111
Profit from operations		8 718	8 745
Share of profits of associates and joint ventures	31.2	154	239
Profit before direct taxation		8 872	8 984
Direct taxation	18.1	1 868	2 343
Profit for the year		7 004	6 641
Profit attributable to:			
Equityholders of the parent		6 410	6 025
Minority interest – ordinary shareholders		257	344
Minority interest – preference shareholders		337	272
		7 004	6 641
Basic earnings per share (cents)	19.1	1 581	1 511
Diluted earnings per share (cents)	19.1	1 558	1 454
Dividend declared per share (cents)	20.1	620	660
Dividend paid per share (cents)	20.1	660	594

GROUP BALANCE SHEET
AT 31 DECEMBER

	Notes	2008 Rm	2007 Rm
Assets			
Cash and cash equivalents	21	8 609	10 344
Other short-term securities	22	18 589	25 793
Derivative financial instruments	23	22 321	9 047
Government and other securities	25	42 138	29 637
Loans and advances	26	434 233	373 956
Other assets	28	6 084	9 313
Clients' indebtedness for acceptances		3 024	2 251
Current taxation receivable	29	346	59
Investment securities	30	8 455	8 318
Non-current assets held for sale	32	10	31
Investments in associate companies and joint ventures	31	1 167	978
Deferred taxation asset	33	200	25
Investment property	34	213	171
Property and equipment	35	4 327	3 929
Long-term employee benefit assets	36	1 741	1 393
Computer software and capitalised development costs	37	1 607	1 349
Mandatory reserve deposits with central bank	21	10 065	8 364
Goodwill	38	3 894	3 898
Total assets		567 023	488 856
Equity and liabilities			
Ordinary share capital	39.1	410	402
Ordinary share premium		11 370	10 721
Reserves		23 133	19 070
Total equity attributable to equityholders of the parent		34 913	30 193
Minority shareholders' equity attributable to:			
– ordinary shareholders		1 881	1 511
– preference shareholders	39.2	3 279	3 421
Total equity		40 073	35 125
Derivative financial instruments	23	23 737	11 432
Amounts owed to depositors	40	466 890	384 541
Provisions and other liabilities	41	9 829	34 225
Liabilities under acceptances		3 024	2 251
Current taxation liabilities	29	235	337
Deferred taxation liabilities	33	2 100	1 616
Long-term employee benefit liabilities	36	1 231	1 157
Investment contract liabilities	42	5 843	5 846
Long-term debt instruments	43	14 061	12 326
Total liabilities		526 950	453 731
Total equity and liabilities		567 023	488 856
Guarantees on behalf of clients	44	25 226	20 579

GROUP CURRENCY-ADJUSTED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

Millions	2008 R	2007 R
Interest and similar income	57 986	42 001
Interest expense and similar charges	41 816	27 855
Net interest income	16 170	14 146
Impairments charge on loans and advances	4 822	2 164
Income from lending activities	11 348	11 982
Non-interest revenue	10 729	10 446
Operating income	22 077	22 428
Total operating expenses	13 741	13 489
– Operating expenses	13 547	13 341
– BEE transaction expenses	194	148
Indirect taxation	374	305
Profit from operations before non-trading and capital items	7 962	8 634
Non-trading and capital items	756	111
Profit from operations	8 718	8 745
Share of profits of associates and joint ventures	154	239
Profit before direct taxation	8 872	8 984
Direct taxation	1 868	2 343
Profit for the year	7 004	6 641
Minority interest attributable to ordinary shareholders	257	344
Minority interest attributable to preference shareholders	337	272
Profit attributable to equityholders of the parent	6 410	6 025
Less: non-trading and capital items	645	104
– Non-trading and capital items	756	111
– Tax on non-trading and capital items	(111)	(7)
Headline earnings	5 765	5 921
Average exchange rate at 31 December for R1	1	1

The income statement reported in South African rand has been translated into other currencies at the average exchange rates for the year. Refer to note 47.

	2008 US$	2007 US$	2008 UK£	2007 UK£	2008 €	2007 €
	7 022	5 981	3 856	2 982	4 807	4 339
	5 064	3 967	2 781	1 978	3 467	2 877
	1 958	2 014	1 075	1 004	1 340	1 462
	584	308	321	154	400	224
	1 374	1 706	754	850	940	1 238
	1 299	1 488	713	742	889	1 079
	2 673	3 194	1 467	1 592	1 829	2 317
	1 664	1 921	913	958	1 138	1 393
	1 641	1 900	900	947	1 122	1 378
	23	21	13	11	16	15
	45	43	25	22	31	32
	964	1 230	529	612	660	892
	92	16	50	8	63	11
	1 056	1 246	579	620	723	903
	19	34	10	17	13	25
	1 075	1 280	589	637	736	928
	226	334	124	166	155	242
	849	946	465	471	581	686
	31	49	17	24	21	36
	41	39	22	19	28	28
	777	858	426	428	532	622
	79	15	43	8	54	10
	92	16	50	8	63	11
	(13)	(1)	(7)		(9)	(1)
	698	843	383	420	478	612
	0,1211	0,1424	0,0665	0,0710	0,0829	0,1033

GROUP CURRENCY-ADJUSTED BALANCE SHEET

AT 31 DECEMBER

Millions	2008 R	2007 R
Assets		
Cash and cash equivalents	**8 609**	10 344
Other short-term securities	**18 589**	25 793
Derivative financial instruments	**22 321**	9 047
Government and other securities	**42 138**	29 637
Loans and advances	**434 233**	373 956
Other assets	**6 084**	9 313
Clients' indebtedness for acceptances	**3 024**	2 251
Current taxation receivable	**346**	59
Investment securities	**8 455**	8 318
Non-current assets held for sale	**10**	31
Investments in associate companies and joint ventures	**1 167**	978
Deferred taxation asset	**200**	25
Investment property	**213**	171
Property and equipment	**4 327**	3 929
Long-term employee benefit assets	**1 741**	1 393
Computer software and capitalised development costs	**1 607**	1 349
Mandatory reserve deposits with central banks	**10 065**	8 364
Goodwill	**3 894**	3 898
Total assets	**567 023**	488 856
Equity and liabilities		
Ordinary share capital	**410**	402
Ordinary share premium	**11 370**	10 721
Reserves	**23 133**	19 070
Total equity attributable to equityholders of the parent	**34 913**	30 193
Minority shareholders' equity attributable to:		
– ordinary shareholders	**1 881**	1 511
– preference shareholders	**3 279**	3 421
Total equity	**40 073**	35 125
Derivative financial instruments	**23 737**	11 432
Amounts owed to depositors	**466 890**	384 541
Provisions and other liabilities	**9 829**	34 225
Liabilities under acceptances	**3 024**	2 251
Current taxation liabilities	**235**	337
Deferred taxation liabilities	**2 100**	1 616
Long-term employee benefit liabilities	**1 231**	1 157
Investment contract liabilities	**5 843**	5 846
Long-term debt instruments	**14 061**	12 326
Total liabilities	**526 950**	453 731
Total equity and liabilities	**567 023**	488 856
Guarantees on behalf of clients	**25 226**	20 579
Exchange rate at 31 December for R1	**1**	1

The balance sheet reported in South African rand has been translated into other currencies at the closing exchange rate at 31 December. Refer to note 47.

2008 US$	2007 US$	2008 UK£	2007 UK£	2008 €	2007 €
918	1 516	633	757	652	1 031
1 983	3 781	1 366	1 888	1 407	2 572
2 382	1 326	1 641	662	1 690	902
4 496	4 345	3 097	2 169	3 190	2 955
46 333	54 822	31 916	27 373	32 871	37 283
649	1 365	447	682	461	929
323	330	222	165	229	224
37	9	25	4	26	6
902	1 219	621	609	640	829
1	5	1	2	1	3
125	143	86	72	88	98
21	4	15	2	15	2
23	25	16	13	16	17
462	576	318	288	327	392
186	204	128	102	132	139
171	198	118	99	122	134
1 074	1 226	740	612	762	834
415	572	286	285	295	389
60 501	71 666	41 676	35 784	42 924	48 739
44	59	30	29	31	40
1 213	1 572	836	785	861	1 069
2 468	2 795	1 700	1 396	1 751	1 901
3 725	4 426	2 566	2 210	2 643	3 010
201	222	138	111	143	151
350	502	241	250	248	341
4 276	5 150	2 945	2 571	3 034	3 502
2 533	1 676	1 745	837	1 797	1 140
49 817	56 374	34 316	28 148	35 344	38 339
1 049	5 017	722	2 505	744	3 412
323	330	222	165	229	224
25	49	17	25	18	34
224	236	154	118	159	161
131	170	91	85	93	115
623	857	430	428	442	583
1 500	1 807	1 034	902	1 064	1 229
56 225	66 516	38 731	33 213	39 890	45 237
60 501	71 666	41 676	35 784	42 924	48 739
2 692	3 017	1 854	1 506	1 910	2 052
0,1067	0,1466	0,0735	0,0732	0,0757	0,0997

GROUP STATEMENT OF CHANGES IN TOTAL SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER

	Number of ordinary shares	Ordinary share capital Rm	Ordinary share premium Rm	Reserves not available for distribution Rm
Balance at 31 December 2006	394 685 482	395	9 727	93
Shares issued for options exercised under employee incentive schemes	3 493 321	3	499	
Shares issued in terms of capitalisation award	4 830 026	5	646	
Shares issued in terms of BEE transaction	70 172		16	
Preference shares issued by Nedbank Limited				
Share issue expenses			(1)	
Shares acquired by group entities	(5 171)		(1)	
Shares acquired by BEE trusts	(1 132 431)	(1)	(165)	
Shares issued by subsidiary				
Preference share dividends paid				
Preissuance dividend paid				
Ordinary minority shareholders' share of preference dividends paid				
Dividends to shareholders				
Total income and expense for the year		–	–	20
Profit for the year				
Net income/(expense) recognised directly in equity		–	–	20
– Transfer from/(to) reserves				239
– Release of reserve previously not available***				(219)
– Foreign currency translation reserve movement				
– Property revaluation reserve movement				
– Share-based payments reserve movement				
– Available-for-sale reserve movement				
– Acquisition of subsidiaries				
– Disposal of subsidiaries				
– Buyout of minorities				
– Other movements				
Balance at 31 December 2007	401 941 399	402	10 721	113
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 BEE trusts	(1 913 981)	(2)	(656)	
Shares issued by subsidiary				
Preference share dividends paid				
Ordinary minority shareholders' share of preference dividends paid				
Dividends to shareholders				
Total income and expense for the year		–	–	(113)
Profit for the year				
Net income/(expense) recognised directly in equity		–	–	(113)
– Transfer from/(to) reserves				(52)
– Release of reserve previously not available***				(61)
– Foreign currency translation reserve movement				
– Property revaluation reserve movement				
– Share-based payments reserve movement				
– Regulatory risk reserve provision				
– Available-for-sale reserve movement				
– Preference shares held by group entities				
– Disposal of subsidiaries				
– Other movements				
Balance at 31 December 2008	409 707 740	410	11 370	–

* *Represents other non-distributable revaluation surplus on capital items and non-distributable reserves transferred from other distributable reserves in order to comply with the Banks 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.*

	Foreign currency translation reserve Rm	Property revaluation reserve Rm	Share-based payments reserve Rm	Other non-distributable reserves* Rm	Available-for-sale reserve Rm	Other distributable reserves** Rm	Total equity attributable to equity-holders of the parent Rm	Minority shareholders' equity attributable to ordinary shareholders Rm	Minority shareholders' equity attributable to preference shareholders Rm	Total equity Rm
	281	485	636	358	175	12 966	25 116	1 202	3 070	29 388
							502			502
							651			651
							16			16
							–		364	364
							(1)		(3)	(4)
							(1)			(1)
							(166)			(166)
								150		150
							–		(285)	(285)
							–		(10)	(10)
							–	(13)	13	–
						(2 402)	(2 402)	(41)		(2 443)
	(25)	363	238	107	(41)	5 816	6 478	213	272	6 963
						6 025	6 025	344	272	6 641
	(25)	363	238	107	(41)	(209)	453	(131)	–	322
	(22)	(14)	(91)	103	(3)	(212)	–			–
							(219)			(219)
	(3)						(3)	(41)		(44)
		374					374			374
			329				329			329
					(38)		(38)			(38)
		3					3			3
							–	(81)		(81)
							–	(21)		(21)
				4		3	7	12		19
	256	**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)**
	289	**103**	**75**	**(290)**	**(70)**	**6 805**	**6 799**	**230**	**195**	**7 224**
						6 410	**6 410**	**257**	**337**	**7 004**
	289	**103**	**75**	**(290)**	**(70)**	**395**	**389**	**(27)**	**(142)**	**220**
	41	**19**	**(113)**	**(290)**	**7**	**388**	**–**			**–**
							(61)			**(61)**
	248						**248**	**(6)**		**242**
		84					**84**			**84**
			188				**188**			**188**
				7			**7**			**7**
					(77)		**(77)**	**6**		**(71)**
							–		**(142)**	**(142)**
							–	**(29)**		**(29)**
				(7)		**7**	**–**	**2**		**2**
	545	**951**	**949**	**175**	**64**	**20 449**	**34 913**	**1 881**	**3 279**	**40 073**

GROUP CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER

	Notes	2008 Rm	2007 Rm
Cash generated by operations	48.1	14 557	12 453
Cash received from clients	48.2	68 473	52 288
Cash paid to clients, employees and suppliers	48.3	(54 485)	(40 388)
Dividends received on investments		234	131
Recoveries on loans previously written off		379	417
Effects of exchange rate changes on opening cash and cash equivalents (excluding foreign borrowings)		(44)	5
Change in funds for operating activities		(10 674)	(10 691)
Increase in operating assets	48.4	(81 992)	(66 697)
Increase in operating liabilities	48.5	71 318	56 006
Net cash from operating activities before taxation		3 883	1 762
Taxation paid	48.6	(2 233)	(2 419)
Cashflows from/(utilised by) operating activities		1 650	(657)
Cashflows utilised by investing activities		(999)	(2 063)
Acquisition of property and equipment, computer software and development costs and investment property		(1 547)	(1 039)
Disposal of property and equipment, computer software and development costs and investment property		18	46
Net disposal of investment banking assets		8	28
Acquisition of associate companies		(321)	(529)
Disposal of associate companies		282	458
Acquisition of other investments		(810)	(1 808)
Disposal of other investments		1 331	662
Disposal of investments in subsidiary companies net of cash	48.7	40	366
Acquisition of investments in subsidiary companies net of cash	48.8		(247)
Cashflows (utilised by)/from financing activities		(685)	2 122
Net proceeds from issue of ordinary shares		657	1 001
Issue of long-term debt instruments		2 263	8 062
Redemption of long-term debt instruments		(528)	(4 254)
Dividends paid to ordinary shareholders	48.9	(2 736)	(2 402)
Preference share dividends paid		(341)	(285)
Net decrease in cash and cash equivalents		(34)	(598)
Cash and cash equivalents at the beginning of the year*		18 708	19 306
Cash and cash equivalents at the end of the year*	21	18 674	18 708

** Including mandatory reserve deposits with central banks.*


THE BEST WAY TO LEAD IS BY EXAMPLE.
NEDBANK

OPERATIONAL SEGMENTAL REPORTING
FOR THE YEAR ENDED 31 DECEMBER

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

Nedbank Corporate

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

Nedbank Capital

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

Nedbank Retail

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

Imperial Bank

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

Shared Services

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

Central Management

Includes group capital instruments together with certain group overheads income not recoverable from/allocated to business segments.

	Nedbank Group		Nedbank Corporate	
	2008	2007	2008	2007
Balance sheet (Rm)				
Cash and cash equivalents	18 674	18 708	2 380	1 425
Other short-term securities	18 589	25 793	756	575
Derivative financial instruments	22 321	9 047	36	3
Government and other securities	42 138	29 637	4 207	942
Loans and advances	434 233	373 956	191 543	153 718
Other assets	31 068	31 715	5 785	4 559
Intergroup assets	–	–	18 419	47 165
Total assets	567 023	488 856	223 126	208 387
Equity and liabilities				
Amounts owed to depositors	466 890	384 541	208 040	194 358
Other liabilities	22 262	45 432	4 689	3 925
Derivative financial instruments	23 737	11 432	35	3
Intergroup liabilities	–	–		
Long-term debt instruments	14 061	12 326	172	124
Allocated capital	40 073	35 125	10 190	9 977
Total equity and liabilities	567 023	488 856	223 126	208 387
Income statement (Rm)				
Net interest income	16 170	14 146	5 898	5 175
Impairments charge on loans and advances	4 822	2 164	471	158
Income from lending activities	11 348	11 982	5 427	5 017
Non-interest revenue	10 729	10 446	2 578	3 198
Operating income	22 077	22 428	8 005	8 215
Total expenses	13 741	13 489	4 019	4 478
– Operating expenses	13 547	13 341	3 987	4 446
– BEE transaction expenses	194	148	32	32
Indirect taxation	374	305	43	29
Profit/(Loss) from operations	7 962	8 634	3 943	3 708
Share of profits of associates and joint ventures	154	239	9	54
Profit/(Loss) before direct taxation	8 116	8 873	3 952	3 762
Direct taxation	1 757	2 336	1 012	1 062
Profit/(Loss) after taxation	6 359	6 537	2 940	2 700
Profit attributable to minority interest				
– ordinary shareholders	257	344	16	68
– preference shareholders	337	272		
Headline earnings	5 765	5 921	2 924	2 632
Selected ratios*				
Average interest-earning banking assets (Rm)	441 713	358 824	220 210	183 484
Return on average assets (%)	1,1+	1,3+	1,3	1,4
Return on risk-adjusted capital (%)	17,7+	21,4+	28,7	26,4
Interest margin (%)	3,66	3,94	2,68	2,82
Non-interest revenue to gross income (%)	39,9	42,5	30,4	38,2
Credit loss ratio (%)	1,17	0,62	0,27	0,11
Efficiency ratio (%)	51,1	54,9	47,4	53,5
Efficiency ratio (excluding BEE transaction expenses) (%)	50,4	54,3	47,0	53,1
Effective taxation rate (%)	21,6	26,3	25,6	28,2
Contribution to group economic profit	1 792	2 658	1 511	1 267
Number of employees	27 570	26 522	6 192	6 143

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

Depreciation of R616 million (2007: R545 million) and amortisation of R414 million (2007: R431 million) costs for property, equipment, computer software and capitalised development are charged on an activity-justified transfer pricing methodology by the segment owning the assets to the segment utilising the benefits thereof.

Segmental comparatives have been restated in line with the group's implementation of economic-value-based management. From 2008 economic profit (EP) replaced return on equity (ROE) as the primary internal financial performance measure in the group. EP is a best-practice measure since it incentivises an appropriate balance between return and growth, and better aligns with shareholder value creation.

NEDBANK GROUP

OPERATIONAL SEGMENTAL REPORTING

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

	Nedbank Capital		Nedbank Retail	
	2008	2007	**2008**	2007
Balance sheet (Rm)				
Cash and cash equivalents	**2 488**	4 738	**1 780**	1 787
Other short-term securities	**8 880**	17 135	**6 935**	6 976
Derivative financial instruments	**21 972**	8 982	**280**	26
Government and other securities	**11 466**	22 139		
Loans and advances	**47 686**	51 233	**150 107**	133 492
Other assets	**3 473**	5 589	**11 861**	11 863
Intergroup assets	**92 741**	33 603		
Total assets	**188 706**	143 419	**170 963**	154 144
Equity and liabilities				
Amounts owed to depositors	**157 017**	100 785	**98 861**	87 457
Other liabilities	**4 844**	28 483	**8 330**	8 233
Derivative financial instruments	**23 521**	11 262	**84**	134
Intergroup liabilities			**52 335**	47 816
Long-term debt instruments		2	**2 031**	2 014
Allocated capital	**3 324**	2 887	**9 322**	8 490
Total equity and liabilities	**188 706**	143 419	**170 963**	154 144
Income statement (Rm)				
Net interest income	**938**	545	**7 497**	6 745
Impairments charge on loans and advances	**36**	25	**3 630**	1 572
Income from lending activities	**902**	520	**3 867**	5 173
Non-interest revenue	**1 782**	2 135	**5 546**	4 851
Operating income	**2 684**	2 655	**9 413**	10 024
Total expenses	**1 419**	1 284	**7 973**	7 367
– Operating expenses	**1 387**	1 253	**7 881**	7 325
– BEE transaction expenses	**32**	31	**92**	42
Indirect taxation	**24**	21	**173**	135
Profit/(Loss) from operations	**1 241**	1 350	**1 267**	2 522
Share of profits of associates and joint ventures		1	**146**	184
Profit/(Loss) before direct taxation	**1 241**	1 351	**1 413**	2 706
Direct taxation	**(32)**	177	**357**	794
Profit/(Loss) after taxation	**1 273**	1 174	**1 056**	1 912
Profit attributable to minority interest				
– ordinary shareholders	**7**		**54**	36
– preference shareholders				
Headline earnings	**1 266**	1 174	**1 002**	1 876
Selected ratios*				
Average interest-earning banking assets (Rm)	**106 770**	80 578	**151 974**	129 026
Return on average assets (%)	**0,8**	0,9	**0,6**	1,3
Return on risk-adjusted capital (%)	**38,1**	40,7	**10,8**	22,1
Interest margin (%)	**0,88**	0,68	**4,93**	5,23
Non-interest revenue to gross income (%)	**65,5**	79,6	**42,5**	41,8
Credit loss ratio (%)	**0,06**	0,05	**2,47**	1,26
Efficiency ratio (%)	**52,2**	47,9	**61,1**	63,5
Efficiency ratio (excluding BEE transaction expenses) (%)	**51,0**	46,7	**60,4**	63,2
Effective taxation rate (%)	**(2,6)**	13,2	**25,3**	29,4
Contribution to group economic profit	**805**	779	**(291)**	715
Number of employees	**693**	625	**16 461**	15 356

Imperial Bank 2008	Imperial Bank 2007	Shared Services 2008	Shared Services 2007	Central Management 2008	Central Management 2007	Eliminations 2008	Eliminations 2007
1 102	778	108	920	10 816	9 060		
1 563	1 106			455	1		
19	39			14	(3)		
534	337			25 931	6 219		
44 734	35 320	94	144	69	49		
784	578	6 171	5 619	2 994	3 507		
32	37			1 386	1 747	(112 578)	(82 552)
48 768	38 195	6 373	6 683	41 665	20 580	(112 578)	(82 552)
1 361	1 547	301	288	1 310	106		
321	358	3 428	3 109	650	1 324		
78	33			19			
42 856	32 562	1 585	2 174	15 802		(112 578)	(82 552)
792	1 000			11 066	9 186		
3 360	2 695	1 059	1 112	12 818	9 964		
48 768	38 195	6 373	6 683	41 665	20 580	(112 578)	(82 552)
1 733	1 491	(361)	(250)	465	440		
701	412	(1)	(4)	(15)	1		
1 032	1 079	(360)	(246)	480	439	–	–
88	128	362	408	449	(27)	(76)	(247)
1 120	1 207	2	162	929	412	(76)	(247)
525	489	132	115	(251)	3	(76)	(247)
525	489	90	67	(247)	8	(76)	(247)
		42	48	(4)	(5)		
51	34	80	87	3	(1)		
544	684	(210)	(40)	1 177	410	–	–
				(1)			
544	684	(210)	(40)	1 176	410	–	–
182	205	(178)	(25)	416	123		
362	479	(32)	(15)	760	287	–	–
181	239			(1)	1		
15	13			322	259		
166	227	(32)	(15)	439	27	–	–
41 554	32 509	104	171	20 225	7 009	(99 124)	(73 953)
0,8	1,4						
13,2	23,9						
4,17	4,59						
4,8	7,9						
1,71	1,28						
28,8	30,2						
28,8	30,2						
33,5	30,0						
166	227	(179)	(167)	(220)	(163)		
1 148	1 008	3 060	3 369	16	21		

GEOGRAPHICAL SEGMENTAL REPORTING
FOR THE YEAR ENDED 31 DECEMBER

	Nedbank Group	
	2008	2007
Balance sheet (Rm)		
Assets		
Cash and cash equivalents	18 674	18 708
Other short-term securities	18 589	25 793
Derivative financial instruments	22 321	9 047
Government and other securities	42 138	29 637
Loans and advances	434 233	373 956
Other assets	31 068	31 715
Intergroup assets	–	–
Total assets	567 023	488 856
Equity and liabilities		
Total equity	40 073	35 125
Derivative financial instruments	23 737	11 432
Amounts owed to depositors	466 890	384 541
Provisions and other liabilities	22 262	45 432
Intergroup liabilities	–	–
Long-term debt instruments	14 061	12 326
Total equity and liabilities	567 023	488 856
Income statement (Rm)		
Net interest income	16 170	14 146
Impairments charge on loans and advances	4 822	2 164
Income from lending activities	11 348	11 982
Non-interest revenue	10 729	10 446
Operating income	22 077	22 428
Total operating expenses	13 741	13 489
– Operating expenses	13 547	13 341
– BEE transaction expenses	194	148
Indirect taxation	374	305
Profit from operations	7 962	8 634
Share of profits of associates and joint ventures	154	239
Profit before direct taxation	8 116	8 873
Direct taxation	1 757	2 336
Profit after taxation	6 359	6 537
Profit attributable to minority interest		
– ordinary shareholders	257	344
– preference shareholders	337	272
Headline earnings	5 765	5 921

	South Africa		Rest of Africa		Rest of world	
	2008	2007	2008	2007	2008	2007
	15 376	16 856	1 670	1 274	1 628	578
	9 596	17 547	764	576	8 229	7 670
	21 353	8 793	72	2	896	252
	39 789	28 232	116	104	2 233	1 301
	409 369	354 227	5 897	7 128	18 967	12 601
	27 547	28 784	542	505	2 979	2 426
	(9 468)	(1 600)	1 502	415	7 966	1 185
	513 562	452 839	10 563	10 004	42 898	26 013
	34 648	30 515	1 123	944	4 302	3 666
	22 607	11 248	68	2	1 062	182
	431 906	362 745	8 298	7 091	26 686	14 705
	21 378	44 733	403	358	481	341
	(10 866)	(8 602)	669	1 608	10 197	6 994
	13 889	12 200	2	1	170	125
	513 562	452 839	10 563	10 004	42 898	26 013
	15 182	13 336	516	441	472	369
	4 696	2 087	33	17	93	60
	10 486	11 249	483	424	379	309
	10 018	9 775	281	245	430	426
	20 504	21 024	764	669	809	735
	12 688	12 538	472	461	581	490
	12 497	12 393	469	458	581	490
	191	145	3	3		
	358	298	10	3	6	4
	7 458	8 188	282	205	222	241
	154	238		1		
	7 612	8 426	282	206	222	241
	1 665	2 247	84	57	8	32
	5 947	6 179	198	149	214	209
	202	284	16	33	39	27
	337	272				
	5 408	5 623	182	116	175	182

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER

1 PRINCIPAL ACCOUNTING POLICIES

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

1.1 Basis of preparation

The financial statements have been prepared on a going-concern basis.

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

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

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

1.2 Foreign currency translation

(i) Foreign currency transactions
Transactions in foreign currencies are translated into the functional currency of the respective individual entities in the group at the date of such transactions by applying the spot exchange rate ruling at the transaction date to the foreign currency amounts.

The functional currency of the respective entities in the group is the currency of the primary economic environment in which these entities operate. The results and financial position of each individual entity in the group are translated into the functional currency of the entity.

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

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

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

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

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

(ii) Investments in foreign operations
Nedbank Group Limited's presentation currency is South African rand (ZAR).

The assets and liabilities, including goodwill, of those entities that have functional currencies other than ZAR are translated at the closing rate. Income and expenses are translated using the average exchange rate for the period. The differences that arise on translation are recognised directly in equity. All these exchange differences are recognised as a separate component of equity in the Foreign Currency Translation Reserve.

On disposal of a foreign operation, the cumulative exchange differences deferred in the Foreign Currency Translation Reserve relating to the foreign operation being disposed of are recognised in profit or loss when the gain or loss on disposal is recognised. The primary major determinants of non-rand functional currencies are the economic factors that determine the sales price for goods and services and costs. Additional supplementary factors to be considered are funding, autonomy and cashflows.

1.3 Group accounting

(i) Subsidiary undertakings and special-purpose entities

Group

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

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

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

Acquisitions of subsidiaries (entities acquired) and businesses (assets and liabilities acquired) are accounted for using the purchase method. The cost of a business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair value at the date of acquisition, except for non-current assets (or disposal groups) that are classified as 'held for sale' in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are measured at fair value less cost to sell.

The interest of minority shareholders in the acquiree is initially recognised in equity and is measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised. The minority shareholders do not include any portion of goodwill.

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

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

Company

Subsidiary undertakings are accounted for on the cost basis.

(ii) Associates

An associate is an entity, including an unincorporated entity, over which the group has the ability to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investment (that is neither a subsidiary nor an investment in a joint venture).

The results and assets and liabilities of associates including goodwill identified on acquisition, net of any accumulated impairment losses, are incorporated in the group financial statements using the equity method of accounting from the date significant influence commences until the date significant influence ceases. The carrying amount of such

1 PRINCIPAL ACCOUNTING POLICIES ... continued

1.3 Group accounting ... continued

(ii) Associates ... continued

investments is reduced to recognise any impairment in the value of individual investments. When the group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil, inclusive of any debt outstanding, and recognition of further losses is discontinued, except to the extent that the group has incurred or guaranteed obligations in respect of the associate.

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

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

(iii) Joint ventures

Joint ventures are those entities over which the group has joint control in terms of a contractual agreement. Jointly controlled entities are incorporated in the group financial statements using the equity method of accounting. The carrying amount of such investments is reduced to recognise any impairment in the value of individual investments, by applying the impairment methodology described in 1.7.

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

Investments in joint ventures held with the intention of disposal within 12 months are accounted for as non-current assets held for sale.

(iv) Investments held by venture capital divisions

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

(v) Goodwill

Goodwill, being the excess of the cost of the business combination over the group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognised, arising on acquisition is recognised as an asset and initially measured at cost. If, after reassessment, the group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the costs of the business combination, the excess is immediately recognised in profit or loss. There is currently no negative goodwill recognised in the group's financial statements.

1.4 Investment contracts

(i) Investment contract liabilities

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

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

Embedded derivatives included within investment contracts are separated and measured at fair value, and the host contract liability is measured on an amortised-cost basis.

(ii) Revenue on investment management contracts

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

1.5 Financial instruments

Financial instruments, as reflected on the balance sheet, include all financial assets and financial liabilities, including derivative instruments, but exclude investments in subsidiaries, associated companies and joint ventures (other than private equity), and employee benefit plans. Financial instruments are accounted for under IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement.

The group does not apply hedge accounting. This accounting policy should be read in conjunction with the group's categorised balance sheet.

(i) Initial recognition

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

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

(ii) Initial measurement

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

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

(iii) Categories of financial instruments

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

- *Financial instruments at fair value through profit or loss*

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

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES ... continued

1.5 Financial instruments ... continued

(iii) Categories of financial instruments ... continued

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

- *Non-trading financial liabilities*
  All financial liabilities, other than those at fair value through profit or loss, are classified as non-trading financial liabilities and are measured at amortised cost. Gains or losses on the derecognition of trading financial liabilities are reported in non-interest revenue. Interest expense is recorded in net interest income.

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

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

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

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

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

(iv) Embedded derivatives

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

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

The host contract is accounted for:

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

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

(v) **Measurement basis of financial instruments**

- *Amortised cost*

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

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

- *Fair value*

  The fair value of a financial instrument on initial recognition is normally the transaction price, that is the fair value of the consideration given or received. However, if part of the consideration is given or received for something else, the fair value is estimated using a valuation technique.

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

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

  If the market for a financial instrument is not active, fair value is established by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available; reference to the current fair value of another instrument that is substantially the same; discounted-cashflow analysis; and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity may use that technique.

  The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-specific inputs. A valuation technique would be expected to arrive at a realistic estimate of the fair value if (a) it reasonably reflects how the market could be expected to price the instrument and (b) the inputs to the valuation technique reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

  Therefore, a valuation technique (a) incorporates all factors that market participants would consider in setting a price and (b) is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the group calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (ie without modification or repackaging) or based on any available observable market data. The group obtains market data consistently in the same market where the instrument was originated or purchased.

  The use of a valuation technique may result in no gain or loss being recognised on the initial recognition of a financial asset or financial liability. In such a case, IAS 39 requires that a gain or loss be recognised after initial recognition only to the extent that it arises from a change in a factor (including time) that market participants would consider in setting a price.

1 PRINCIPAL ACCOUNTING POLICIES ... continued

1.5 Financial instruments ... continued

(v) Measurement basis of financial instruments ... continued

- *Fair value ... continued*

  Where discounted-cashflow techniques are used, estimated future cashflows are based on management's best estimates and the discount rate used is a market-related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market-related measures (prices from observable current market transactions in the same instrument without modification or other observable market data) at the balance sheet date. When market-related measures are not available, observable market data is modified to incorporate relevant factors that a market participant in an arm's length exchange motivated by normal business considerations would consider in determining the fair value of the financial instrument (non-observable market inputs). The International Private Equity and Venture Capital Valuation Guidelines and industry practice, which have demonstrated the capability to provide reliable estimates of prices obtained in actual market transactions, are used to determine the adjustments to observable market data. Consideration is given to the nature and circumstances of the financial instrument in determining the appropriate non-observable market input.

  Non-observable market inputs are used to determine the fair values of, among others, private-equity investments, management buyouts and development capital. Valuation techniques applied by the group and that incorporate non-observable market inputs include, among others, earnings multiples, the price of recent investments, the value of the net assets of the underlying business and discounted cashflows.

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

  Fair value is considered reliably measurable if:

  – the variability in the range of reasonable fair-value estimates is not significant for that instrument; or

  – the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

  – Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and have to be settled by delivery of such unquoted equity instruments, are measured at cost.

(vi) Derecognition

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

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

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

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

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

(vii) Impairment of financial assets

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

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES ... continued

1.5 Financial instruments ... continued

(vii) Impairment of financial assets ... continued

- *Available-for-sale financial assets ... continued*

  The amount of the cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through profit or loss.

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

- *Maximum credit risk*

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

(viii) Offsetting financial instruments and related income

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

(ix) Collateral

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

Collateral is also given to counterparties under certain financial arrangements, but such assets are not derecognised where the group retains the risks and rewards of ownership. Such assets are at risk to the extent that the group is unable to fulfil its obligations to counterparties.

(x) Interest income and expense

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

(xi) Non-interest revenue

- *Fees and commission*

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

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

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

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

- *Dividend income*
  Dividend income is recognised when the right to receive payment is established on the ex dividend date for equity instruments and is included in dividend income.
- *Net trading income*
  Net trading income comprises all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading, together with the related interest, expense, costs and dividends. Interest earned while holding trading securities and interest incurred on trading liabilities are reported within non-interest revenue.
- *Income from investment contracts*
  Refer to 1.4 (ii) for non-interest revenue arising on investment management contracts.
- *Other*
  Exchange and securities trading income, from investments and net gains on the sale of investment banking assets, is recognised in profit or loss when the amount of revenue from the transaction or service can be measured reliably, it is probable that the economic benefits of the transaction or service will flow to the group and the costs associated with the transaction or service can be measured reliably.

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

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

(xii) Sale and repurchase agreements and lending of securities

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

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

(xiii) Acceptances

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

(xiv) Financial guarantee contracts

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

1.6 Taxation

Taxation expense comprises both current and deferred taxation. Income (direct) taxation is recognised in profit or loss, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

(i) Current taxation

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

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

1 PRINCIPAL ACCOUNTING POLICIES ... continued

1.6 Taxation ... continued

(ii) Deferred taxation

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

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

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

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

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

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

1.7 Goodwill and intangible assets

(i) Goodwill and goodwill impairment

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

All business combinations are accounted for by applying the purchase method of accounting. At the date of acquisition the group recognises the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their respective fair values. The cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued, in exchange for control, plus any costs directly attributable to the business combination. Any contingent purchase consideration is recognised to the extent that the adjustment is probable and can be measured reliably at the acquisition date. If a contingency that was not initially included in the purchase consideration subsequently becomes probable and measurable, the additional consideration is treated as an adjustment to the cost of the business combination. Any excess between the cost of the business combination and the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill in the balance sheet. Goodwill is adjusted for any subsequent remeasurement of contingent purchase consideration.

Goodwill is allocated to one or more cash-generating units (CGUs), being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Goodwill is allocated to the CGUs in which the synergies from the business combinations are expected. Each CGU containing goodwill is annually tested for impairment. An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to a CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

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

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

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

(ii) Computer software and capitalised development costs

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

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

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

1.8 Property and equipment

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

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

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

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

(i) Depreciation

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER ... CONTINUED

1 PRINCIPAL ACCOUNTING POLICIES ... continued

1.8 Property and equipment ... continued

(i) Depreciation ... continued

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

Any difference between the depreciation charge on the revalued amount and that which would have been charged under historic cost is transferred net of any related deferred taxation between the revaluation reserve and retained earnings as the property is utilised.

Land is not depreciated.

The maximum estimated useful lives are as follows:

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

(ii) Derecognition

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

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

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

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

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

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

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

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

1.10 Investment properties

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

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

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

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

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

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

1.11 Borrowing costs

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

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

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

1.12 Employee benefits

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

(i) Defined-benefit pension plans

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES ... continued

1.12 Employee benefits ... continued

(i) Defined-benefit pension plans ... continued

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

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

(ii) Defined-contribution plans

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

(iii) Postemployment benefit plans

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

(iv) Short-term employee benefits

Short-term employee benefit obligations are measured on the balance sheet on an undiscounted basis and are expensed as the related service is provided.

1.13 Share-based payments

(i) Equity-settled share-based payment transactions with employees

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

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

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

(ii) Measurement of fair value of equity instruments granted

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

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

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

1.14 Leases

(i) The group as lessee

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

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

(ii) The group as lessor

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

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

(iii) Recognition of lease of land

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

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

1.15 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than 90 days' maturity from the date of acquisition, including cash and balances with central banks that are mandatory, other eligible bills and amounts due from other banks.

1.16 Other provisions

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

1 PRINCIPAL ACCOUNTING POLICIES ... continued

1.16 Other provisions ... continued

(i) Reimbursements

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

(ii) Onerous contracts

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

(iii) Restructuring

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

Future operating costs or losses are not provided for.

1.17 Segment reporting

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

The group's identification of its segments and the measurement of segment results are based on the group's internal reporting to management. The segments have been identified according to the nature of their respective products and services and their related target markets, the detail of which can be found in the Operating Segment Report on pages 218 to 221 of the annual report.

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

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

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

1.18 Government grants

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

1.19 Non-current assets held for sale and discontinued operations

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

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

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

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

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

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

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

1.20 Share capital

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

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

The group's ordinary and preference share capital is classified as equity.

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

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

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

1.21 Treasury shares

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

2 STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations issued but not yet effective

2.1.1 Revised standards

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

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

The amended IAS 27 requires accounting for changes in ownership interests in a subsidiary that occur without loss of control to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value, with the gain or loss recognised in profit and loss. This amendment is effective for the group for the financial reporting period commencing on 1 January 2010.

The revision and amendment is applicable prospectively and will not affect past transactions.

(ii) **IAS 1 Presentation of Financial Statements: Comprehensive revision including requiring a statement of comprehensive income**
The changes made to IAS 1 require information in financial statements to be aggregated on the basis of shared characteristics and introduce a statement of comprehensive income. The revision includes changes in titles of financial statements to reflect their functions more clearly.

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

The revised standard will affect the disclosures in the annual report. The revision is effective for annual periods commencing on or after 1 January 2009. The group will adopt the revised standard on its effective date.

(iii) **Amendments to IAS 32, Financial Instruments: Presentation, and IAS 1, Presentation of Financial Statements — Puttable Financial Instruments Arising on Liquidation and Obligations**
The amendment requires additional information to be presented on puttable instruments that are presented as equity.

The amendment will not affect the group as the group does not have puttable instruments that are presented within equity.

The amendment is effective for annual periods beginning on or after 1 January 2009. The group will apply the amendment from its effective date.

(iv) **IAS 39 Financial Instruments: Recognition and Measurement: Amendment: Eligible Hedged Items**
The amendment clarifies that inflation may only be hedged in instances where changes in inflation are contractually specified portions of cashflows of recognised financial instruments. It also clarifies that an entity is permitted to designate purchased or net purchased options as a hedging instrument in a hedge of a financial or non-financial item, and to improve effectiveness an entity is allowed to exclude the time value of money from the hedging instrument.

This amendment is effective for the group for the annual periods commencing on 1 January 2009 and is not expected to have a significant impact on the group.

(v) **Annual improvements projects**
As part of its first annual improvements projects, the IASB has issued its edition of annual improvements. The annual improvement projects aim to clarify and improve the accounting standards.

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

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

2.1.2 **Interpretations**

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

(i) **IFRIC 13 Customer Loyalty Programmes**
The interpretation clarifies the application of IAS 18 to customer loyalty programmes. The interpretation requires an entity that grants loyalty award credits to allocate some of the initial proceeds from the initial revenue-generating transaction to the award credit as a liability (entity's obligation to provide award). The award is accounted for as a separate revenue-generating transaction. The interpretation is effective for annual periods commencing on or after 1 July 2008.

The application of IFRIC 13 will result in the group deferring a portion of income as a liability. The group will adopt the interpretation for its annual period commencing 1 January 2009.

(ii) **IFRIC 17 Distributions of Non-cash Assets to Owners**
IFRIC 17 clarifies that:

- a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity;
- an entity should measure the dividend payable at the fair value of the net assets to be distributed;
- an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss; and
- an entity should provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation.

IFRIC 17 is effective for annual periods beginning on or after 1 January 2010 and is not anticipated to have a major effect on the group's accounts.

2.2 Standards and interpretations adopted in the current year

2.2.1 **New standards**
The following standards and amendments to standards have been adopted by the group in the current year:

(i) **IFRS 8 Operating Segments**
IFRS 8 Operating Segments, which is effective for annual periods commencing on or after 1 January 2009, has been early-adopted in these financial statements and replaces IAS 14 Segment Reporting.

IFRS 8 requires an entity to adopt a management approach to reporting the financial performance of its operating segments. Generally, the information to be reported would be what management is currently using internally for evaluating segment performance and deciding how to allocate resources to operating segments.

The application of IFRS 8 has not changed the group's policy on identification, recognition or measurement of its reportable segments, as the group's existing internal structures are in line with both IAS 14 and IFRS 8. Other than minor changes to the format of disclosure and presentation, there were no changes to comparative information.

2.2.2 **Revised standards**
The following revisions to International Financial Reporting Standards have been adopted by the group:

(i) **IAS 23 Borrowing Costs**
The group early-adopted the revision that removed the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.

The revision did not affect the group, as it is the group's policy to capitalise borrowing costs on qualifying assets.

2 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE ... continued

2.2.2 **Revised standards ... continued**

(ii) **IAS 39 Financial Instruments: Recognition and Measurements: Amendments allowing reclassification of instruments**
This amendment allowed an entity to change the classification of certain 'held for trading' financial assets into financial assets carried at amortised cost, subject to certain criteria being met. There was no effect on the group of adopting this amendment, as the group did not reclassify any financial assets.

(iii) **IFRS 2 Share-based Payment: Amendment relating to vesting conditions and cancellation**
Under IFRS 2 failure to meet a condition, other than a vesting condition, is treated as a cancellation. IFRS 2 specifies the accounting treatment of cancellations by the entity, but does not give guidance on the treatment of cancellations by parties other than the entity. The amendment requires cancellations by parties other than the entity to be accounted for in the same way as cancellations by the entity.

The group early-adopted the amendment, which did not affect the group's results.

2.2.3 **Interpretations**

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

(i) **IFRIC 11, IFRS 2 Group and Treasury Share Transactions**
This interpretation clarifies that, where a parent grants rights to its equity instruments to the employees of a subsidiary, the subsidiary will measure the services received from its employees in accordance with the requirements applicable to equity-settled share-based payment transactions, with a corresponding increase in equity.

Nedbank Group Limited, the parent company, grants share options over its shares to employees of Nedbank Limited.

Nedbank Limited measures the services received from its employees in accordance with the requirements applicable to cash-settled share-based payment transactions, with a corresponding increase in liabilities. This is due to the fact that, when share options are exercised by employees, Nedbank Limited is required to pay to Nedbank Group Limited the difference between the listing value and the exercise price of the share options.

The adoption of the interpretation did not have any effect on the group.

(ii) **IFRIC 12 Service Concession Arrangements**
The interpretation clarifies the application of existing IFRSs by concession operators for obligations under concession arrangements and rights received in service concession arrangements.

The group is not party to concession arrangements, and the adoption of the interpretation therefore did not have any impact on the group.

(iii) **IFRIC 14, IAS 19 The Limit on a Defined-benefit Asset, Minimum Funding Requirements and their Interaction**
The interpretation addresses the implication of minimum funding requirements on the recognition of a defined-benefit obligation.

The effect on the group of the adoption of this interpretation did not have any effect on the group's financial position or performance.

(iv) **IFRIC 15 Real Estate Sales**
The interpretation clarifies when real estate sales should be accounted for in terms of IAS 11 Construction Contracts or IAS 18 Revenue.

The group early-adopted this interpretation and it did not have any effect on the financial results or position of the group.

(v) **IFRIC 16 Hedges of a Net Investment of a Foreign Operation**
The interpretation clarifies which risks can be hedged under a hedge of the net investment in a foreign operation and by which entities within the group the hedging instruments can be held in order to qualify as a hedge of a net investment in a foreign operation.

The group does not currently apply hedge accounting to net investments in foreign operations and therefore the early adoption of this standard has had no effect on the financial results or position of the group.

3 KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION

The group's accounting policies are set out on pages 224 to 241. Certain of these policies, as well as estimates made by management, are considered to be important to an understanding of the group's financial condition since they require management to make difficult, complex or subjective judgements and estimates, some of which may relate to matters that are inherently uncertain. The following accounting policies include estimates that are particularly sensitive in terms of judgements and the extent to which estimates are used. Other accounting policies involve significant amounts of judgements and estimates, but the total amounts involved are not significant to the financial statements. Management has discussed the accounting policies and critical accounting estimates with the Board Audit Committee.

3.1 Allowances for loan impairment and other credit risk provisions

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

Performing loans

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

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

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

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

3.2 Fair value of financial instruments

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

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

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

3.2 Fair value of financial instruments ... continued

Valuation methodology

The method of determining the fair value of financial instruments can be analysed into the following categories:

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

(b) Valuation techniques using market observable inputs. Such techniques may include

- using recent arm's-length market transactions,
- referring to the current fair value of similar instruments and
- making use of discounted cashflow analysis, pricing models or other techniques commonly used by market participants.

(c) Valuation techniques used above, but that include significant inputs that are not observable. On initial recognition of financial instruments measured using such techniques the transaction price is deemed to provide the best evidence of fair value for accounting purposes.

The valuation techniques in (b) and (c) above use inputs such as interest rate yield curves, equity prices, commodity and currency prices/yields, volatilities of underlyings and correlations between inputs. The models used in these valuation techniques are calibrated against industry standards, economic and observed transaction prices, where available.

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

To the extent that valuation is based on models or inputs that are not observable in the market, the determination of fair value can be more subjective, dependent on the significance of the unobservable input to the overall valuation. Unobservable inputs are determined based on the best information available, for example by reference to similar assets, similar maturities, appropriate proxies or other analytical techniques.

Further information on the fair value of financial instruments is provided in note 5 to the accounts.

Corporate bonds

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

Private-equity investments

The fair value of private equity is determined using appropriate valuation methodologies that, dependent on the nature of the investment, may include discounted cashflow analysis, enterprise value comparisons with similar companies, price/earnings comparisons and turnover multiples. For each investment the relevant methodology is applied consistently over time and may be adjusted for changes in market conditions relative to the instrument.

Own credit on financial liabilities

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

Derivatives

Derivative contracts can be exchange-traded or over-the-counter (OTC) agreements.

The fair value of financial instruments that are not quoted in active markets is determined by using valuation techniques.

Where valuation techniques or models are used to determine fair values, they are validated and periodically independently reviewed by qualified senior staff. Models are calibrated and back-tested to ensure that outputs reflect actual data and comparative market prices. To the extent that it is practical, models use only observable data.

3.3 Securitisations and special-purpose entities

The group sponsors the formation of SPEs primarily for the purpose of allowing clients to hold investments, for asset securitisation transactions, for asset financing and for buying or selling credit protection. The group consolidates the SPEs it controls in terms of IFRS guidance. Where it is difficult to determine whether the group controls an SPE, it makes judgements, in terms of IFRS guidance, about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the SPE in question. In arriving at judgements, these factors are considered both jointly and separately.

3.4 Goodwill

Management has to consider at least annually whether the current carrying value of goodwill is impaired. The first step of the impairment review process requires the identification of independent CGUs, by dividing the group business into as many largely independent income streams as is reasonably practicable. The goodwill is then allocated to these independent units. The first element of this allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The second element reflects the allocation of the net assets acquired and the difference between the consideration paid for those net assets and their fair value. This allocation is reviewed following business reorganisation. The carrying value of the unit, including the allocated goodwill, is compared with its fair value to determine whether any impairment exists. If the fair value of a unit is less than its carrying value, goodwill will be impaired. Detailed calculations may need to be carried out, taking into consideration changes in the market in which a business operates (eg competitive activity and regulatory change). In the absence of readily available market price data this calculation is based on discounting expected pretax cashflows at a risk-adjusted interest rate appropriate to the operating unit, the determination of both of which requires the exercise of judgement. The estimation of pretax cashflows is sensitive to the periods for which detailed forecasts are available and to assumptions regarding the long-term sustainable cashflows. While forecasts are compared with actual performance and external economic data, expected cashflows naturally reflect management's view of future performance.

3.5 Retirement benefit obligations

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

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

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

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

Further information on retirement benefit obligations, including assumptions, is set out in note 36 to the accounts.

3.6 Income taxes

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

4 CAPITAL MANAGEMENT

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

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

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

Capital, reserves and long-term debt instruments
The group's Capital Management Framework, policies and processes include all group capital and reserves as per the group's statement of changes in total shareholders' equity on pages 214 and 215 as well as the long-term debt instruments per note 43 on page 301.

Further details on the ERMF, capital management and regulatory requirements are disclosed in the Risk and Capital Management Report on pages 116 to 182.

5 GROUP BALANCE SHEET – CATEGORIES OF FINANCIAL INSTRUMENTS

	Notes	Total Rm	At fair value through profit or loss – Held for trading Rm	At fair value through profit or loss – * Designated Rm	Available-for-sale financial assets Rm	Held-to-maturity investments Rm	** Loans and receivables Rm	** Financial liabilities at amortised cost Rm	Non-financial assets and liabilities Rm
2008									
Assets									
Cash and cash equivalents	21	8 609					8 609		
Other short-term securities	22	18 589	7 102	4 552	5 165	1 770			
Derivative financial instruments	23	22 321	22 321						
Government and other securities	25	42 138	1 247	16 053	310	18 726	5 802		
Loans and advances	26	434 233	10 427	34 280			389 526		
Other assets	28	6 084	1 004	167			4 913		
Clients' indebtedness for acceptances		3 024							3 024
Current taxation receivable	29	346							346
Investment securities	30	8 455	257	7 952	246				
Non-current assets held for sale	32	10							10
Investments in associate companies and joint ventures	31	1 167							1 167
Deferred taxation asset	33	200							200
Investment property	34	213							213
Property and equipment	35	4 327							4 327
Long-term employee benefit assets	36	1 741							1 741
Computer software and capitalised development costs	37	1 607							1 607
Mandatory reserve deposits with central bank	21	10 065					10 065		
Goodwill	38	3 894							3 894
Total assets		567 023	42 358	63 004	5 721	20 496	418 915	–	16 529
Equity and liabilities									
Ordinary share capital	39.1	410							410
Ordinary share premium		11 370							11 370
Reserves		23 133							23 133
Total equity attributable to equity-holders of the parent		34 913	–	–	–	–	–	–	34 913
Minority shareholders' equity attributable to:									
– ordinary shareholders		1 881							1 881
– preference shareholders	39.2	3 279							3 279
Total equity		40 073	–	–	–	–	–	–	40 073
Derivative financial instruments	23	23 737	23 737						
Amounts owed to depositors	40	466 890	19 611	98 976				348 303	
Other liabilities	41	9 829	3 712	50				6 067	
Liabilities under acceptances		3 024							3 024
Current taxation liabilities	29	235							235
Deferred taxation liabilities	33	2 100							2 100
Long-term employee benefit liabilities	36	1 231							1 231
Investment contract liabilities	42	5 843		5 843					
Long-term debt instruments	43	14 061		7 951				6 110	
Total liabilities		526 950	47 060	112 820	–	–	–	360 480	6 590
Total equity and liabilities		567 023	47 060	112 820	–	–	–	360 480	46 663

	Notes	Total Rm	At fair value through profit or loss: Held for trading Rm	At fair value through profit or loss: * Designated Rm	Available-for-sale financial assets Rm	Held-to-maturity investments Rm	** Loans and receivables Rm	** Financial liabilities at amortised cost Rm	Non-financial assets and liabilities Rm
2007									
Assets									
Cash and cash equivalents	21	10 344					10 344		
Other short-term securities	22	25 793	14 574	4 243	5 984	992			
Derivative financial instruments	23	9 047	9 047						
Government and other securities	25	29 637	5 087	12 245	241	6 219	5 845		
Loans and advances	26	373 956	26 005	22 930			325 021		
Other assets	28	9 313	3 715	243			5 355		
Clients' indebtedness for acceptances		2 251							2 251
Current taxation receivable	29	59							59
Investment securities	30	8 318		8 004	314				
Non-current assets held for sale	32	31							31
Investments in associate companies and joint ventures	31	978							978
Deferred taxation asset	33	25							25
Investment property	34	171							171
Property and equipment	35	3 929							3 929
Long-term employee benefit assets	36	1 393							1 393
Computer software and capitalised development costs	37	1 349							1 349
Mandatory reserve deposits with central bank	21	8 364					8 364		
Goodwill	38	3 898							3 898
Total assets		488 856	58 428	47 665	6 539	7 211	354 929	–	14 084
Equity and liabilities									
Ordinary share capital	39.1	402							402
Ordinary share premium		10 721							10 721
Reserves		19 070							19 070
Total equity attributable to equity-holders of the parent		30 193	–	–	–	–	–	–	30 193
Minority shareholders' equity attributable to:									
– ordinary shareholders		1 511							1 511
– preference shareholders	39.2	3 421							3 421
Total equity		35 125	–	–	–	–	–	–	35 125
Derivative financial instruments	23	11 432	11 432						
Amounts owed to depositors	40	384 541	16 147	54 447				313 947	
Other liabilities	41	34 225	26 610					7 615	
Liabilities under acceptances		2 251							2 251
Current taxation liabilities	29	337							337
Deferred taxation liabilities	33	1 616							1 616
Long-term employee benefit liabilities	36	1 157							1 157
Investment contract liabilities	42	5 846		5 846					
Long-term debt instruments	43	12 326		7 725				4 601	
Total liabilities		453 731	54 189	68 018	–	–	–	326 163	5 361
Total equity and liabilities		488 856	54 189	68 018	–	–	–	326 163	40 486

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

** *The group measures all significant fixed-rate instruments at fair value, and any change in fair value is recognised in the income statement.*

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

The group has developed and applied a fair-value methodology in respect of gross exposures for loans and advances and financial liabilities that are measured at amortised cost at 31 December 2008. The methodology incorporates the average interest rates per product type and the projected monthly cashflows per product type. Future forecasts for the overall group's probability of default (PD) and loss-given default (LGD) for periods 2009 through to 2011, based on the latest internal data available, are applied to the first three years' projected cashflows. Average PDs and LGDs are applied to the projected cashflows for the period 2012 onwards. There are no significant variances in the fair-value methodology results compared with values as reported in the financial statements.

For impaired advances the carrying value as determined after consideration of the group's IAS39 credit impairments is considered the best estimate of fair value.

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

6 LIQUIDITY GAP (CONTRACTUAL)

Rm	<3 months	>3 months <6 months	>6 months <1 year	>1 year <5 years	>5 years	Non-determined	Total
2008							
Cash and cash equivalents (including mandatory reserve deposits with central bank)	4 238	200	16			14 220	18 674
Other short-term securities	7 979	3 223	4 081	3 306			18 589
Derivative financial instruments	758	148	11 600	6 230	3 585		22 321
Government and other securities	5 593	1 895	416	22 107	12 127		42 138
Loans and advances	93 980	14 482	24 337	136 902	164 532		434 233
Other assets	4 720					26 348	31 068
	117 268	19 948	40 450	168 545	180 244	40 568	567 023
Total equity and liabilities						40 073	40 073
Derivative financial instruments	850	230	11 508	6 529	4 620		23 737
Amounts owed to depositors	347 615	33 434	61 699	22 558	1 584		466 890
Provisions and other liabilities	6 475					15 787	22 262
Long-term debt instruments			479	7 214	6 368		14 061
	354 940	33 664	73 686	36 301	12 572	55 860	567 023
Net liquidity gap	(237 672)	(13 716)	(33 236)	132 244	167 672	(15 292)	–
2007							
Cash and cash equivalents (including mandatory reserve deposits with central bank)	6 223	320	12	115		12 038	18 708
Other short-term securities	17 833	2 621	2 736	2 603			25 793
Derivative financial instruments	1 736	819	653	3 857	1 982		9 047
Government and other securities	7 796	1 312	668	16 268	3 593		29 637
Loans and advances	90 683	11 977	21 951	103 212	146 133		373 956
Other assets	5 957					25 758	31 715
	130 228	17 049	26 020	126 055	151 708	37 796	488 856
Total equity and liabilities						35 125	35 125
Derivative financial instruments	1 777	869	890	5 111	2 785		11 432
Amounts owed to depositors	303 382	23 207	40 417	16 497	1 038		384 541
Provisions and other liabilities	8 097					37 335	45 432
Long-term debt instruments			616	3 748	7 962		12 326
	313 256	24 076	41 923	25 356	11 785	72 460	488 856
Net liquidity gap	(183 028)	(7 027)	(15 903)	100 699	139 923	(34 664)	–

2007 government and other securities has been restated to reflect the maturity profile of the associated premium or discount.

7 CONTRACTUAL MATURITY ANALYSIS FOR FINANCIAL LIABILITIES

Rm	Balance sheet amount	Trading book*	<3 months	>3 months <6 months	>6 months <1 year	>1 year <5 years	>5 years	Equity/Non-determinable maturity	Total
2008									
Long-term debt instruments	**14 061**		**141**	**219**	**1 063**	**10 621**	**9 140**		**21 184**
Investment contract liabilities	**5 843**		**5 843**						**5 843**
Amounts owed to depositors	**466 890**	**27 430**	**333 995**	**36 438**	**65 228**	**20 949**	**1 142**	**–**	**485 182**
– Current accounts	**45 188**		**45 194**						**45 194**
– Savings deposits	**14 303**		**14 307**						**14 307**
– Other deposits and loan accounts	**292 768**	**8 814**	**234 171**	**15 981**	**25 430**	**15 835**	**1 142**		**301 373**
– Foreign currency liabilities	**6 226**	**1 642**	**4 584**						**6 226**
– Negotiable certificates of deposit	**87 377**	**44**	**31 374**	**20 457**	**39 798**	**5 114**			**96 787**
– Deposits received under repurchase agreements	**21 028**	**16 930**	**4 365**						**21 295**
Derivative financial instruments – liabilities	**23 737**	**23 737**							**23 737**
Provisions and other liabilities	**16 419**	**7 736**	**632**					**8 051**	**16 419**
	526 950	**58 903**	**340 611**	**36 657**	**66 291**	**31 570**	**10 282**	**8 051**	**552 365**
Guarantees on behalf of clients	**25 226**		**25 226**						**25 226**
Confirmed letters of credit and discounting transactions	**3 129**		**3 129**						**3 129**
Unutilised facilities and other	**46 378**		**46 378**						**46 378**
	74 733	**–**	**74 733**	**–**	**–**	**–**	**–**	**–**	**74 733**
2007									
Long-term debt instruments	12 326		183	296	1 490	8 900	10 885		21 754
Investment contract liabilities	5 846		5 846						5 846
Amounts owed to depositors	384 541	17 712	296 000	24 995	42 262	16 135	716	–	397 820
– Current accounts	45 920		45 931						45 931
– Savings deposits	13 925		13 928						13 928
– Other deposits and loan accounts	251 424	8 748	205 571	11 406	21 097	11 715	716		259 253
– Foreign currency liabilities	8 230	2 999	5 231						8 230
– Negotiable certificates of deposit	56 166	53	22 373	13 589	21 165	4 420			61 600
– Deposits received under repurchase agreements	8 876	5 912	2 966						8 878
Derivative financial instruments – liabilities	11 432	11 432							11 432
Provisions and other liabilities	39 586	28 338	2 251					8 997	39 586
	453 731	57 482	304 280	25 291	43 752	25 035	11 601	8 997	476 438
Guarantees on behalf of clients	20 579		20 579						20 579
Confirmed letters of credit and discounting transactions	2 427		2 427						2 427
Unutilised facilities and other	48 632		48 632						48 632
	71 638	–	71 638	–	–	–	–	–	71 638

This table is based on a contractual, undiscounted basis. 2007 has been restated to exclude total equity.

* *Trading areas of the group are not managed on a contractual-maturity basis. The markets in which the group trades are generally liquid and positions will often be closed out before contractual maturity. An internal centralised funding desk is in place and ensures the funding of all trading positions each day. Strict limits exist in terms of what funds can be borrowed for the centralised funding desk. These limits were put in place by the Group Asset and Liability Committee and are constantly monitored.*

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

	2008				2007			
Rm	Average	Minimum	Maximum	Year-end	Average	Minimum	Maximum	Year-end
Foreign exchange	6,12	2,25	20,08	3,39	2,50	0,70	6,40	4,40
Interest rate	13,78	7,42	24,98	19,32	14,50	10,40	22,00	13,80
Equity products	7,78	3,30	21,21	6,53	12,60	5,70	28,70	7,50
Other	6,22	3,35	8,67	6,59				
Diversification	(14,17)			(11,80)	(4,70)			(2,40)
Total value-at-risk exposure	19,73	10,26	36,52	24,03	24,90	14,90	37,40	23,30

9 INTEREST RATE REPRICING GAP

Rm	<3 months	>3 months <6 months	>6 months <1 year	>1 year <5 years	>5 years	Trading, non-rate and foreign	Total
2008							
Total assets	423 926	8 716	1 881	37 856	21 919	72 725	567 023
Total equity and liabilities	348 042	37 236	46 023	14 007	6 033	115 682	567 023
Interest rate hedging activities	(46 246)	24 254	42 430	(3 766)	(16 672)		
Repricing profile	29 638	(4 266)	(1 712)	20 083	(786)	(42 957)	
Cumulative repricing profile	29 638	25 372	23 660	43 743	42 957		
Expressed as a percentage of total assets	5,2	4,5	4,2	7,7	7,6		
2007							
Total assets	380 535	4 673	3 920	23 115	12 397	64 216	488 856
Total equity and liabilities	281 382	23 780	43 347	15 865	5 538	118 944	488 856
Interest rate hedging activities	(42 477)	17 371	34 780	(6 774)	(2 900)		–
Repricing profile	56 676	(1 736)	(4 647)	476	3 959	(54 728)	–
Cumulative repricing profile	56 676	54 940	50 293	50 769	54 728		
Expressed as a percentage of total assets	11,6	11,2	10,3	10,4	11,2		

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

	Investment grade		Subinvestment grade		Not rated		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
Credit rating	**Rm**	Rm	**Rm**	Rm	**Rm**	Rm	**Rm**	Rm
Other short-term securities	18 054	25 516	530	273	5	4	18 589	25 793
– Negotiable certificates of deposit	14 002	21 320					14 002	21 320
– Treasury bills and other	4 052	4 196	530	273	5	4	4 587	4 473
Government and other securities	42 057	29 548	81	65	–	24	42 138	29 637
– Government and government-guaranteed	30 933	19 231				9	30 933	19 240
– Other dated securities	11 124	10 317	81	65		15	11 205	10 397
	60 111	55 064	611	338	5	28	60 727	55 430

All debt securities that are purchased by the group are rated using an internal rating system, being the Nedbank Group rating (NGR) scale. The group requires that all investments be rated using the NGR scale to ensure that credit risk is measured consistently and accurately across the group. This ensures compliance with the group's policy surrounding the rating of investments. The NGR scale has been mapped to the Standard and Poor's credit rating system. According to the NGR scale, investment grade can be equated to a Standard and Poor's rating of BB and above. All government and other short-term securities are current and not impaired. Investment grade includes credit ratings from NGR01 to NGR11 and subinvestment grade includes credit ratings from NGR12 to NGR25.

11 INTEREST AND SIMILAR INCOME

	2008 Rm	2007 Rm
Home loans (including properties in possession)	17 798	12 798
Commercial mortgages	8 857	6 230
Finance lease and instalment debtors	8 301	6 130
Credit cards	1 332	1 003
Bills and acceptances	67	99
Overdrafts	2 271	1 727
Term loans	7 119	5 181
– Personal loans	2 172	2 036
– Other term loans	4 947	3 145
Government and other securities	3 210	1 926
Short-term funds and securities	1 558	1 475
Other loans	7 473	5 432
	57 986	42 001
Interest and similar income may be analysed as follows:		
– Interest and similar income from financial instruments not at fair value through profit and loss	53 357	37 669
– Interest and similar income from financial instruments at fair value through profit or loss	4 629	4 332
	57 986	42 001

12 INTEREST EXPENSE AND SIMILAR CHARGES

	2008 Rm	2007 Rm
Deposit and loan accounts	25 941	17 161
Current and savings accounts	2 027	1 708
Negotiable certificates of deposit	8 413	5 177
Other liabilities	3 906	2 746
Long-term debt instruments	1 529	1 063
	41 816	27 855
Interest expense and similar charges may be analysed as follows:		
– Interest expense and similar charges from financial instruments not at fair value through profit and loss	31 930	24 960
– Interest expense and similar charges from financial instruments at fair value through profit or loss	9 886	2 895
	41 816	27 855

An unaudited margin analysis of the interest income and interest expense by asset and liability category is presented on page 54.

13 NON-INTEREST REVENUE

	2008 Rm	2007 Rm
Commission and fee income****	7 910	7 528
– Administration fees	267	195
– Cash-handling fees	464	378
– Insurance commission	548	523
– Exchange commission	358	294
– Fees	990	1 056
– Guarantees	108	83
– Card income	1 846	1 695
– Service charges	1 972	1 709
– Bond originator income		578
– Other commission	1 357	1 017
Securities dealing and fair-value adjustments	498	841
– Securities dealing**	130	836
– Fair-value adjustments (note 13.1)	368	5
Net trading income**	1 553	1 334
– Foreign exchange	1 156	733
– Debt securities	557	342
– Equities	(194)	233
– Commodities	34	26
Rental income	51	51
Investment income	242	159
– Long-term asset sales	8	28
– Dividends received	234	131
Sundry income***	475	533
– Income from non-banking subsidiaries	226	271
– Other sundry income	249	262
Foreign currency translation gains	*	*
	10 729	10 446

Represents amounts less than R1 million.

** *These amounts relate to gains and losses on financial assets and liabilities held for trading.*

*** *Sundry income for 2007 includes R48 million (2008: R0 million) gross profit, comprising turnover of R143 million (2008: R0 million) and cost of sales of R95 million (2008: R0 million) from non-banking subsidiaries.*

**** *Commission and fee income includes an amount of R695 million (2007: R625 million) received for trust and fiduciary fees.*

13.1 Analysis of fair-value adjustments

Fair-value adjustments can be analysed as follows:	2008 Rm	2007 Rm
– Held for trading	(928)	281
– Designated at fair value through profit or loss	1 296	(276)
	368	5

13.2 Government grants

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

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

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

13.3 Segmental analysis

Rm	Nedbank Group 2008	Nedbank Group 2007	Nedbank Corporate 2008	Nedbank Corporate 2007	Nedbank Capital 2008	Nedbank Capital 2007
Commission and fee income****	**7 910**	7 528	**2 035**	2 543	**298**	338
– Administration fees	**267**	195	**52**	56		
– Cash-handling fees	**464**	378	**361**	281		
– Insurance commission	**548**	523	**17**	22		
– Exchange commission	**358**	294	**205**	186		
– Fees	**990**	1 056	**284**	295	**296**	334
– Guarantees	**108**	83	**102**	77	**2**	2
– Other card income	**1 846**	1 695	**44**	36		
– Service charges	**1 972**	1 709	**437**	410		
– Bond originator income	**–**	578		750		
– Other commission	**1 357**	1 017	**533**	430		2
Securities dealing and fair-value adjustments	**498**	841	**39**	327	**35**	500
– Securities dealing	**130**	836	**56**	303	**72**	518
– Fair-value adjustments	**368**	5	**(17)**	24	**(37)**	(18)
Net trading income	**1 553**	1 334	**185**	121	**1 333**	1 172
– Foreign exchange	**1 156**	733	**185**	121	**914**	571
– Debt securities	**557**	342			**557**	342
– Equities	**(194)**	233			**(172)**	233
– Commodities	**34**	26			**34**	26
Rental income	**51**	51	**16**	15		
Investment Income	**242**	159	**142**	22	**89**	108
– Long-term asset sales	**8**	28	**8**	8		2
– Dividends received	**234**	131	**134**	14	**89**	106
Sundry income	**475**	533	**161**	170	**27**	17
– Income from non-banking subsidiaries	**226**	271		46		
– Other sundry income	**249**	262	**161**	124	**27**	17
Foreign currency translation gains	**–**	–				
Total non-interest revenue	**10 729**	10 446	**2 578**	3 198	**1 782**	2 135

13 NON-INTEREST REVENUE ... continued

13.3 Segmental analysis ... continued

Rm	Nedbank Retail 2008	Nedbank Retail 2007	Imperial Bank 2008	Imperial Bank 2007	Shared Services 2008	Shared Services 2007	Central Management and eliminations 2008	Central Management and eliminations 2007
Commission and fee income****	5 454	4 772	98	39	59	33	(34)	(197)
– Administration fees	150	146	70		8	7	(13)	(14)
– Cash-handling fees	103	97						
– Insurance commission	531	501						
– Exchange commission	148	104			5	4		
– Fees	418	417		14	8	10	(16)	(14)
– Guarantees	4	4						
– Other card income	1 802	1 659						
– Service charges	1 535	1 299						
– Bond originator income								(172)
– Other commission	763	545	28	25	38	12	(5)	3
Securities dealing and fair-value adjustments	1	3	(29)	–	(5)	45	457	(34)
– Securities dealing	1	3			2		(1)	12
– Fair-value adjustments			(29)		(7)	45	458	(46)
Net trading income	57	41	–	–	–	–	(22)	–
– Foreign exchange	57	41						
– Debt securities								
– Equities							(22)	
– Commodities								
Rental income	(3)	1			37	34	1	1
Investment Income	5	2	–	–	–	4	6	23
– Long-term asset sales								18
– Dividends received	5	2				4	6	5
Sundry income	32	32	19	89	271	292	(35)	(67)
– Income from non-banking subsidiaries					226	225		
– Other sundry income	32	32	19	89	45	67	(35)	(67)
Foreign currency translation gains								
Total non-interest revenue	5 546	4 851	88	128	362	408	373	(274)

14 OPERATING EXPENSES

	2008 Rm	2007 Rm
Staff costs	7 040	7 079
– Salaries and wages	7 193	6 923
– Long-term employee benefits*	(239)	20
– Share-based payments expense – employees**	86	136
Computer processing	1 841	1 673
– Depreciation for computer equipment	331	288
– Amortisation of computer software	414	431
– Operating lease charges for computer equipment	146	126
– Other computer processing expenses	950	828
Communication and travel	636	558
– Depreciation for vehicles	3	3
– Other communication and travel	633	555
Occupation and accommodation	1 122	1 068
– Depreciation for owner-occupied land and buildings	71	67
– Operating lease charges for land and buildings	469	457
– Other occupation and accommodation expenses	582	544
Marketing and public relations	877	887
Fees and insurances	1 326	1 498
– Auditors' remuneration	94	93
– Statutory audit – current year	70	64
– prior year	4	4
– Non-audit services – interim reviews	5	7
– other services	15	18
– Bond Choice fees		517
– Other fees and insurance costs	1 232	888
Furniture, office equipment and consumables	326	297
– Depreciation for furniture and other equipment	211	187
– Operating-lease charge for furniture and other equipment	31	20
– Other office equipment and consumables	84	90
Other sundries	379	281
	13 547	13 341
Included in staff costs are the following:		
Executive directors' remuneration***	16	19
Non-executive directors' remuneration***	10	10
	26	29

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

* *Includes contributions to defined-benefit and defined-contribution pension funds and post-retirement medical aid funding and any adjustments for defined-benefit obligations together with any fair-value adjustments of plan assets held. Refer to note 36.*

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

*** *Refer to pages 197 and 198 of the Remuneration Report for a detailed breakdown of directors' remuneration.*

14 OPERATING EXPENSES ... continued

14.1 Segmental analysis

	Nedbank Group		Nedbank Corporate		Nedbank Capital	
Rm	**2008**	2007	**2008**	2007	**2008**	2007
Staff costs	**7 040**	7 079	**1 939**	1 731	**671**	641
Computer processing	**1 841**	1 673	**167**	170	**96**	75
Communication and travel	**636**	558	**193**	94	**79**	66
Occupation and accommodation	**1 122**	1 068	**217**	182	**44**	32
Marketing and public relations	**877**	887	**105**	116	**37**	28
Fees and insurances	**1 326**	1 498	**345**	734	**92**	96
Office equipment and consumables	**326**	297	**96**	44	**5**	8
Other sundries	**379**	281	**55**	55	**33**	25
Indirect transfer pricing	**–**	–	**870**	1 320	**330**	282
Operating expenses	**13 547**	13 341	**3 987**	4 446	**1 387**	1 253
BEE transaction expenses	**194**	148	**32**	32	**32**	31
Total operating expenses	**13 741**	13 489	**4 019**	4 478	**1 419**	1 284
Efficiency ratio (%)	**51,1**	54,9	**47,4**	53,5	**52,2**	47,9

15 BEE TRANSACTION EXPENSES

	2008 Rm	2007 Rm
BEE share-based payments expenses	**181**	147
Fees	**13**	1
	194	148

Refer to note 50 for a description of the BEE schemes.

16 INDIRECT TAXATION

	2008 Rm	2007 Rm
Value-added taxation	**317**	258
Revenue stamps	**3**	4
Other transaction taxes	**54**	43
	374	305

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

17 NON-TRADING AND CAPITAL ITEMS

	2008 Rm	2007 Rm
Profit on sale of subsidiaries and investments	**769**	110
(Loss)/Profit on sale of property and equipment	**(2)**	8
Impairment of investments	*****	(6)
Impairment of property and equipment, and capitalised development costs	**(11)**	(1)
	756	111

** Represents amounts less than R1 million.*

	Nedbank Retail		Imperial Bank		Shared Services		Central Management and eliminations	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	3 283	3 136	**306**	294	**1 145**	1 289	**(304)**	(12)
	401	346	**40**	30	**1 137**	1 064		(12)
	286	237	**33**	33	**79**	164	**(34)**	(36)
	846	790	**26**	24	**(13)**	22	**2**	18
	454	499	**16**	49	**294**	219	**(29)**	(24)
	489	397	**26**	18	**310**	391	**64**	(138)
	171	165	**13**	11	**42**	72	**(1)**	(3)
	201	152	**65**	30	**28**	37	**(3)**	(18)
	1 750	1 603			**(2 932)**	(3 191)	**(18)**	(14)
	7 881	7 325	**525**	489	**90**	67	**(323)**	(239)
	92	42			**42**	48	**(4)**	(5)
	7 973	7 367	**525**	489	**132**	115	**(327)**	(244)
	61,1	63,5	**28,8**	30,2				

NEDBANK GROUP

18 DIRECT TAXATION

	2008 Rm	2007 Rm
18.1 Charge for the year		
South African normal taxation		
– Current charge	1 554	1 882
– Capital gains taxation – current	(3)	
– deferred	(25)	6
– Deferred taxation	(7)	224
Foreign taxation	77	106
Current and deferred taxation on income	1 596	2 218
Prior-year overprovision – current taxation	(315)	(24)
Prior-year underprovision – deferred taxation	353	21
Total taxation on income	1 634	2 215
Secondary tax on companies	123	121
Taxation on non-trading and capital items – deferred taxation on sale of subsidiaries, investments and property and equipment	111	7
	1 868	2 343

	%	%
18.2 Taxation rate reconciliation		
Standard rate of South African normal taxation	28	29
Reduction in taxation rate (note 18.4)	(2)	
Non-taxable dividend income	(5)	(4)
Capital items	(1)	(1)
Differences between foreign taxation rates and South African taxation rate	(1)	(1)
Risk provision		1
Structured deals	(1)	(1)
Secondary tax on companies	1	1
Other	3	2
Effective taxation rate	22	26

18.3 Future taxation relief

The group has estimated taxation losses of R1 285 million (2007: R314 million) that can be set off against future taxable income, of which R1 267 million (2007: R221 million) has been applied to the deferred taxation balance. Furthermore, the group has accumulated STC credits amounting to R617 million at the year-end (2007: R511 million), which have arisen as a result of dividends received exceeding dividends paid. A deferred taxation asset of R62 million (2007: R51 million) has been raised on these STC credits.

18.4 Change in company taxation rate

The South African corporate taxation rate has been reduced from 29% to 28% during the current year. The effect of this change in rate on the group's deferred taxation liability is a credit to the current-year deferred taxation charge in the income statement of R39 million. A further deferred taxation credit to the income statement for the 2008 year of R153 million flows from the introduction of the provisions of section 9C of the Income Tax Act. This has allowed the group to reduce the rate of tax applicable to unrealised surpluses of certain equity instruments to 14%.

19 EARNINGS

19.1 Earnings per share

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

	Basic		Headline	
Rm	**Basic**	**Diluted**	**Basic**	**Diluted**
2008				
Profit attributable to equityholders of the parent	**6 410**	**6 410**	**6 410**	**6 410**
Adjusted for:				
– Non-trading and capital items (note 17)			**(756)**	**(756)**
– Taxation on non-trading and capital items (note 18)			**111**	**111**
Adjusted profit attributable to equityholders of the parent	**6 410**	**6 410**	**5 765**	**5 765**
Weighted average number of ordinary shares	**405 412 483**	**405 412 483**	**405 412 483**	**405 412 483**
Adjusted for:				
– Share schemes that have a dilutive effect		**6 122 316**		**6 122 316**
Adjusted weighted average number of ordinary shares	**405 412 483**	**411 534 799**	**405 412 483**	**411 534 799**
Earnings per share (cents)	**1 581**	**1 558**	**1 422**	**1 401**
2007				
Profit attributable to equityholders of the parent	6 025	6 025	6 025	6 025
Adjusted for:				
– Non-trading and capital items (note 17)			(111)	(111)
– Taxation on non-trading and capital items (note 18)			7	7
Adjusted profit attributable to equityholders of the parent	6 025	6 025	5 921	5 921
Weighted average number of ordinary shares	398 746 512	398 746 512	398 746 512	398 746 512
Adjusted for:				
– Share schemes that have a dilutive effect		15 658 900		15 658 900
Adjusted weighted average number of ordinary shares	398 746 512	414 405 412	398 746 512	414 405 412
Earnings per share (cents)	1 511	1 454	1 485	1 429

The diluted earnings per share calculations are based on the group's daily average share price of 10 276 cents (2007: 13 833 cents) and exclude the effect of certain share options granted under certain share option schemes as they would be antidilutive. The number of share options not included in the weighted average number of shares (as they would have been antidilutive) is 33 million (2007: 17 million).

19.2 Headline earnings reconciliation

	2008		2007	
	Gross	**Net of taxation**	Gross	Net of taxation
Profit attributable to equityholders of the parent		**6 410**		6 025
Less: non-trading and capital items	**756**	**645**	111	104
Profit on sale of subsidiaries, investments and property and equipment	**767**	**656**	118	111
Net impairment of investments, property and equipment and capitalised development costs	**(11)**	**(11)**	(7)	(7)
Headline earnings		**5 765**		5 921

20 DIVIDENDS

20.1 Ordinary shares

	Last date to register	Millions of shares	Cents per share	Rm
2008				
Final declared for 2007 – paid 2008	4 Apr 08	411	350	1 440
Interim declared for 2008	5 Sep 08	418	310*	1 296
Ordinary dividends paid 2008			660	2 736
Final ordinary dividend declared for 2008			310*	
2007				
Final declared for 2006 – paid 2007	29 Mar 07	402	284	1 142
Interim declared for 2007	14 Sep 07	406	310**	1 260
Ordinary dividends paid 2007			594	2 402
Final ordinary dividend declared for 2007			350**	

STC on dividends equals 10% of the amount declared, which will be partially offset by the deferred taxation asset previously raised for STC credits.

* Total dividend declared for 2008 = 620 cents per share.
** Total dividend declared for 2007 = 660 cents per share.

20.2 Minority interest – preference shareholders

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

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

20 DIVIDENDS ... continued

20.2 Minority interest – preference shareholders ... continued

	Days	Rate %	Rm
2007			
Dividends paid:			
Nedbank Limited	365		268,3
1 July 2006 – 31 December 2006	184		122,4
1 July 2006 – 3 August 2006	34	8,250	21,3
4 August 2006 – 15 October 2006	73	8,630	47,8
16 October 2006 – 10 December 2006	56	9,000	38,3
11 December 2006 – 31 December 2006	21	9,375	15,0
1 January 2007 – 30 June 2007	181		145,9
1 January 2007 – 10 June 2007	161	9,375	126,9
11 June 2007 – 30 June 2007	20	9,750	19,0
Imperial Bank Limited	374		26,0
22 June 2006 – 31 December 2006	193		12,9
22 June 2006 – 3 August 2006	43	7,700	2,7
4 August 2006 – 15 October 2006	73	8,050	4,8
16 October 2006 – 10 December 2006	56	8,400	3,9
11 December 2006 – 31 December 2006	21	8,750	1,5
1 January 2007 – 30 June 2007	181		13,1
1 January 2007 – 10 June 2007	161	8,750	11,6
11 June 2007 – 30 June 2007	20	9,100	1,5
			294,3

	Number of shares	Cents per share	Rm
Dividends declared:			
Nedbank Limited			
Final declared for 2006 – paid March 2007	277 298 896	44,13699	122
Interim declared for 2007 – paid September 2007	312 781 032	46,72603	146
Imperial Bank Limited			
Final declared for 2006 – paid March 2007	3 000 000	430,93151	13
Interim declared for 2007 – paid September 2007	3 000 000	435,82192	13
			294
Final declared for 2007 – payable March 2008 (Nedbank Limited)	312 781 032	51,55479	161
Final declared for 2007 – payable March 2008 (Imperial Bank Limited)	3 000 000	481,17808	14

21 CASH AND CASH EQUIVALENTS

	2008 Rm	2007 Rm
Coins and bank notes	**2 443**	2 439
Money at call and short notice	**3 583**	6 318
Balances with central banks – other than mandatory reserve deposits	**2 583**	1 587
Cash and cash equivalents excluding mandatory reserve deposits with central banks	**8 609**	10 344
Mandatory reserve deposits with central banks	**10 065**	8 364
	18 674	18 708

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

22 OTHER SHORT-TERM SECURITIES

22.1 Analysis

	2008 Rm	2007 Rm
Negotiable certificates of deposit	**14 002**	21 320
Treasury bills and other bonds	**4 587**	4 473
	18 589	25 793

22.2 Sectoral analysis

	2008 Rm	2007 Rm
Banks	**14 002**	21 320
Government and public sector	**4 587**	4 473
	18 589	25 793

23 DERIVATIVE FINANCIAL INSTRUMENTS

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

Swaps

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

Options

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

Futures and forwards

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

Collateral

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

23 DERIVATIVE FINANCIAL INSTRUMENTS ... continued

23.1 Total carrying amount of derivative financial instruments

	2008 Rm	2007 Rm
Gross carrying amount of assets	22 321	9 047
Gross carrying amount of liabilities	(23 737)	(11 432)
Net carrying amount	(1 416)	(2 385)

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

23.2 Notional principal of derivative financial instruments

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

	2008			2007		
	Notional principal Rm	Positive value Rm	Negative value Rm	Notional principal Rm	Positive value Rm	Negative value Rm
Equity derivatives	29 066	14 282	14 784	128 711	57 970	70 741
Options written	11 837		11 837	45 831		45 831
Options purchased	10 849	10 849		46 778	46 778	
Futures*	6 380	3 433	2 947	36 102	11 192	24 910
Commodity derivatives	16 549	7 877	8 672	14 196	6 888	7 308
Options written				11		11
Options purchased	8	8		10	10	
Caps and floors	635	278	357			
Swaps	15 521	7 591	7 930	14 174	6 877	7 297
Futures	385		385	1	1	
Exchange rate derivatives	277 055	138 282	138 773	160 962	81 037	79 925
Forwards	250 625	124 639	125 986	147 949	76 520	71 429
Currency swaps	16 626	8 750	7 876	10 336	3 129	7 207
Options purchased	4 893	4 893		1 388	1 388	
Options written	4 911		4 911	1 289		1 289
Interest rate derivatives	471 675	227 757	243 918	375 147	164 343	210 804
Interest rate swaps	269 703	131 014	138 689	247 861	103 774	144 087
Forward rate agreements	122 815	60 504	62 311	84 324	37 328	46 996
Options purchased	23 498	23 498		4 145	4 145	
Options written	24 988		24 988	4 600		4 600
Futures	20 948	8 412	12 536	24 819	12 177	12 642
Caps	4 074	750	3 324	4 731	2 752	1 979
Floors	2 865	2 715	150	3 656	3 156	500
Credit default swaps	2 784	864	1 920	1 011	1 011	
Total notional principal	794 345	388 198	406 147	679 016	310 238	368 778

* *Includes contracts for difference with positive notionals of R34 million (2007: R8 million) and negative notionals of R318 million (2007: R376 million).*

23.3 Carrying amount of derivative financial instruments

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

	2008 Net carrying amount Rm	2008 Carrying amount of assets Rm	2008 Carrying amount of liabilities Rm	2007 Net carrying amount Rm	2007 Carrying amount of assets Rm	2007 Carrying amount of liabilities Rm
Equity derivatives	(1 110)	510	1 620	(1 677)	1 290	2 967
Options written	(1 567)		1 567	(2 155)		2 155
Options purchased	404	404		912	912	
Futures**	53	106	53	(434)	378	812
Commodity derivatives	157	1 383	1 226	356	725	369
Options written				(36)		36
Options purchased				27	27	
Caps and floors	(13)	104	117			
Swaps	170	1 279	1 109	365	698	333
Futures						
Exchange rate derivatives	458	14 380	13 922	32	3 208	3 176
Forwards	314	12 397	12 083	351	2 747	2 396
Currency swaps	177	1 344	1 167	(309)	441	750
Options purchased	639	639		20	20	
Options written	(672)		672	(30)		30
Interest rate derivatives	(921)	6 048	6 969	(1 096)	3 824	4 920
Interest rate swaps	(804)	5 658	6 462	(1 138)	3 653	4 791
Forward rate agreements	10	227	217	14	106	92
Options purchased	86	86		11	11	
Options written	(141)		141	(11)		11
Futures	(7)	2	9	(5)	1	6
Caps	(5)	3	8	3	23	20
Floors	41	41		4	4	
Credit default swaps	(101)	31	132	26	26	
Total carrying amount	(1 416)	22 321	23 737	(2 385)	9 047	11 432

*** Includes contracts for difference. The fair value is zero as the variation margin is settled at the end of every day.*

23 DERIVATIVE FINANCIAL INSTRUMENTS ... continued

23.4 Analysis of derivative financial instruments

	Equity derivatives Rm	Commodity derivatives Rm	Exchange rate derivatives Rm	Interest rate derivatives Rm	Total Rm
Derivative assets					
2008					
Maturity analysis					
Under one year	**248**	**133**	**11 157**	**966**	**12 504**
One to five years	**262**	**712**	**2 876**	**2 381**	**6 231**
Over five years		**538**	**347**	**2 701**	**3 586**
	510	**1 383**	**14 380**	**6 048**	**22 321**
2007					
Maturity analysis					
Under one year	556	65	2 219	368	3 208
One to five years	733	576	966	1 582	3 857
Over five years	1	84	23	1 874	1 982
	1 290	725	3 208	3 824	9 047
Derivative liabilities					
2008					
Maturity analysis					
Under one year	**507**	**116**	**11 316**	**649**	**12 588**
One to five years	**1 106**	**639**	**2 491**	**2 293**	**6 529**
Over five years	**7**	**471**	**115**	**4 027**	**4 620**
	1 620	**1 226**	**13 922**	**6 969**	**23 737**
2007					
Maturity analysis					
Under one year	753	25	2 262	496	3 536
One to five years	2 193	307	885	1 725	5 110
Over five years	21	37	29	2 699	2 786
	2 967	369	3 176	4 920	11 432
Notional principal of derivatives					
2008					
Maturity analysis					
Under one year	**17 102**	**3 404**	**229 253**	**256 386**	**506 145**
One to five years	**11 957**	**7 221**	**45 313**	**148 265**	**212 756**
Over five years	**7**	**5 924**	**2 489**	**67 024**	**75 444**
	29 066	**16 549**	**277 055**	**471 675**	**794 345**
2007					
Maturity analysis					
Under one year	87 461	341	139 480	194 190	421 472
One to five years	41 168	11 373	19 329	116 267	188 137
Over five years	82	2 482	2 153	64 690	69 407
	128 711	14 196	160 962	375 147	679 016

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

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

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

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

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

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

		Change in fair value due to change in credit risk	
	Maximum exposure to credit risk Rm	Current period** Rm	Cumulative Rm
2008			
Negotiable certificates of deposit purchased	1 091		
Treasury bills	3 461		
Government-guaranteed	13 126		
Other dated securities	2 927		
Commercial mortgage loans	16 824	(1)	11
Instalment credit	2 794		1
Leases and debentures	632		
Preference shares	2 349		
Loans and advances (secured and unsecured)	6 074		
Overdrafts	*		
Foreign correspondents	2 850		
Other loans	2 143	(2)	
Loans to other banks	277		
Trade and other bills and acceptances	337		
Debtors and accruals	167		
Listed investments	541		
Unlisted investments	1 560		
Endowment policy	8		
Insurance policyholder investments	5 879		
Policyholder assets	(36)		
	63 004	(3)	12

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

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

	Maximum exposure to credit risk Rm	Change in fair value due to change in credit risk Current period** Rm	Cumulative Rm
2007			
Negotiable certificates of deposit purchased	341		
Treasury bills	3 901		
Government-guaranteed	11 255		
Other dated securities	991		
Commercial mortgage loans	9 756	3	12
Instalment credit	31	(3)	1
Leases and debentures	123		
Preference shares	1 726		
Loans and advances (secured and unsecured)	5 878	(10)	
Overdrafts	28		
Foreign correspondents	2 084		
Other loans	2 316	(93)	2
Loans to other banks	497		
Trade and other bills and acceptances	492		
Debtors and accruals	243		
Listed investments	595		
Unlisted investments	1 317		
Endowment policy	245		
Insurance policyholder investments	5 881		
Policyholder assets	(35)		
	47 665	(103)	15

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

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

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

	Fair value Rm	Contractually payable at maturity Rm	Change in fair value due to change in credit risk: Current period Rm	Change in fair value due to change in credit risk: Cumulative Rm
2008				
Long-term subordinated debt instruments	**7 951**	**7 955**	**207**	**262**
Call and term deposits	**31 324**	**31 193**	**50**	**55**
Fixed deposits	**98**	**97**		
Promissory notes and other liabilities	**6**	**6**		
Foreign currency liabilities	**4 659**	**4 656**		
Investment contract liabilities	**5 843**	**5 843**		
Negotiable certificates of deposit	**62 889**	**62 405**	**88**	**97**
Sundry creditors	**50**			
	112 820	**112 155**	**345**	**414**
2007				
Long-term subordinated debt instruments	7 725	7 971	47	55
Call and term deposits	18 294	18 397	2	5
Fixed deposits	80	83	1	
Promissory notes and other liabilities	74	75	(5)	
Foreign currency liabilities	5 283	5 279		
Investment contract liabilities	5 846	5 846		
Negotiable certificates of deposit	30 716	30 884	9	9
	68 018	68 535	54	69

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

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

25 GOVERNMENT AND OTHER SECURITIES

		2008 Rm	2007 Rm
25.1	**Analysis**		
	Government and government-guaranteed securities	30 933	19 240
	Other dated securities	11 205	10 397
		42 138	29 637
25.2	**Sectoral analysis**		
	Financial services, insurance and real estate	4 640	5 670
	Banks	3 092	2 266
	Manufacturing	523	
	Transport, storage and communication	246	161
	Retailers, catering and accommodation		200
	Government and public sector	32 283	21 053
	Other sectors	1 354	287
		42 138	29 637
25.3	**Valuation**		
	Listed securities		
	– Carrying amount	42 099	29 335
	– Market value	42 013	29 316
	Unlisted securities		
	– Carrying amount	39	302
	– Directors' valuation	39	302
	Total market/directors' valuation	42 052	29 618

26 LOANS AND ADVANCES

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

	2008 Rm	2007 Rm
26.1 Classification of loans and advances		
Mortgage loans	216 373	184 025
– Home loans*	143 342	123 980
– Commercial mortgages	73 031	60 045
Net finance lease and instalment debtors* (note 26.4)	61 362	52 568
– Gross investment	67 881	58 025
– Unearned finance charges	(6 519)	(5 457)
Credit cards	7 248	7 109
Other loans and advances	157 109	136 332
Properties in possession	791	308
Overdrafts	12 461	12 514
Term loans	64 144	39 835
– Personal loans	7 187	6 912
– Other term loans	56 957	32 923
Overnight loans	15 760	18 336
Other loans to clients	44 187	47 786
– Foreign client lending	8 433	13 734
– Remittances in transit	229	196
– Other loans**	35 525	33 856
Preference shares and debentures	15 667	9 377
Factoring accounts	394	494
Deposits placed under reverse repurchase agreements	2 630	5 839
Trade, other bills and bankers' acceptances	1 075	1 843
	442 092	380 034
Impairment of loans and advances (note 27)	(7 859)	(6 078)
	434 233	373 956
Comprises:		
– Loans and advances to clients	428 189	361 668
– Loans and advances to banks	13 903	18 366
	442 092	380 034

* *During the 2007 financial year Nedbank Limited completed a R2 billion securitisation of the Nedbank Retail home loan portfolio. Imperial Bank Limited also successfully securitised R2 billion of its motor vehicle instalment sale agreement portfolio. The notes relating to the abovementioned securitisation deals are listed on the Bond Exchange of South Africa (BESA). In terms of IAS 39 the home loan portfolio and the motor vehicle instalment sale agreement portfolio remain on the group's balance sheet as the group is exposed to substantially all the risks and rewards of ownership of these loans and advances.*

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

26 LOANS AND ADVANCES ... continued

		2008 Rm	2007 Rm
26.2	**Sectoral analysis**		
	Individuals	232 006	164 315
	Financial services, insurance and real estate	102 215	100 220
	Banks	13 903	18 366
	Manufacturing	18 542	13 942
	Building and property development	5 728	8 323
	Transport, storage and communication	10 237	9 769
	Retailers, catering and accommodation	7 302	5 249
	Wholesale and trade	8 558	8 734
	Mining and quarrying	17 903	9 352
	Agriculture, forestry and fishing	3 673	2 763
	Government and public sector	3 225	6 666
	Other services	18 800	32 335
		442 092	380 034
26.3	**Geographical analysis**		
	South Africa	418 923	362 182
	Other African countries	11 185	8 522
	Europe	7 962	7 074
	Asia	2 122	1 266
	USA	731	493
	Other	1 169	497
		442 092	380 034
26.4	**Net finance lease and instalment debtors**		
	Gross finance lease and instalment debtors:		
	No later than one year	12 092	11 236
	Later than one year and no later than five years	45 048	43 055
	Later than five years	10 741	3 734
		67 881	58 025
	Unearned future income on finance lease and instalment debtors	(6 519)	(5 457)
	Net finance lease and instalment debtors	61 362	52 568
	The net finance lease and instalment debtors may be analysed as follows:		
	No later than one year	10 161	10 180
	Later than one year and no later than five years	40 523	39 006
	Later than five years	10 678	3 382
		61 362	52 568

26 LOANS AND ADVANCES ... continued

26.5 Segmental analysis

Rm	Nedbank Group 2008	2007	Nedbank Corporate 2008	2007	Nedbank Capital 2008	2007
Mortgage loans	216 373	184 025	82 920	68 021	–	–
– Home loans	143 342	123 980	16 817	14 796		
– Commercial mortgages	73 031	60 045	66 103	53 225		
Net finance lease and instalment debtors	61 362	52 568	17 620	16 869	217	230
Credit cards	7 248	7 109	53	53		
Other loans and advances	157 109	136 332	93 101	70 612	47 902	51 387
Properties in possession	791	308	21	30		
Overdrafts	12 461	12 514	10 112	10 252	3	44
Term loans	64 144	39 835	50 541	29 022	4 518	2 059
– Personal Loans	7 187	6 912	299	343		
– Other term loans	56 957	32 923	50 242	28 679	4 518	2 059
Overnight loans	15 760	18 336	15 723	18 331	36	4
Other loans to clients	44 187	47 786	10 543	8 073	29 956	36 837
– Foreign client lending	8 433	13 734	2 850	2 084	5 582	11 649
– Remittances in transit	229	196	171	140		
– Other loans	35 525	33 856	7 522	5 849	24 374	25 188
Preference shares and debentures	15 667	9 377	5 767	4 346	9 689	4 828
Factoring accounts	394	494	394	494		
Deposits placed under reverse repurchase agreements	2 630	5 839			2 630	5 839
Trade, other bills and bankers' acceptances	1 075	1 843		64	1 070	1 776
Loans and advances before impairments	442 092	380 034	193 694	155 555	48 119	51 617
Impairment of advances	(7 859)	(6 078)	(2 151)	(1 837)	(433)	(384)
Total loans and advances	434 233	373 956	191 543	153 718	47 686	51 233
Comprises:						
Loans and advances to clients	428 189	361 668	193 235	155 226	37 316	35 621
Loans and advances to banks	13 903	18 366	459	329	10 803	15 996
Loans and advances before impairments	442 092	380 034	193 694	155 555	48 119	51 617

Nedbank Retail		Imperial Bank		Shared Services		Central Management and eliminations	
2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
121 944	106 645	**11 793**	9 638	**–**	–	**(284)**	(279)
120 992	105 788	**5 668**	3 549			**(135)**	(153)
952	857	**6 125**	6 089			**(149)**	(126)
10 797	9 453	**32 778**	26 064			**(50)**	(48)
7 195	7 056						
14 636	13 271	**975**	521	**94**	146	**401**	395
770	278						
2 340	2 204			**6**	3		11
8 283	8 369	**801**	385	**–**	–	**1**	–
6 888	6 569						
1 395	1 800	**801**	385			**1**	
1	1						
3 148	2 338	**52**	11	**88**	143	**400**	384
1	1						
58	28				28		
3 089	2 309	**52**	11	**88**	115	**400**	384
89	78	**122**	125				
5	3						
154 572	136 425	**45 546**	36 223	**94**	146	**67**	68
(4 465)	(2 933)	**(812)**	(903)		(2)	**2**	(19)
150 107	133 492	**44 734**	35 320	**94**	144	**69**	49
151 931	134 412	**45 546**	36 223	**94**	118	**67**	68
2 641	2 013				28		
154 572	136 425	**45 546**	36 223	**94**	146	**67**	68

27 IMPAIRMENT OF LOANS AND ADVANCES

	Total impairments 2008 Rm	Total impairments 2007 Rm	Specific impairments 2008 Rm	Specific impairments 2007* Rm	Portfolio impairments 2008 Rm	Portfolio impairments 2007* Rm
27.1 Impairment of loans and advances						
Balance at the beginning of the year* (note 52)	6 078	5 184	4 063	3 564	2 015	1 620
Impairments charge	5 201	2 581	4 885	2 205	316	376
Income statement charge net of recoveries	4 822	2 164	4 506	1 788	316	376
– loans and advances	4 825	2 267	4 509	1 891	316	376
– advances designated as at fair value through profit or loss (note 24.1)	(3)	(103)	(3)	(103)		
Recoveries	379	417	379	417		
Amounts written off against impairment/Other transfers	(3 420)	(1 687)	(3 406)	(1 706)	(14)	19
Impairment of loans and advances	7 859	6 078	5 542	4 063	2 317	2 015

27.2 Impairments of loans and advances by classification

	Balance at the beginning of the year Rm	Impairments charge Rm	Amounts written off against impairment /Other transfers Rm	Total Rm
Total impairment – 2008				
Home loans	1 104	1 680	(522)	2 262
Commercial mortgages	502	219	21	742
Properties in possession	36	127	(35)	128
Credit cards	456	762	(585)	633
Overdrafts	696	421	(286)	831
Other loans to clients	2 176	823	(1 371)	1 628
Net finance lease and instalment debtors	1 038	1 171	(608)	1 601
Preference shares and debentures	70		(41)	29
Trade, other bills and bankers' acceptances		(2)	7	5
Impairment of advances	6 078	5 201	(3 420)	7 859
Total impairment – 2007				
Home loans	998	303	(197)	1 104
Commercial mortgages	465	82	(45)	502
Properties in possession	66	(4)	(26)	36
Credit cards	282	515	(341)	456
Overdrafts	685	283	(272)	696
Other loans to clients	1 652	907	(383)	2 176
Net finance lease and instalment debtors	944	515	(421)	1 038
Preference shares and debentures	90	(20)		70
Trade, other bills and bankers' acceptances	2		(2)	–
Impairment of advances	5 184	2 581	(1 687)	6 078

	Balance at the beginning of the year Rm	Impairments charge Rm	Amounts written off against impairment /Other transfers Rm	Total Rm
Specific impairment – 2008				
Home loans	**648**	**1 648**	**(547)**	**1 749**
Commercial mortgages	**154**	**163**	**16**	**333**
Properties in possession	**36**	**127**	**(35)**	**128**
Credit cards	**367**	**762**	**(584)**	**545**
Overdrafts	**533**	**377**	**(297)**	**613**
Other loans to clients	**1 494**	**863**	**(1 280)**	**1 077**
Net finance lease and instalment debtors	**779**	**952**	**(662)**	**1 069**
Preference shares and debentures	**52**		**(24)**	**28**
Trade, other bills and bankers' acceptances		**(7)**	**7**	**–**
Impairment of advances	**4 063**	**4 885**	**(3 406)**	**5 542**
Specific impairment – 2007				
Home loans	660	228	(240)	648
Commercial mortgages	207	(10)	(43)	154
Properties in possession	66	(4)	(26)	36
Credit cards	239	469	(341)	367
Overdrafts	476	246	(189)	533
Other loans to clients	1 172	834	(512)	1 494
Net finance lease and instalment debtors	676	457	(354)	779
Preference shares and debentures	67	(15)		52
Trade, other bills and bankers' acceptances	1		(1)	
Impairment of advances	3 564	2 205	(1 706)	4 063
Portfolio impairment – 2008				
Home loans	**456**	**32**	**25**	**513**
Commercial mortgages	**348**	**56**	**5**	**409**
Credit cards	**89**		**(1)**	**88**
Overdrafts	**163**	**44**	**11**	**218**
Other loans to clients	**682**	**(40)**	**(91)**	**551**
Net finance lease and instalment debtors	**259**	**219**	**54**	**532**
Preference shares and debentures	**18**		**(17)**	**1**
Trade, other bills and bankers' acceptances		**5**		**5**
Impairment of advances	**2 015**	**316**	**(14)**	**2 317**
Portfolio impairment – 2007				
Home loans	338	75	43	456
Commercial mortgages	258	92	(2)	348
Credit cards	43	46		89
Overdrafts	209	37	(83)	163
Other loans to clients	480	73	129	682
Net finance lease and instalment debtors	268	58	(67)	259
Preference shares and debentures	23	(5)		18
Trade, other bills and bankers' acceptances	1		(1)	–
Impairment of advances	1 620	376	19	2 015

27 IMPAIRMENT OF LOANS AND ADVANCES ... continued

		Total impairments		Specific impairments		Portfolio impairments	
		2008	2007	**2008**	2007*	**2008**	2007*
		Rm	Rm	**Rm**	Rm	**Rm**	Rm
27.3	**Sectoral analysis**						
	Individuals	**4 870**	3 601	**3 850**	2 608	**1 020**	993
	Financial services, insurance and real estate	**1 012**	767	**447**	401	**565**	366
	Manufacturing	**256**	194	**127**	127	**129**	67
	Building and property development	**238**	183	**150**	126	**88**	57
	Transport, storage and communication	**250**	132	**105**	67	**145**	65
	Retailers, catering and accommodation	**345**	176	**292**	59	**53**	117
	Wholesale and trade	**46**	295	**8**	277	**38**	18
	Mining and quarrying	**105**	45	**70**	16	**35**	29
	Agriculture, forestry and fishing	**65**	96	**33**	42	**32**	54
	Government and public sector	**11**	29	**7**	11	**4**	18
	Other services	**661**	560	**453**	329	**208**	231
		7 859	6 078	**5 542**	4 063	**2 317**	2 015
27.4	**Geographical analysis**						
	South Africa	**7 604**	5 910	**5 364**	3 960	**2 240**	1 950
	Other African countries	**89**	90	**47**	59	**42**	31
	Europe	**112**	67	**85**	42	**27**	25
	Asia	**6**	4			**6**	4
	Other	**48**	7	**46**	2	**2**	5
		7 859	6 078	**5 542**	4 063	**2 317**	2 015
27.5	**Ratio of impairments**						
	Impairment of advances at the end of the year	**7 859**	6 078				
	Total advances	**442 092**	380 034				
	Ratio (%)	**1.78**	1.60				

* *The group has changed its criteria for the distinction between specific and portfolio impairments during 2008 so as to align criteria with industry standard practice. The reclassification of impairments held against loans and advances did not have any effect on the amounts reported in the group's income statement, balance sheet, statement of changes in total shareholders' equity or cashflow statement, but had an effect on the notes above for 2007 in respect of specific and portfolio impairment provision balances. Refer to note 52 for reclassification.*

		2008	2007
27.6	**Interest on specifically impaired loans and advances**	**1 174**	708

Interest on specifically impaired loans and advances is determined for the period for which the loan and advance was classified as specifically impaired.

The amount is calculated by multiplying the discounted expected recovery by the effective interest rate for the specifically impaired loan and advance. The interest on specifically impaired loans and advances reflects the unwinding of the time value of money for the expected discounted recovery.

Interest on specifically impaired loans and advances does not represent the contractual interest that has been earned on the outstanding balance of a loan and advance.

27.7 Segmental analysis

Rm	Nedbank Group	Nedbank Corporate	Nedbank Capital	Nedbank Retail	Imperial Bank	Shared services and Central Management
2008						
Opening balance	6 078	1 837	384	2 933	903	21
– Specific impairment	4 063	820	362	2 105	752	24
– Portfolio impairment	2 015	1 017	22	828	151	(3)
Impairment charge	5 201	561	54	3 882	719	(15)
– Income statement impairment charge net of recoveries	4 822	471	36	3 630	701	(16)
– Specific impairment	4 506	328	6	3 583	605	(16)
– Portfolio impairment	316	143	30	47	96	
– Recoveries	379	90	18	252	18	1
Amounts written off/Other transfers	(3 420)	(247)	(5)	(2 350)	(810)	(8)
– Specific impairment	(3 406)	(256)	(5)	(2 326)	(810)	(9)
– Portfolio impairment	(14)	9		(24)		1
Total impairments	7 859	2 151	433	4 465	812	(2)
– Specific impairment	5 542	982	381	3 614	565	
– Portfolio impairment	2 317	1 169	52	851	247	(2)
2007						
Opening balance	5 184	1 773	370	2 386	622	33
– Specific impairment	3 564	861	358	1 771	541	33
– Portfolio impairment	1 620	912	12	615	81	
Impairment charge	2 581	312	25	1 828	419	(3)
– Income statement impairment charge net of recoveries	2 164	158	25	1 572	412	(3)
– Specific impairment	1 788	40	15	1 386	343	4
– Portfolio impairment	376	118	10	186	69	(7)
– Recoveries	417	154		256	7	
Amounts written off/Other transfers	(1 687)	(248)	(11)	(1 281)	(138)	(9)
– Specific impairment	(1 706)	(235)	(11)	(1 308)	(139)	(13)
– Portfolio impairment	19	(13)		27	1	4
Total impairments	6 078	1 837	384	2 933	903	21
– Specific impairment	4 063	820	362	2 105	752	24
– Portfolio impairment	2 015	1 017	22	828	151	(3)

28 OTHER ASSETS

	2008 Rm	2007 Rm
Sundry debtors and other accounts	5 227	5 598
Trading securities and spot positions	857	3 715
	6 084	9 313

29 CURRENT TAXATION

	2008 Rm	2007 Rm
Normal taxation		
– Current taxation receivable	346	59
– Current taxation liabilities	(235)	(337)
	111	(278)

30 INVESTMENT SECURITIES

30.1 Carrying amount

	2008 Rm	2007 Rm
Listed investments	525	598
Private-equity portfolio	489	482
Other	36	116
Unlisted investments	2 087	1 874
Endowment Policies	27	245
Dr Holsboer/NES Investment Portfolio	177	240
Morning Tide Investments 168 (Pty) Limited	86	94
Strate Limited	28	16
Private-equity portfolio	1 085	916
Other	684	363
Total listed and unlisted investments	2 612	2 472
Listed policyholder investments at market value	4 987	5 178
Equities	274	419
Government, public and private sector stock	187	196
Unit trusts	4 526	4 563
Unlisted policyholder investments at directors' valuation	892	703
Equities	2	7
Negotiable certificates of deposit, money market and other short-term funds	890	696
Net policyholder liabilities	(36)	(35)
Total policyholder investments	5 843	5 846
Total investment securities	8 455	8 318

30.2 Fair value of listed and unlisted investments

	2008 Rm	2007 Rm
Listed at market value	525	598
Unlisted at directors' valuation	2 087	1 874
	2 612	2 472

A register of private-equity and other investments is available for inspection at the company's registered offices.

31 INVESTMENTS IN ASSOCIATE COMPANIES AND JOINT VENTURES

		2008 Rm	2007 Rm
31.1	**Carrying amount**		
	Unlisted investments	1 167	978
		1 167	978
31.2	**Movement in carrying amount**		
	Carrying amount at the beginning of the year	978	907
	Share of associate companies' and joint ventures' profit after taxation for the current year	154	239
	Dividends received	(128)	(163)
	Net acquisitions/(disposals) of associate companies and joint ventures at carrying value	161	(5)
	Foreign currency translation differences	2	
	Carrying amount at the end of the year	1 167	978
31.3	**Analysis of carrying amount**		
	Associate investments – on acquisition: Net asset value	986	827
	Share of retained earnings since acquisition	602	447
	Cumulative dividends received	(424)	(296)
	Foreign currency translation differences	3	
		1 167	978

Information relating to investments in associate companies appears on pages 328 to 329.

		2008 Rm	2007 Rm
31.4	**Valuation**		
	Unlisted at directors' valuation	1 167	978
		1 167	978
31.5	**Goodwill included in associate investments**		
	The carrying amount of investments includes the following amount in respect of goodwill:		
	– Carrying amount at the beginning of the year	–	197
	– Cost		197
	– Realised through disposals		(197)
	Carrying amount at the end of the year	–	–

31.6 Summarised financial information of investments in associate companies and joint ventures

	Joint ventures Rm	Associates Rm	Total Rm
2008			
Total assets	2 738	5 117	7 855
Total liabilities	2 610	4 440	7 050
Operating results	291	196	487
Total revenues	1 831	1 052	2 883
2007			
Total assets	3 448	3 182	6 630
Total liabilities	3 349	2 254	5 603
Operating results	368	650	1 018
Total revenues	1 339	1 032	2 371

32 NON-CURRENT ASSETS HELD FOR SALE

	Previously included in	Net carrying amount Rm
2008		
Properties sold not yet transferred	**Property and equipment**	**10**
		10
2007		
Properties sold not yet transferred	Property and equipment	31
		31

Commitments for the sale of several properties had been entered into at year-end. Transfer, however, had not been effected at these dates. Transfer of the properties is expected to take place during the following year.

33 DEFERRED TAXATION

	2008 Rm	2007 Rm
33.1 Reconciliation of deferred taxation balance		
Deferred taxation asset		
Balance at the beginning of the year	**25**	120
Current-year temporary differences recognised in the income statement	**128**	(95)
– Impairment of loans and advances	**13**	
– Other income and capital items	**(100)**	(95)
– Taxation losses recognised	**215**	
Other movements	**47**	
Balance at the end of the year	**200**	25
Deferred taxation liability		
Balance at the beginning of the year	**1 616**	1 649
Current-year temporary differences recognised in the income statement	**560**	155
– Client credit agreements	**(132)**	(794)
– Deferred acquisition costs	**23**	254
– Impairment of loans and advances	**(154)**	
– Other income and capital items	**897**	(1 498)
– Taxation losses (utilised)/recognised	**(74)**	2 193
Other movements	**(76)**	(188)
Balance at the end of the year	**2 100**	1 616

	2008 Rm	2007 Rm
33.2 Analysis of deferred taxation		
Deferred taxation asset		
Impairment of loans and advances	63	3
Other income and capital items	(142)	22
Taxation losses	279	
	200	25
Deferred taxation liability		
Client credit agreements	752	1 089
Deferred acquisition costs	277	254
Impairment of loans and advances	(468)	(314)
Other income and capital items	1 613	651
Taxation losses	(74)	(64)
	2 100	1 616

34 INVESTMENT PROPERTY

	2008 Rm	2007 Rm
34.1 Fair value		
Fair value at the beginning of the year	171	158
Acquisitions	26	10
Disposals	(1)	(15)
Net gain from fair-value adjustments	17	18
Fair value at the end of the year	213	171

34.2 Fair value of investment property

Investment properties are freehold and are either held to earn rentals or for capital appreciation. External valuations have been obtained for all investment properties and have been determined in accordance with the group's accounting policies. The valuers are all members or associates of the Institute of Valuers (SA).

The carrying amount of these properties is the fair value of property as determined by registered independent valuers who have recent experience in the location and category of the property being valued. The assumed discount rate applied was between 9,5% and 15,0%, and takes into account the type of property and the property location.

	2008 Rm	2007 Rm
Valuations determined by reference to existing market conditions	207	162
Valuations based on discounted future income streams	6	9
	213	171
34.3 Rental income and operating expenses from investment property		
Rental income from investment property	16	17
Direct operating expense arising from investment property that generated rental income	23	20
34.4 Minimum contractual lease rental income from investment property		
2008		13
2009	14	13
2010	4	11
	18	37

35 PROPERTY AND EQUIPMENT

	Land		Buildings	
	2008	2007	**2008**	2007
Gross carrying amount				
Balance at 1 January	**614**	396	**1 957**	1 808
Acquisitions	**8**	5	**230**	52
Increases arising from revaluations	**15**	213	**123**	327
Transfers (to)/from non-current assets held for sale	**(6)**		**24**	
Disposals				(216)
Reclassification	**(3)**		**(8)**	32
Writeoff of accumulated depreciation on revaluations			**(41)**	(46)
Effect of movements in foreign exchange rates				
Balance at 31 December	**628**	614	**2 285**	1 957
Accumulated depreciation and impairment losses				
Balance at 1 January			**153**	156
Depreciation charge for the year			**71**	67
Acquisitions				
Writeoff of accumulated depreciation on revaluations			**(41)**	(46)
Transfers to non-current assets held for sale			**(1)**	
Impairments				(59)
Disposals				35
Reclassification				
Effect of movements in foreign exchange rates				
Balance at 31 December	**–**	–	**182**	153
Carrying amount				
At 1 January	**614**	396	**1 804**	1 652
At 31 December	**628**	614	**2 103**	1 804

Registers providing the information regarding land and buildings, as required in terms of schedule 4 of the Companies Act, 61 of 1973, are available for inspection at the registered office of the company.

Equipment (principally computer equipment, motor vehicles, fixtures and furniture) is stated at cost less accumulated depreciation and impairment losses. Property is recognised at the revalued amount, which is based on external valuations obtained every three years on a rotation basis for all properties in accordance with the group's accounting policy. The valuers are all members or associates of the Institute of Valuers (SA). An annual internal review is also done on those properties not subject to external valuation. The carrying amount of properties is the fair value as determined by the valuers less subsequent accumulated depreciation and impairment losses. Adjustments in the valuation of the properties are recorded in the revaluation reserve which is amortised over the remaining useful life of the property.

In respect of certain property there are restrictions of title in terms of regulatory restrictions such as servitudes. This does not have a material effect on the ability of the group to transfer these properties. No material plant and equipment has been pledged as security for liabilities.

In determining the fair value of properties the assumed discount rates applied for future income streams range between 8,5% and 14% and take into account the type of property and the property's location.

If land and buildings were carried under the cost and not the revaluation model, the carrying amount would have been R1 434 million (2007: R1 381 million).

	Computer equipment		Furniture and other equipment		Vehicles		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	2 383	2 153	**1 687**	1 499	**30**	45	**6 671**	5 901
	353	332	**339**	350	**5**	4	**935**	743
							138	540
							18	–
	(152)	(99)	**(162)**	(121)	**(9)**	(19)	**(323)**	(455)
				(44)			**(11)**	(12)
							(41)	(46)
	1	(3)	**(8)**	3	**2**		**(5)**	–
	2 585	2 383	**1 856**	1 687	**28**	30	**7 382**	6 671
	1 687	1 508	**887**	835	**15**	25	**2 742**	2 524
	331	288	**211**	187	**3**	3	**616**	545
			(3)				**(3)**	–
							(41)	(46)
							(1)	–
		(10)					**–**	(69)
	(136)	(99)	**(124)**	(121)	**(3)**	(13)	**(263)**	(198)
				(14)			**–**	(14)
	2		**2**		**1**		**5**	–
	1 884	1 687	**973**	887	**16**	15	**3 055**	2 742
	696	645	**800**	664	**15**	20	**3 929**	3 377
	701	696	**883**	800	**12**	15	**4 327**	3 929

NEDBANK GROUP

36 LONG-TERM EMPLOYEE BENEFITS

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

The benefits provided by the defined-benefit schemes are based on years of membership and/or salary levels. These benefits are provided from contributions by employees, the group, and income from the assets of these schemes. The benefits provided by the defined-contribution schemes are determined by the accumulated contributions and investment earnings.

At the dates of the latest valuations, the defined-benefit plans were in a sound financial position in terms of section 16 of the Pensions Funds Act. During 1998 active members in the Nedgroup Pension Fund (defined benefit) were granted a further option to transfer to one of the defined-contribution funds and approximately three quarters of the then valuation surplus was allocated to members and pensioners.

The funds that constitute the assets and liabilities that the group has recognised in the balance sheet in respect of its defined-benefit plans are listed below. The latest actuarial valuations were performed at 31 December 2008.

Refer note 14 for the expense relating to the defined-contribution plans.

Postemployment benefits

Defined-benefit pension and provident funds

- Nedgroup Pension Fund (including the Optiplus policy).
- BoE Funds, which consist of NBS Group Pension Fund, BoE Limited Pension Fund (1969) and Pension Fund of BoE Bank: Business Division.
- Fairbairn Funds, which consist of Fairbairn Private Bank Pension and Provident Funds.
- Nedbank UK Pension Fund.
- Other funds, which consist of Nedbank Swaziland Limited Pension Fund and Nedbank Lesotho Pension Fund (2007 includes the Lion Match Group Pension Fund and Lion Match Closed Pension Fund. Lion Match was disposed of during 2007).

Defined-benefit medical aid schemes

- Nedgroup Medical Aid Scheme for Nedbank employees and pensioners.
- Nedgroup Medical Aid Scheme for past BoE employees and pensioners.
- Nedbank Namibia Medical Aid Fund.

Other long-term employee benefits

Disability fund

- Nedbank Group Disability Fund [including the Old Mutual Alternative Risk Transfer Fund (OMART) policy].

Insurance policies held with related parties

- Optiplus (Nedgroup Pension Fund) and OMART (Nedbank Group Disability Fund) are insurance policies, the proceeds of which can only be used to pay or fund the employee benefits under the specific funds. However, these policies are not qualifying insurance policies in terms of IAS 19 Employee Benefits since they are held with related parties. These rights to reimbursement are therefore recognised as separate assets and in all other respects are treated in the same way as other plan assets.

36.1 Analysis of long-term employee benefit assets and liabilities

Rm	Assets	Liabilities	Net asset/ (liability)
2008			
Postemployment benefits	1 465	(1 021)	444
Other long-term employee benefits – Disability fund	276	(210)	66
	1 741	**(1 231)**	**510**
2007			
Postemployment benefits	1 126	(976)	150
Other long-term employee benefits – Disability fund	267	(181)	86
	1 393	(1 157)	236

The group's defined-benefit obligation in terms of the Nedbank Group Disability Fund is recognised together with the fair value of the assets held in OMART. OMART is a SPE controlled by the group and was established to fund this defined-benefit obligation. The value of the OMART asset held by the group is R276 million (2007: R267 million).

36.2 Postemployment benefits

	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)	Unrecognised actuarial (gains)/losses and assets	Net asset/ (liability)
Analysis of postemployment benefit assets and liabilities (Rm)					
2008					
Pension funds	3 315	4 455	1 140	(500)	640
– Nedgroup Fund	2 608	3 613	1 005	(389)	616
– BoE Funds	326	468	142	(142)	–
– Nedbank UK Fund	205	201	(4)	20	16
– Fairbairn Funds	67	66	(1)	9	8
– Other funds	109	107	(2)	2	–
Medical aid funds	916	743	(173)	(23)	(196)
– Nedgroup scheme for Nedbank employees	808	743	(65)	(24)	(89)
– Nedgroup scheme for BoE employees	103		(103)	1	(102)
– Nedbank Namibia scheme (unfunded)	5		(5)		(5)
Total	**4 231**	**5 198**	**967**	**(523)**	**444**
2007					
Pension funds	2 963	4 723	1 760	(1 450)	310
– Nedgroup Fund	2 260	3 855	1 595	(1 292)	303
– BoE Funds	285	431	146	(146)	–
– Nedbank UK Fund	224	250	26	(9)	17
– Fairbairn Funds	93	75	(18)	9	(9)
– Other funds	101	112	11	(12)	(1)
Medical aid funds	811	749	(62)	(98)	(160)
– Nedgroup scheme for Nedbank employees	712	749	37	(97)	(60)
– Nedgroup scheme for BoE employees	95		(95)	(1)	(96)
– Nedbank Namibia scheme (unfunded)	4		(4)		(4)
Total	3 774	5 472	1 698	(1 548)	150

NEDBANK GROUP

36 LONG-TERM EMPLOYEE BENEFITS ... continued

36.2 Postemployment benefit ... continued

	Pension and provident funds	Medical aid funds	Total
Present value of defined-benefit obligation (Rm)			
2008			
Balance at the beginning of the year	**2 963**	**811**	**3 774**
Current service cost	**31**	**35**	**66**
Interest cost	**271**	**70**	**341**
Contributions by plan participants	**9**		**9**
Actuarial (gains)/losses	**(96)**	**34**	**(62)**
Transfers and curtailments	**(28)**		**(28)**
Recognition of pension fund asset	**394**		**394**
Benefits paid	**(233)**	**(34)**	**(267)**
Other movements	**4**		**4**
Balance at the end of the year	**3 315**	**916**	**4 231**
2007			
Balance at the beginning of the year	3 000	810	3 810
Current service cost	33	31	64
Interest cost	227	70	297
Contributions by plan participants	9		9
Actuarial gains	(35)	(65)	(100)
Disposals	(11)		(11)
Benefits paid	(258)	(35)	(293)
Other movements	(2)		(2)
Balance at the end of the year	2 963	811	3 774
Fair value of plan assets (Rm)			
2008			
Balance at the beginning of the year	**4 723**	**749**	**5 472**
Expected return on plan assets	**424**	**62**	**486**
Actuarial losses	**(484)**	**(38)**	**(522)**
Contributions by the employer	**30**		**30**
Contributions by plan participants	**8**		**8**
Benefits paid	**(233)**	**(30)**	**(263)**
Transfers	**(17)**		**(17)**
Other movements	**4**		**4**
Balance at the end of the year	**4 455**	**743**	**5 198**
2007			
Balance at the beginning of the year	4 265	700	4 965
Expected return on plan assets	361	58	419
Actuarial gains	433	22	455
Contributions by the employer	22		22
Contributions by plan participants	9		9
Benefits paid	(258)	(31)	(289)
Disposals	(107)		(107)
Other movements	(2)		(2)
Balance at the end of the year	4 723	749	5 472

	Pension and provident funds	Medical aid funds	Total
Net asset/(liability) recognised (Rm)			
2008			
Present value of defined-benefit obligation	**(3 315)**	**(916)**	**(4 231)**
Fair value of plan assets	**4 455**	**743**	**5 198**
Funded status	**1 140**	**(173)**	**967**
Unrecognised net actuarial gains	**(359)**		**(359)**
Unrecognised asset due to asset ceiling	**(141)**	**(23)**	**(164)**
	640	**(196)**	**444**
Asset	**1 465**		**1 465**
Liability	**(825)**	**(196)**	**(1 021)**
2007			
Present value of defined-benefit obligation	(2 963)	(811)	(3 774)
Fair value of plan assets	4 723	749	5 472
Funded status	1 760	(62)	1 698
Unrecognised net actuarial gains	(310)	(98)	(408)
Unrecognised asset due to asset ceiling	(1 140)		(1 140)
	310	(160)	150
Asset	1 126		1 126
Liability	(816)	(160)	(976)
Net (income)/expense recognised (Rm)			
2008			
Current service cost	**31**	**35**	**66**
Interest cost	**271**	**70**	**341**
Expected return on plan assets	**(424)**	**(62)**	**(486)**
Amortisation of unrecognised actuarial gains	**(35)**	**(1)**	**(36)**
Past service cost – benefit of rule change allocated to members	**394**		**394**
Asset recognition – benefit of rule change allocated to the fund	**(526)**		**(526)**
Gain on curtailments and settlements	**(9)**		**(9)**
Effect of application of asset ceiling	**(2)**	**(1)**	**(3)**
	(300)	**41**	**(259)**
2007			
Current service cost	33	31	64
Interest cost	227	70	297
Expected return on plan assets	(361)	(58)	(419)
Amortisation of unrecognised actuarial losses/(gains)	16	(1)	15
Effect of application of asset ceiling	63		63
	(22)	42	20
Movements in net asset/(liability) recognised (Rm)			
2008			
Balance at the beginning of the year	**310**	**(160)**	**150**
Net income/(expense) recognised in the income statement	**300**	**(41)**	**259**
Contributions paid by the employer	**30**	**5**	**35**
Balance at the end of the year	**640**	**(196)**	**444**
2007			
Balance at the beginning of the year	266	(122)	144
Net income/(expense) recognised in the income statement	22	(42)	(20)
Contributions paid by the employer	22	4	26
Balance at the end of the year	310	(160)	150

36 LONG-TERM EMPLOYEE BENEFITS ... continued

36.2 Postemployment benefits ... continued

	Pension and provident funds	Medical aid funds	Total
Distribution of plan assets (%)			
2008			
Equity instruments	**34,17**	**28,00**	**33,30**
Debt instruments	**32,73**	**13,00**	**29,91**
Property	**4,73**		**4,05**
Cash	**2,71**	**45,00**	**8,75**
International	**16,72**	**14,00**	**16,33**
Other	**8,94**		**7,66**
	100,00	**100,00**	**100,00**
2007			
Equity instruments	52,10	27,00	48,66
Debt instruments	24,12	2,00	21,09
Property	0,28		0,24
Cash	5,76	63,00	13,60
International	9,61	8,00	9,39
Other	8,13		7,02
	100,00	100,00	100,00
Actual return on plan assets (Rm)			
2008	**(60)**	**24**	**(36)**
2007	794	80	874
Principal actuarial assumptions (%)			
2008			
Discount rates	**5,8 to 8,5**	**7,3 and 8,0**	
Expected rates of return on plan assets	**5,5 to 10,0**	**7,3**	
Inflation rate	**2,8 to 5,3**	**5,3**	
Expected rates of salary increases	**4,9 to 6,3**	**5,3**	
Pension increase allowance	**0,5 to 3,8**		
Annual increase to medical aid subsidy		**5,3 and 6,3**	
Average expected retirement age (years)	**63**	**60 and 63**	
2007			
Discount rates	5 to 8	8 and 8,5	
Expected rates of return on plan assets	4,5 to 9,25	8,5	
Inflation rate	2,6 to 5	6,5	
Expected rates of salary increases	5 and 6	6,5	
Pension increase allowance	0 to 4,5		
Annual increase to medical aid subsidy		6,25 and 6,5	
Average expected retirement age (years)	63	60 and 63	

Pension and provident funds

The expected long-term return is a function of the expected long-term returns on equities, cash and bonds. In setting these assumptions, the asset splits as at the latest available date were used and adjustments were made to reflect the effect of expenses.

	2008 %	2007 %
Weighted average assumptions:		
Discount rate	**7,99**	8,21
Expected return on plan assets	**8,74**	9,14
Future salary increases	**5,21**	5,32
Future pension increases	**3,54**	3,65

Medical aid funds

The overall expected long-term rate of return on plan assets is 7,3%. The expected rate of return is based on market expectations, at the beginning of the period, for returns over the entire life of the related obligation. The expected rate of return is based on the expected performance of the entire portfolio.

	Pension and provident funds	Medical aid funds	Total
Experience adjustments on present value of defined-benefit obligation for past five years			
2008	**(82)**	**33**	**(49)**
2007	(17)	(64)	(81)
2006	105	43	148
2005	(22)	47	25
2004	(95)	16	(79)
Experience adjustments on fair value of plan assets for past five years			
2008	**(483)**	**(39)**	**(522)**
2007	433	22	455
2006	448	47	495
2005	374	42	416
2004	144	28	172
Estimate of future contributions			
Contributions expected for ensuing year	**21**	**5**	**26**

	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)
Fund surplus/(deficit) for past five years			
Pension funds			
2008	**3 315**	**4 455**	**1 140**
2007	2 963	4 723	1 760
2006	3 000	4 265	1 265
2005	2 951	3 660	709
2004	2 708	3 167	459
Medical aid funds			
2008	**916**	**743**	**(173)**
2007	811	749	(62)
2006	810	700	(110)
2005	714	614	(100)
2004	628	538	(90)

	2008	2007
Effect of 1% change in assumed medical cost trend rates (Rm)		
1% increase – effect on current service cost and interest cost	**18**	18
1% increase – effect on accumulated benefit obligation	**136**	120
1% decrease – effect on current service cost and interest cost	**(15)**	(15)
1% decrease – effect on accumulated benefit obligation	**(112)**	(98)

37 COMPUTER SOFTWARE AND CAPITALISED DEVELOPMENT COSTS

	Software Rm	Software development costs Rm	Total Rm
2008			
Cost			
Balance at the beginning of the year	3 249	648	3 897
Acquisitions	92	583	675
Development costs commissioned to software	328	(328)	–
Impairment losses	(7)	(7)	(14)
Disposals and retirements	(15)		(15)
Foreign exchange and other movements	36		36
Balance at the end of the year	3 683	896	4 579
Accumulated amortisation and impairment losses			
Balance at the beginning of the year	2 326	222	2 548
Amortisation charge	414		414
Impairment losses	(3)		(3)
Disposals and retirements	(14)		(14)
Foreign exchange and other movements	27		27
Balance at the end of the year	2 750	222	2 972
Carrying amount			
At the beginning of the year	923	426	1 349
At the end of the year	933	674	1 607
2007			
Cost			
Balance at the beginning of the year	2 886	499	3 385
Acquisitions	110	414	524
Development costs commissioned to software	308	(308)	–
Disposals or retirements	(40)	43	3
Foreign exchange and other movements	(15)		(15)
Balance at the end of the year	3 249	648	3 897
Accumulated amortisation and impairment losses			
Balance at the beginning of the year	1 941	178	2 119
Amortisation charge	431		431
Impairment losses		2	2
Foreign exchange and other movements	(35)	42	7
Disposals or retirements	(11)		(11)
Balance at the end of the year	2 326	222	2 548
Carrying amount			
At the beginning of the year	945	321	1 266
At the end of the year	923	426	1 349

38 GOODWILL

	2008 Rm	2007 Rm
38.1 Reconciliation of carrying amount		
Carrying amount at the beginning of the year	**3 898**	3 695
Arising on business combinations		225
Realised through disposals	**(2)**	(21)
Foreign currency translation and other	**(2)**	(1)
Carrying amount at the end of the year	**3 894**	3 898

38.2 Analysis

	2008 Cost Rm	2008 Accumulated impairment Rm	2008 Carrying amount Rm	2007 Cost Rm	2007 Accumulated impairment Rm	2007 Carrying amount Rm
Fairbairn Private Bank (Jersey) Limited/ Fairbairn Trust Company Limited (Guernsey)	**447**	**(138)**	**309**	449	(138)	311
Peoples Mortgage Limited	**198**	**(198)**	**–**	198	(198)	–
Imperial Bank Limited	**285**	**(25)**	**260**	285	(25)	260
Nedbank Limited	**3 563**	**(739)**	**2 824**	3 565	(739)	2 826
Nedcor Investment Bank	**375**	**(375)**	**–**	375	(375)	–
Old Mutual Bank	**206**		**206**	206		206
Nedbank Namibia Limited	**134**	**(2)**	**132**	134	(2)	132
Capital One	**82**		**82**	82		82
American Express	**81**		**81**	81		81
	5 371	**(1 477)**	**3 894**	5 375	(1 477)	3 898

Goodwill is allocated to individual cash-generating units based on business activity. Impairment testing is done on a regular basis by comparing the net carrying value of the cash-generating units to the estimated value in use. The value in use is determined by discounting estimated future cashflows of each cash-generating unit. The discounted cashflow calculations have been performed using Nedbank's cost of equity, which is calculated using the Capital Asset Pricing Model. No impairments resulting from impairment testing have been effected for this reporting period. Management regards the useful lives of all cash-generating units to be indefinite.

	2008 Rm	2007 Rm
Geographical split is based on the area in which the cash-generating unit operates:		
Africa	**3 585**	3 587
Europe	**309**	311
	3 894	3 898
The value in use is estimated as follows:		
Africa	**172 069**	237 427
Europe	**1 647**	1 943
	173 716	239 370
Net estimated recoverable amounts:		
Africa	**168 484**	233 840
Europe	**1 338**	1 632
	169 822	235 472

Refer to note 3 for key assumptions used when assessing goodwill impairment.

39 SHARE CAPITAL

	2008 Rm	2007 Rm
39.1 Ordinary share capital		
Authorised		
600 000 000 (2007: 600 000 000) ordinary shares of R1 each	600	600
Issued		
468 939 397 (2007: 459 278 075) fully paid ordinary shares of R1 each	469	459
Treasury shares arising from share repurchases by subsidiaries of 59 231 657 (2007: 57 336 676) fully paidup ordinary shares of R1 each	(59)	(57)
	410	402

Subject to the restrictions imposed by the Companies Act, 61 of 1973, as amended, the unissued shares are under the control of the directors until the forthcoming annual general meeting. In terms of special resolutions passed at the May 2008 general meeting, the directors were granted the general authority to buy back up to 10% of the issued share capital of the company until the forthcoming annual general meeting.

The treasury shares held are used mainly for the purpose of fulfilling the options and share awards outstanding in terms of the share schemes (both employees and third parties).

	2008 Rm	2007 Rm
39.2 Preference share capital and premium		
Nedbank Limited preference share capital and premium		
Authorised		
1 000 000 000 (2007: 1 000 000 000) non-redeemable non-cumulative preference shares of R0,001 each	1	1
Issued		
312 781 032 (2007: 312 781 032) non-redeemable non-cumulative preference shares of R0,001 each	*	*
Preference share premium	3,121	3,121
	3,121	3,121
Imperial Bank Limited preference share capital and premium		
Authorised		
8 000 000 (2007: 8 000 000) non-redeemable non-cumulative non-participating preference shares of R0,0005 each	*	*
Issued		
3 000 000 (2007: 3 000 000) non-redeemable non-cumulative non-participating preference shares of R0,0005 each	*	*
Preference share premium	300	300
Shares held by group entities	(142)	
	158	300
Total preference share capital and premium	3,279	3,421

** Represents amounts less than R1 million.*

The preference shares are classified as equity instruments by Nedbank Limited and Imperial Bank Limited (the entities) and have therefore been classified as minority interest in the consolidated financial statements.

Each preference share confers on the holder the right to capital of the company in the form of a cash dividend prior to payment of dividends to any other class of shareholder. The rate is limited to 75% of the prevailing prime rate on a deemed value of R10 for Nedbank Limited and R100 for Imperial Bank preference shares, and is never compounded. The dividends, if declared, accrue half-yearly on 30 June and 31 December and are payable within 120 days of these dates respectively.

If a preference dividend is not declared, the dividend shall not accumulate and will never become payable by the entities, whether in preference to payments to any other class of share or otherwise.

If, due to any amendment of the Income Tax Act, 58 of 1962, the dividends become taxable in the hands of the shareholders and the payment of the preference share dividends becomes a deductible expense for the entities, then the 75% of prevailing prime rate will be increased to the extent that the entities incur a savings on servicing the preference shares. If such an amendment does not result in a saving for the entities, but a decrease in the returns on the preference share investment, no amendment to the rate is envisaged.

Each preference share confers on the holder the right to a return of capital on the winding-up of the entities prior to any payment to any other class of share, but holders are not entitled to any further participation in the profits, assets or any surplus assets of the entities in such circumstances.

The holders of this class of share are not entitled to be present or vote (even by proxy) at any meeting of the entities except when a declared dividend or part thereof remains in arrears and unpaid after six months from the due date or a resolution is proposed which directly affects the rights attached to the preference share or the interests of the holder, including resolutions to wind up the entities or in the reduction of their share capital.

At every general meeting where the preference shareholder is entitled to vote, the voting rights are restricted to the holder's nominal value in proportion to the total nominal value of all shares issued by the entities.

No shares in the capital of the entities, in priority to the preference shares, can be created or issued without prior sanction of the holders of preference shares by way of a resolution passed at a separate class meeting properly constituted in terms of the provisions set out in the articles of association.

39.3 Share options – staff schemes

Share options granted under the Nedcor Group (1994) Employee Incentive Scheme and Nedbank Group (2005) Share Option, Matched Share and Restricted Share Scheme have an exercise price fixed at the market price of the share on the day prior to the date on which the option is granted. Options may be exercised at rates determined by the schemes' trustees and expire at the earlier of termination or varying periods of up to 10 years from the granting of the option. On exercise of the option the schemes will subscribe for shares in Nedbank Group Limited at the full market price then ruling. The difference between such market price and the exercise price is recoverable from the subsidiary that employs the relevant employee. In respect to these options granted before 7 November 2002, any amounts accrued by subsidiaries prior to exercise are transferred to non-distributable reserves net of the amount paid in respect of options exercised. As all options issued before 7 November 2002 have expired, this reserve is no longer required in the current year.

Refer to pages 206 and 207 for further detail on share option schemes.

40 AMOUNTS OWED TO DEPOSITORS

	2008 Rm	2007 Rm
40.1 Classifications		
Current accounts	45 188	45 920
Savings deposits	14 303	13 925
Other deposits and loan accounts	292 768	251 424
– Call and term deposits	192 557	153 684
– Fixed deposits	25 983	24 378
– Cash management deposits	36 149	41 910
– Securitisation notes	1 239	1 236
– Other deposits and loan accounts	36 840	30 216
Foreign currency liabilities	6 226	8 230
Negotiable certificates of deposit	87 377	56 166
Deposits received under repurchase agreements*	21 028	8 876
	466 890	384 541
Comprises:		
– Amounts owed to depositors	429 426	339 562
– Amounts owed to banks	37 464	44 979
	466 890	384 541

Deposit products include current accounts, savings accounts, call and notice deposits, fixed deposits and negotiable certificates of deposit. Term deposits vary from six months to five years in both the wholesale and retail markets.

Foreign currency liabilities are either matched by advances to clients or hedged against exchange rate fluctuations.

** Government and other securities (note 25) amounting to R21 028 million (2007: R8 633 million) have been pledged as collateral for deposits received under repurchase agreements. These amounts represent assets that have been transferred but that do not qualify for derecognition under IAS 39.*

	2008 Rm	2007 Rm
40.2 Sectoral analysis		
Banks	37 464	44 979
Government and public sector	33 220	28 921
Individuals	146 527	134 028
Business sector	249 679	176 613
	466 890	384 541
40.3 Geographical analysis		
South Africa	430 472	354 459
Other African countries	9 935	8 541
Europe	23 750	18 009
Asia	767	838
USA	279	294
Other	1 687	2 400
	466 890	384 541

40.4 Segmental analysis

Rm	Nedbank Group 2008	Nedbank Group 2007	Nedbank Corporate 2008	Nedbank Corporate 2007	Nedbank Capital 2008	Nedbank Capital 2007
Current accounts	**45 188**	45 920	**19 588**	20 983	**100**	74
Savings deposits	**14 303**	13 925	**643**	567		
Other deposits and loan accounts	**292 768**	251 424	**182 582**	167 411	**49 633**	33 128
– Call and term deposits	**192 557**	153 684	**144 009**	122 338	**13 478**	3 875
– Fixed deposits	**25 983**	24 378	**1 802**	2 356	**1 195**	909
– Cash management deposits	**36 149**	41 910	**35 565**	41 876	**2**	
– Other deposits and loan accounts	**38 079**	31 452	**1 206**	841	**34 958**	28 344
Foreign currency liabilities	**6 226**	8 230	**4 241**	4 976	**1 703**	3 053
Negotiable certificates of deposit	**87 377**	56 166	**986**	421	**85 900**	55 914
Deposits received under repurchase agreements	**21 028**	8 876			**19 681**	8 616
Amounts owed to depositors	**466 890**	384 541	**208 040**	194 358	**157 017**	100 785

Rm	Nedbank Retail 2008	Nedbank Retail 2007	Imperial Bank 2008	Imperial Bank 2007	Shared Services 2008	Shared Services 2007	Central Management and eliminations 2008	Central Management and eliminations 2007
Current accounts	**25 405**	24 794			**1**	3	**94**	66
Savings deposits	**13 625**	13 300					**35**	58
Other deposits and loan accounts	**59 549**	49 162	**1 361**	1 547	**9**	25	**(366)**	151
– Call and term deposits	**34 810**	27 293	**110**	239	**9**	8	**141**	(69)
– Fixed deposits	**22 972**	20 794	**12**	21			**2**	298
– Cash management deposits	**590**	31					**(8)**	3
– Other deposits and loan accounts	**1 177**	1 044	**1 239**	1 287		17	**(501)**	(81)
Foreign currency liabilities	**282**	201						
Negotiable certificates of deposit							**491**	(169)
Deposits received under repurchase agreements					**291**	260	**1 056**	
Amounts owed to depositors	**98 861**	87 457	**1 361**	1 547	**301**	288	**1 310**	106

41 PROVISIONS AND OTHER LIABILITIES

	2008 Rm	2007 Rm
Creditors and other accounts	5 162	6 758
Insurance contracts	506	451
Short trading securities and spot positions	3 657	26 545
Provision for onerous contracts (refer note 41.1)	15	18
Leave pay accrual (note 41.2)	489	453
	9 829	34 225

41.1 Provision for onerous contracts

	2008 Rm	2007 Rm
Balance at the beginning of the year	18	20
Recognised in profit or loss	(3)	(2)
Balance at the end of the year	15	18

41.2 Leave-pay accrual

	2008 Rm	2007 Rm
Balance at the beginning of the year	453	401
Movements from business combinations	(3)	5
– Additions	1	5
– Disposals	(4)	
Recognised in profit or loss	42	50
Utilised during the year	(3)	(1)
Unused amounts reversed		(2)
Balance at the end of the year	489	453

Provisions have been raised in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets, as set out in note 44.

41.3 Day-one gains and losses

The group enters into transactions where the fair value of the financial instruments are determined using valuation models for which certain inputs are not based on market observable prices or rates. Such financial instruments are initially recognised at the transaction price, which is the best indicator of fair value. The transaction price may differ from the valuation amount obtained, giving rise to a day-one profit or loss.

The difference between the transaction price and the valuation amount, commonly referred to as 'day-one profit or loss', is deferred and either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised when the financial instrument is derecognised.

The group's day-one profits are attributable to commodity financial instruments.

	2008 Rm	2007 Rm
Opening balance	57	37
Deferral of profit on new transactions		29
Recognised in the income statement – amortisation	(2)	(9)
Closing balance	55	57

42 INVESTMENT CONTRACT LIABILITIES

	2008 Rm	2007 Rm
Market value at the beginning of the year	5 846	5 278
Movements in policyholder liabilities during the year	(3)	568
Market value at the end of the year	5 843	5 846

Policies held within investment contracts are recorded at market-related values.

43 LONG-TERM DEBT INSTRUMENTS

	Nominal value	Instrument terms	2008 Rm	2007 Rm
Subordinated debt			**10 627**	10 787
Rand-denominated	(Rm)		**10 625**	10 785
Callable bonds repayable on 4 December 2008 (IPB1) +	515	13,5% per annum*		528
Callable bonds repayable on 30 December 2010 (IPB2) (a)	500	8,38% per annum*	**488**	472
Callable bonds repayable on 4 December 2013 (IPB3) (b)	300	JIBAR + 2,5% per annum**	**152**	
Callable notes repayable on 24 April 2016 (NED 05) (c)	1 500	7,85% per annum*	**1 480**	1 406
Callable notes repayable on 20 September 2018 (NED06) (d)	1 800	9,84% per annum*	**1 869**	1 844
Callable notes repayable on 8 February 2017 (NED07) (c)	650	9,03% per annum*	**671**	641
Callable notes repayable on 8 February 2019 (NED08) (d)	1 700	8,90% per annum*	**1 718**	1 667
Callable notes repayable on 6 July 2022 (NED 09) (f)	2 000	JIBAR +0,47% per annum**	**2 060**	2 050
Callable notes repayable on 15 August 2017 (NED10) (c)	500	JIBAR + 0,45% per annum**	**508**	507
Callable notes repayable on 17 September 2020 (NED11) (e)	1 000	10,54% per annum*	**1 051**	1 048
Callable notes repayable on 14 December 2017 (NED12A) (c)	500	JIBAR + 0,70% per annum**	**503**	503
Callable notes repayable on 14 December 2017 (NED12B) (c)	120	10,38% per annum*	**125**	119
Namibian dollar-denominated	(NAM$m)		**2**	2
Long-term debenture repayable on 15 September 2030	40	17% per annum until 15 September 2000 – thereafter zero coupon	**2**	2
Hybrid subordinated debt			**1 839**	–
Rand-denominated	(Rm)		**1 839**	–
Callable notes repayable on 20 November 2018 (NEDH1A) (g)	487	15,05% per annum*	**550**	
Callable notes repayable on 20 November 2018 (NEDH1B) (g)	1 265	JIBAR + 4,75% per annum**	**1 289**	
Securitised liabilities			**1 420**	1 409
Rand-denominated	(Rm)		**1 420**	1 409
Callable notes repayable on 18 November 2039 (GRN1A1) (h)	291	JIBAR + 0,25% per annum**	**295**	293
Callable notes repayable on 18 November 2039 (GR1A2A) (h)	1 407	JIBAR + 0,60% per annum**	**999**	991
Callable notes repayable on 18 November 2039 (GRN1B) (h)	98	JIBAR + 0,85% per annum**	**75**	75
Callable notes repayable on 18 November 2039 (GRN1C) (h)	76	JIBAR + 1,1% per annum**	**51**	50
Other			**175**	130
Rand-denominated	(Rm)		**5**	5
Unsecured debentures repayable on 30 November 2029	200	Zero coupon	**5**	5
US dollar-denominated	(US$m)		**170**	125
Guaranteed loan repayable on 31 August 2009	18	1,5 basis points below 6-month LIBOR on nominal value	**170**	125
Total long-term debt instruments in issue			**14 061**	12 326

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.

43 LONG-TERM DEBT INSTRUMENTS ... continued

* Interest on these notes is payable biannually.

** Interest on these notes is payable quarterly.

\+ The debt instrument was redeemed on its call date of 4 December 2008.

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

(b) Callable by the issuer, Imperial Bank Limited, after five years from the date of issue, being 4 December 2008 (ie 4 December 2013), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 3,75%.

(c) Callable by the issuer, Nedbank Limited, after five years from the date of issue, being 24 April 2006, 8 February 2007, 15 August 2007, 14 December 2007 and 14 December 2007 (ie 24 April 2011, 8 February 2012, 15 August 2012, 14 December 2012 and 14 December 2012), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 1,70%, 1,95%, 1,45%, 1,70% and 1,70% respectively.

(d) Callable by the issuer, Nedbank Limited, after seven years from the date of issue, being 20 September 2006 and 8 February 2007 (ie 20 September 2013 and 8 February 2014), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 2,05% and 2,17% respectively.

(e) Callable by the issuer, Nedbank Limited, after eight years from the date of issue, being 17 September 2007 (ie 17 September 2015), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 2,85%.

(f) Callable by the issuer, Nedbank Limited, after ten years from the date of issue, being 6 July 2007 (ie 6 July 2017), at which time the interest will step up by 1,00% to a floating three-month JIBAR rate, plus a spread of 1,47%.

(g) Callable by the issuer, Nedbank Limited, after ten and a half years from the date of issue, being 20 May 2008 (ie 20 November 2018), at which time the interest converts to a floating three-month JIBAR rate, plus 712,5 basis points in perpetuity unless called.

(h) Callable by the issuer, Greenhouse Funding (Pty) Limited, after approximately five years from the date of issue, being 10 December 2007 (ie 18 November 2012), at which time the interest rate on the notes (GRN1A1, GR1A2A, GRN1B, GRN1C) will step up to a three-month JIBAR rate, plus a spread of 0,40%, 0,80%, 1,10% and 1,35% respectively.

Tier 3 capital

At 31 December 2007 R300 million was included in deposits that qualified as Tier 3 capital. The debt instrument was redeemed on 22 September 2008.

44 CONTINGENT LIABILITIES

	2008 Rm	2007 Rm
Guarantees on behalf of clients	25 226	20 579
Confirmed letters of credit and discounting transactions	3 129	2 427
Unutilised facilities and other	46 378	48 632
	74 733	71 638

The group in the ordinary course of business enters into transactions that expose the group to tax, legal and business risks. Provisions are made for known liabilities that are expected to materialise. Possible obligations and known liabilities where no reliable estimate can be made or it is considered improbable that an outflow would result are reported as contingent liabilities. This is in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets.

There are a number of legal or potential claims against Nedbank Limited and its subsidiary companies, the outcome of which cannot at present be foreseen.

Historically a number of group companies entered into structured-finance transactions with third parties using their tax bases. In the majority of these transactions the underlying third party has contractually agreed to accept the risk of any tax being imposed by the South African Revenue Service (SARS), although the obligation to pay rested in the first instance with the group companies. It would only be in limited cases, for example, where the credit quality of a client became doubtful, or where the client specifically contracted out of the repricing of additional taxes, that the recovery from a client could be less than the liability arising on assessment, in which case provisions would be made.

SARS has assessed one of these structures in a manner contrary to the way initially envisaged by the contracting parties. An appeal has been lodged against the assessment and SARS continues to examine other structures. As a result group companies are, or could be, obliged to pay additional amounts to SARS and recover these from clients under the applicable contractual arrangements.

45 COMMITMENTS

	2008 Rm	2007 Rm
45.1 Capital expenditure approved by directors		
Contracted	**498**	687
Not yet contracted	**284**	432
	782	1 119

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

45.2 Operating lease commitments

Companies in the group have entered into leases over fixed property, furniture and other equipment for varying periods. The group is a major lessor of properties, which are subject to individual contracts that specify the group's option to renew leases, escalation clauses and purchase options, if applicable. Due to the large number of lease agreements entered into by the group, this information has not been provided in the annual financial statements, but is available from the group on request. The following are the minimum lease payments under non-cancellable leases:

	2009 Rm	2010 – 2013 Rm	Beyond 2013 Rm
2008			
Land and buildings	**507**	**1 074**	**2 334**
Furniture and equipment	**164**	**347**	
	671	**1 421**	**2 334**

	2008 Rm	2009 – 2012 Rm	Beyond 2012 Rm
2007			
Land and buildings	529	2 202	3 910
Furniture and equipment	221	714	518
	750	2 916	4 428

45.3 Commitments under derivative instruments

The group enters into option contracts, financial futures contracts, forward rate and interest rate swap agreements and other financial agreements in the normal course of business (note 23).

46 SECURITISATIONS

The group was party to securitisation transactions involving residential mortgage loans and motor vehicle financing. In addition, the group acts as a conduit for commercial paper, whereby it acquires long-term rated bonds and offers capital market funding to South African corporates at attractive rates. These assets are funded through the issuance of short-dated investment-grade commercial paper to institutional investors. All the commercial paper issued by Synthesis Funding Limited is assigned the highest short-term RSA local-currency credit rating by both Fitch and Moody's, and is listed on the Bond Exchange of South Africa.

In these transactions, the assets, or interests in the assets, or beneficial interests in the cashflows arising from the assets, are transferred to a SPE, or to a trust, which then transfers its beneficial interests to a SPE, which then issues floating-rate debt securities to third-party investors.

Securitisations, depending on the individual arrangement, may result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction or may lead to partial recognition of the assets to the extent of the group's continuing involvement in those assets or to derecognition of the assets and to the separate recognition, as assets or liabilities, of any rights and obligations created or retained in the transfer. Full derecognition only occurs when the group transfers both its contractual right to receive cashflows from the financial assets, or retains the contractual rights to receive the cashflows, but assumes a contractual obligation to pay the cashflows to another party without material delay or reinvestment, and also transfers substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk.

The following table shows the carrying amount of securitised assets, stated at the amount of the group's continuing involvement where appropriate, together with the associated liabilities, for each category of asset in the balance sheet:*

	2008		2007	
Rm	**Carrying amount of assets**	**Associated liabilities**	Carrying amount of assets	Associated liabilities
Loans and advances to clients				
Residential mortgage loans**	**1 972**	**2 031**	183	2 014
Motor vehicle financing	**1 781**	**1 751**	1 806	1 747
Other financial assets				
Corporate and bank paper	**2 067**		2 416	
Other securities	**5 673**		6 744	
Commercial paper		**7 727**		9 162
Total	**11 493**	**11 509**	11 149	12 923

This table presents the gross balances within the securitisation schemes and does not reflect any elimination of intercompany balances.

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

** *The residential mortgage loan securitisation programme was commenced in November 2007, and at 31 December 2007 cash of R1 817 million within the securitisation scheme was held on deposit with Nedbank Limited. There are minimal portions in this programme that remain undrawn at the end of December 2008. All remaining cash received from the securitisation remains with Nedbank Limited on deposit.*

47 FOREIGN CURRENCY CONVERSION GUIDE

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

	Actual 2008	Actual 2007	**Average 2008**	Average 2007
United States dollar	**0,1067**	0,1466	**0,1211**	0,1424
Pound sterling	**0,0735**	0,0732	**0,0665**	0,0710
Euro	**0,0757**	0,0997	**0,0829**	0,1033

48 CASHFLOW INFORMATION

	2008 Rm	2007 Rm
48.1 Reconciliation of profit from operations to cash generated by operations		
Profit from operations	8 718	8 745
Adjusted for:		
– Depreciation (note 14)	616	545
– Amortisation: computer software (note 14)	414	431
– Movement in impairment of loans and advances	5 201	2 581
– Loss/(Profit) on disposal of property and equipment	42	(20)
– Net income on investment banking assets	(8)	(28)
– Effects of exchange rate changes on cash and cash equivalents (excluding foreign borrowings)	(44)	5
– Impairment losses on investments, property and equipment, and capitalised development costs (note 17)	11	7
– Profit on sale of subsidiaries, investments and property and equipment (note 17)	(767)	(118)
– Transaction taxes	374	305
Cash generated by operations	14 557	12 453
48.2 Cash received from clients		
Interest and similar income (note 11)	57 986	42 001
Commission and fees (note 13)	7 910	7 528
Net trading income (note 13)	1 553	1 334
Other income	1 024	1 425
	68 473	52 288
48.3 Cash paid to clients, employees and suppliers		
Interest expense (note 12)	(41 816)	(27 855)
Staff costs (note 14)	(7 040)	(7 079)
Other operating expenses	(5 629)	(5 454)
	(54 485)	(40 388)
48.4 Increase in operating assets		
Other short-term securities	7 204	(37)
Government and other securities	(12 501)	(7 441)
Advances and other accounts	(76 695)	(59 219)
	(81 992)	(66 697)
48.5 Increase in operating liabilities		
Current and savings accounts	(354)	5 122
Other deposits, loan accounts and foreign currency liabilities	39 340	46 445
Negotiable certificates of deposit	31 211	10 648
Deposits received under repurchase agreements	12 152	(2 359)
Creditors and other liabilities	(11 031)	(3 850)
	71 318	56 006

48 CASHFLOW INFORMATION ... continued

		2008 Rm	2007 Rm
48.6	**Taxation paid**		
	Amounts payable at the beginning of the year	(278)	(273)
	Income statement charge (excluding deferred taxation)	(1 443)	(2 086)
	Total indirect taxation (note 16)	(374)	(305)
	Portion of transaction taxation on property and equipment acquired to be depreciated in future years	(27)	(33)
	Amounts (receivable)/payable at the end of the year (note 29)	(111)	278
		(2 233)	(2 419)
48.7	**Disposal of investments in subsidiary companies net of cash**		
	Cash and cash equivalents	20	40
	Loans and advances		68
	Other assets	82	131
	Investment securities		261
	Non-current assets held for sale		532
	Investments in associate companies and joint ventures	4	
	Deferred taxation asset	1	
	Property and equipment	25	170
	Amounts owed to depositors		(191)
	Provisions and other liabilities	(66)	(105)
	Current taxation liabilities	2	
	Other liabilities held for sale		(467)
	Deferred taxation liabilities		(14)
	Net assets disposed	68	425
	Profit/(Loss) on disposal	21	19
	Minority interest	(29)	(57)
	Goodwill		19
	Consideration received	60	406
	Cash and cash equivalents disposed	(20)	(40)
	Net consideration	40	366
48.8	**Acquisition of investments in subsidiary companies net of cash**		
	Minority interest		(23)
	Goodwill		(224)
	Consideration paid	–	(247)
	Less: Cash and cash equivalents acquired		–
	Net cash outflow	–	(247)
48.9	**Dividends paid**		
	Recognised in the group statement of changes in total shareholders' equity	(2 736)	(2 402)

49 MANAGED FUNDS

	2008 Rm	2007 Rm
49.1 Fair value of funds under management – by type		
Unit trusts	**39 242**	40 070
Third party	**3 192**	2 832
Private clients	**41 947**	42 536
	84 381	85 438
49.2 Fair value of funds under management – by geography		
South Africa	**68 403**	70 675
Rest of world	**15 978**	14 763
	84 381	85 438

49.3 Reconciliation of movement in funds under management – by type

	Unit trusts Rm	Third party Rm	Private clients Rm	Total Rm
Balance at 31 December 2006	32 780	23 320	30 112	86 212
Group transfers	2 347	(6 716)	4 369	–
Disposals		(14 659)		(14 659)
Inflows	13 942	1 052	13 686	28 680
Outflows	(12 402)	(368)	(9 782)	(22 552)
Mark-to-market value adjustment	3 573	79	3 898	7 550
Foreign currency translation differences	(170)	124	253	207
Balance at 31 December 2007	**40 070**	**2 832**	**42 536**	**85 438**
Inflows	**18 810**	**1 166**	**12 473**	**32 449**
Outflows	**(15 415)**	**(760)**	**(9 754)**	**(25 929)**
Mark-to-market value adjustment	**(6 291)**	**(66)**	**(3 348)**	**(9 705)**
Foreign currency translation differences	**2 068**	**20**	**40**	**2 128**
Balance at 31 December 2008	**39 242**	**3 192**	**41 947**	**84 381**

49.4 Reconciliation of movement in funds under management – by geography

	South Africa Rm	Rest of world Rm	Total Rm
Balance at 31 December 2006	72 827	13 385	86 212
Disposals	(14 349)	(310)	(14 659)
Inflows	23 921	4 759	28 680
Outflows	(18 584)	(3 968)	(22 552)
Mark-to-market value adjustment	6 860	690	7 550
Foreign currency translation differences		207	207
Balance at 31 December 2007	**70 675**	**14 763**	**85 438**
Inflows	**26 876**	**5 573**	**32 449**
Outflows	**(21 656)**	**(4 273)**	**(25 929)**
Mark-to-market value adjustment	**(7 492)**	**(2 213)**	**(9 705)**
Foreign currency translation differences		**2 128**	**2 128**
Balance at 31 December 2008	**68 403**	**15 978**	**84 381**

The group, through a number of subsidiaries and joint ventures, operates unit trusts, holds and invests funds on behalf of clients and acts as a trustee in a number of fiduciary capacities. In addition, companies in the group operate securities and custodial services on behalf of clients. Commissions and fees earned in respect of trust and management activities performed are included in the group income statement as non-interest revenue.

50 SHARE-BASED PAYMENTS

Nedbank Group Limited shares, share options over Nedbank Group Limited shares and equity instruments in respect of Nedbank Group Limited shares are granted to employees as part of their remuneration package as services are rendered, as well as to clients, business partners and affinity groups as an incentive to retain business and develop growth within the group. The following are the share and share option schemes that have been in place during the year. All schemes are equity-settled at group level except the UK long-term incentive scheme, which is cash-settled.

As the group cannot estimate reliably the fair value of services received nor the value of additional business received, the group rebuts the presumption that such services and business can be measured reliably. The group therefore measures their fair value by reference to the fair value of the shares, share options or equity instruments granted, in line with the group's accounting policy. The fair value of such shares, share options and equity instruments is measured at the grant date utilising the Black-Scholes valuation model.

50.1 Description of arrangements

Scheme	Trust/Special-purpose vehicle (SPV)	Description
Traditional employee schemes		
Nedbank Group (1994) Share Option Scheme	Nedbank Employee Share Trust	Share options are granted to key personnel to motivate senior employees to remain with the group. The granting of share options is based on job level, merit and performance, and is entirely at the discretion of the trustees acting on recommendations of executive management. Grants are made twice a year for new appointments and annually for existing staff, on a date determined by the trustees.
Nedbank Group (2005) Share Option and Restricted Share Scheme	Nedbank Group (2005) Share Scheme Trust	Share options and restricted shares are granted to key personnel to motivate senior employees to remain with the group. The granting of share options and restricted shares is based on job level, merit and performance, and is entirely at the discretion of the trustees acting on recommendations of executive management. Grants are made twice a year for new appointments and annually for existing staff, on a date determined by the trustees.
Nedbank Group (2005) Matched Share Scheme	Nedbank Group (2005) Share Scheme Trust	All employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after tax bonus can be invested, which will be matched by the group with shares.
Old Mutual UK Sharesave Scheme	n/a	All eligible employees of Fairbairn Private Bank (Jersey) Limited, Fairbairn Private Bank (Isle of Man) Limited and Fairbairn Trust Company Limited (Guernsey) are entitled to participate in the Old Mutual UK Sharesave Scheme, which allows them to elect to save between £5 and £250 per month over a three- or five-year period, and receive an option to purchase Old Mutual plc shares in the future at an exercise price that is set at the start of the scheme. Invitations to participate in the scheme are issued annually.
Nedbank UK long-term incentive plan	Nedbank Group (2005) Share Scheme Trust amended to accommodate the United Kingdom participants	Employees who perform services in the United Kingdom on behalf of the Group will be considered for participation in the UK LTIP. Selected employees will be granted share appreciation rights ('SARs'). SARs are similar to options in that SARs are granted at a predetermined exercise price and vesting and expiry date. When the participant elects to exercise the SARs, the employer settles the difference between the current market price and the exercise price in cash.

Vesting requirements	Maximum term
Share options granted on appointment are time-based, of which 50% vest after three years and the remaining 50% after four years. Annual allocations to existing staff are linked to the achievement of predetermined targets for growth in headline earnings over the performance period of three and four years.	6 years
Completion of three years' service plus, where applicable, predetermined targets for average return on income, average fully dilutive headline earnings per share growth and average cost-to-income ratio.	5 years
Three years' service and achievement of Nedbank Group performance targets. Where these performance targets are not met, 50% will vest, provided that the three years' service has been achieved.	3 years
Completion of three or five years' service.	5,5 years
Completion of three or five years' service from grant date, subject to corporate performance targets being met.	5 years

50 SHARE-BASED PAYMENTS ... continued

50.1 Description of arrangements... continued

Scheme	Trust/SPV	Description
Nedbank Eyethu BEE schemes – Employees		
Non-executive Directors' Scheme	Nedbank Eyethu Non-Executive Directors' Trust	Certain non-executive directors acquired restricted shares at par value, with notional funding over a period of six years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Black Executive Scheme	Nedbank Eyethu Black Executive Trust	Restricted shares and share options were granted to certain black employees on a senior management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Black Management Scheme	Nedbank Eyethu Black Management Trust	Restricted shares and share options were granted to certain black employees on middle and senior management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Broad-based Employee Scheme	Nedbank Eyethu Broad-based Employee Trust	Restricted shares granted to all qualifying employees who do not participate in any other share incentive scheme operating in the group. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights. However, the participants are not entitled to deal in the shares for a period of five years.
Nedbank Eyethu BEE schemes – Clients and business partners		
Black Business Partner Scheme	Wiphold Financial Services Number Two Trust and Brimstone-Mtha Financial Services Trust	Each trust was issued an equal number of restricted shares at R1,87 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Retail Scheme	Nedbank Eyethu Retail Trust	For every three shares acquired, participants qualify for an additional bonus share after a three-year period. The participants can elect to settle the payment for the shares in a once-off lump sum payment or by a monthly debit order over 36 months. Should there be any contractual breach by the participants, they will cease to qualify for the bonus shares.
Corporate Scheme	Nedbank Eyethu Corporate Scheme Trust and Aka-Nedbank Eyethu Trust	Restricted shares were allocated to existing black corporate clients and to Aka Capital (Pty) Limited, a key corporate client that has the role of the black development partner in the scheme, at par value, with notional funding over a period of six years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights. Should there be any contractual breach by the participants, they will cease to qualify for these shares.

Vesting requirements	Maximum term
Six years' service and no dealing in the shares during this notional funding period. So as not to compromise the non-executive directors' independence, no specific performance conditions will apply to the directors' participation.	6 years
Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	7 years
Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	7 years
n/a	5 years
No dealing in the shares during the 10-year notional funding period.	10 years
Participants must operate and maintain a primary transaction account with Nedbank for three years.	3 years
Participants must use Nedbank as their primary banker for six years.	6 years

50 SHARE-BASED PAYMENTS ... continued

50.1 Description of arrangements ... continued

Scheme	Trust/SPV	Description
Nedbank Namibia Omufima BEE schemes – Employees		
Namibia Black Management Scheme	Nedbank Ofifiya Black Management Trust	Restricted shares and share options were granted to certain black employees on middle and senior management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Namibia Broad-based Employee Scheme	Nedbank Ofifiya Broad-based Employee Trust	Restricted shares granted to all qualifying employees who do not participate in any other share incentive scheme operating in the group. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Nedbank Namibia Omufima BEE schemes – Business partners and affinity groups		
Namibia Black Business Partner Scheme	Central Consortium SPV Three Investments (Pty) Limited, Coastal Consortium SPV Three Investments (Pty) Limited and Northern Empowerment SPV Three Investments (Pty) Limited	Each SPV was issued an equal number of restricted shares at R2,53 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Namibia Affinity Group Scheme	Southern Consortium SPV Three Investments (Pty) Limited and Eastern Consortium SPV Three Investments (Pty) Limited	Each SPV was issued an equal number of restricted shares at R1 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Namibia Education Scheme	Nedbank Namibia Education Trust	The SPV was issued an equal number of restricted shares at R1 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.

Vesting requirements	Maximum term
Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	7 years
No dealing in these shares during the restricted period of five years.	5 years
No dealing in these shares during the 10-year notional funding period.	10 years
No dealing in these shares during the 10-year notional funding period.	10 years
No dealing in these shares during the 10-year notional funding period.	10 years

50 SHARE-BASED PAYMENTS

50.2 Effect on profit and financial position

	Share-based payments expense 2008 Rm	Share-based payments expense 2007 Rm	Share-based payments reserve/liability 2008 Rm	Share-based payments reserve/liability 2007 Rm
Traditional employee schemes	**86**	136	**290**	356
Nedbank Group (1994) Share Option Scheme	**7**	17	**42**	96
Nedbank Group (2005) Share Option and Restricted Share Scheme	**57**	103	**212**	223
Nedbank Group (2005) Matched Share Scheme	**20**	15	**31**	33
Old Mutual UK Sharesave Scheme	**2**	1	**5**	4
Nedbank UK long-term incentive plan**	*	*	*	*
Nedbank Eyethu BEE schemes	**180**	146	**640**	501
Black Business Partner Scheme***	**9**	19	**243**	234
Non-executive Directors' Scheme	**5**	12	**20**	15
Retail Scheme	**73**	30	**103**	69
Corporate Scheme	**60**	56	**181**	121
Black Executive Scheme	**9**	7	**25**	16
Black Management Scheme	**24**	22	**68**	46
Nedbank Namibia Omufima BEE schemes	**1**	1	**18**	17
Namibia Black Business Partner Scheme			**9**	9
Namibia Affinity Group Scheme			**3**	3
Namibia Education Scheme			**4**	4
Namibia Black Management Scheme	**1**	1	**2**	1
Namibia Broad-based Employee Scheme				
	267	283	**948**	874

* Represents amounts less than R1 million.

** This scheme is cash-settled and therefore creates a liability.

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

	2008 Number of instruments	2008 Weighted average exercise price R	2007 Number of instruments	2007 Weighted average exercise price R
50.3 Movements in number of instruments				
Nedbank Group (1994) Share Option Scheme				
Outstanding at the beginning of the year	4 271 871	78,00	9 123 748	79,33
Forfeited	(37 896)	51,33	(1 444 777)	80,89
Exercised	(1 080 909)	59,78	(3 254 387)	80,14
Expired	(1 282 679)	115,76	(152 713)	105,97
Outstanding at the end of the year	1 870 387	63,19	4 271 871	78,00
Exercisable at the end of the year	1 675 787	61,89	2 146 189	93,20
Weighted average share price for options exercised (R)		106,42		143,80
Nedbank Group (2005) Share Option and Restricted Share Scheme				
Outstanding at the beginning of the year	16 306 244	113,68	10 811 210	95,19
Granted	2 516 999		6 377 666	143,16
Forfeited	(1 336 047)	105,83	(612 944)	107,13
Exercised	(1 003 875)	77,83	(249 088)	91,67
Expired	(30 600)	110,98	(20 600)	84,04
Outstanding at the end of the year	16 452 721	99,02	16 306 244	113,68
Exercisable at the end of the year	3 564 940	78,63	51 600	107,00
Weighted average share price for options exercised (R)		102,41		138,80
Nedbank Group (2005) Matched Share Scheme				
Outstanding at the beginning of the year	596 762		449 650	
Granted	295 983		179 917	
Forfeited	(30 905)		(32 805)	
Exercised	(266 670)			
Outstanding at the end of the year	595 170	–	596 762	–
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		97,00		–
Old Mutual UK Sharesave Scheme (options over Old Mutual plc shares – GBP)				
Outstanding at the beginning of the year	914 547	0,93	821 847	0,86
Granted	1 009 743	0,90	252 283	1,31
Forfeited	(426 244)	1,18	(6 107)	0,97
Exercised	(424 858)	0,60	(52 473)	0,76
Expired	(1 466)	1,53	(101 003)	1,46
Outstanding at the end of the year	1 071 722	0,93	914 547	0,93
Exercisable at the end of the year	81 184	0,95	–	–
Weighted average share price for options exercised (GBP)		1,11		–

50 SHARE–BASED PAYMENTS ... continued

	2008 Number of instruments	2008 Weighted average exercise price R	2007 Number of instruments	2007 Weighted average exercise price R
50.3 Movements in number of instruments ... continued				
Nedbank UK long-term incentive plan				
Outstanding at the beginning of the year	35 000	134,27		
Granted	34 132	120,62	37 500	134,27
Forfeited	(12 500)	134,30	(2 500)	134,27
Outstanding at the end of the year	56 632	126,06	35 000	134,27
Exercisable at the end of the the year	–	–	–	–
Weighted average share price for options exercised (R)		–		–
Black Business Partner Scheme				
Outstanding at the beginning of the year	7 891 300	171,82	7 891 300	171,82
Outstanding at the end of the year	7 891 300	171,82	7 891 300	171,82
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		–
Non-executive Directors' Scheme				
Outstanding at the beginning of the year	493 206	108,04	344 351	108,04
Granted	81 815	78,81		
Other movements			148 855	
Outstanding at the end of the year	575 021	103,88	493 206	108,04
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		–
Retail Scheme				
Outstanding at the beginning of the year	1 200 296		1 438 451	
Granted			2 137	
Forfeited	(17 159)		(240 292)	
Exercised	(509 205)			
Adjusted for anticipated number of shares to be granted	432 948			
Outstanding at the end of the year	1 106 880	–	1 200 296	–
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		91,07		–
Corporate Scheme				
Outstanding at the beginning of the year	10 230 707	108,06	9 939 141	108,06
Granted			300 282	108,06
Forfeited			(8 716)	108,06
Outstanding at the end of the year	10 230 707	108,06	10 230 707	108,06
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		–

	2008 Number of instruments	2008 Weighted average exercise price R	2007 Number of instruments	2007 Weighted average exercise price R
Black Executives Scheme				
Outstanding at the beginning of the year	946 705	69,29	852 050	60,60
Granted	281 588	74,85	233 170	96,22
Forfeited	(48 902)	66,70	(114 515)	58,29
Expired			(24 000)	74,75
Outstanding at the end of the year	1 179 391	70,73	946 705	69,29
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		–
Black Management Scheme				
Outstanding at the beginning of the year	4 554 109	90,03	3 801 976	75,10
Granted	2 015 248	102,68	1 335 806	127,62
Forfeited	(849 774)	101,33	(482 176)	79,52
Exercised	(6 342)	54,50	(88 290)	75,01
Expired	(72 342)	78,16	(13 207)	74,75
Outstanding at the end of the year	5 640 899	93,04	4 554 109	90,03
Exercisable at the end of the year	41 300	77,33	–	–
Weighted average share price for options exercised (R)		106,65		143,00
Namibia Black Business Partner Scheme				
Outstanding at the beginning of the year	199 929	278,98	199 929	278,98
Outstanding at the end of the year	199 929	278,98	199 929	278,98
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		–
Namibia Affinity Group Scheme				
Outstanding at the beginning of the year	74 048	282,47	74 048	282,47
Outstanding at the end of the year	74 048	282,47	74 048	282,47
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		–
Namibia Education Scheme				
Outstanding at the beginning of the year	98 730	282,47	98 730	282,47
Outstanding at the end of the year	98 730	282,47	98 730	282,47
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		–
Namibia Black Management Scheme				
Outstanding at the beginning of the year	75 400	77,92	75 400	77,92
Outstanding at the end of the year	75 400	77,92	75 400	77,92
Exercisable at the end of the year	–	–	–	–
Weighted average share price for options exercised (R)		–		–

50 SHARE–BASED PAYMENTS ... continued

	2008 Number of instruments	2008 Weighted average remaining contractual life (years)	2007 Number of instruments	2007 Weighted average remaining contractual life (years)
50.4 Instruments outstanding at the end of the year by exercise price				
Nedbank Group (1994) Share Option Scheme				
45,00	47 911	0,5	271 409	0,7
55,75	254 950	1,6	271 700	2,6
60,01	1 111 936	1,3	1 978 132	2,3
61,40			14 500	2,4
69,20	62 490	0,7	67 915	1,8
74,40	338 350	2,2	440 700	3,3
81,00			2 222	0,3
88,00			2 500	0,3
90,90			6 667	0,1
102,19	54 750	0,2	54 750	1,2
102,65			62 650	0,8
111,00			20 001	0,5
123,60			945 175	0,5
125,00			133 550	0,2
	1 870 387	1,5	4 271 871	1,8
Nedbank Group (2005) Share Option and Restricted Share Scheme				
0,00	2 368 882	2,2		
76,79	3 114 040	1,5	4 199 047	2,5
84,68	373 400	1,5	488 850	2,6
107,03	376 100	2,6	384 500	3,6
110,98	4 493 680	2,1	5 006 081	3,1
134,30	696 000	3,6	725 300	4,6
144,30	5 030 619	3,1	5 502 466	4,2
	16 452 721	2,4	16 306 244	3,4
Nedbank Group (2005) Matched Share Scheme				
0,00	595 170	1,5	596 762	1,2
	595 170	1,5	596 762	1,2
Old Mutual UK Sharesave Scheme (options over Old Mutual plc shares – GBP)				
0,60	14 235	(0,5)	450 590	0,5
0,90	882 390	2,3		
0,78	37 729	0,4	40 244	1,5
1,03	79 140	(0,2)	106 152	1,1
1,53	27 650	0,5	87 876	1,4
1,31	30 578	1,5	229 685	3,3
	1 071 722	1,9	914 547	1,4
Nedbank UK long-term incentive plan				
120,62	34 132	4,2		
134,30	22 500	4,6	35 000	5,6
	56 632	4,4	35 000	5,6
Black Business Partner Scheme				
171,82	7 891 300	6,6	7 891 300	7,6
	7 891 300	6,6	7 891 300	7,6

	2008 Number of instruments	2008 Weighted average remaining contractual life (years)	2007 Number of instruments	2007 Weighted average remaining contractual life (years)
Non-executive Directors' Scheme				
78,81	81 815	2,6		
108,04	493 206	2,6	493 206	3,6
	575 021	2,6	493 206	3,6
Retail Scheme				
0,00	1 106 880	0,2	1 200 296	1,1
	1 106 880	0,2	1 200 296	1,1
Corporate Scheme				
108,06	10 230 707	2,6	10 230 707	3,6
	10 230 707	2,6	10 230 707	3,6
Black Executives Scheme				
0,00	348 048	2,8	270 113	3,2
74,75	360 000	3,6	384 000	4,6
104,51	106 265	6,6		
107,03	51 239	4,6	51 239	5,6
110,98	80 888	4,2	80 888	5,6
120,62	82 657	6,2		
134,30	72 000	5,6	72 000	6,6
144,30	78 294	5,2	88 465	6,2
	1 179 391	4,1	946 705	4,7
Black Management Scheme				
0,00	486 767	2,9	391 759	3,2
74,75	2 026 167	3,6	2 315 567	4,6
104,51	926 279	6,6		
107,03	258 369	4,6	360 672	5,6
110,98	242 300	4,2	302 604	5,2
120,62	770 645	6,2		
134,30	516 559	5,6	606 437	6,6
144,30	413 813	5,2	577 070	6,2
	5 640 899	4,8	4 554 109	5,1
Namibia Black Business Partner Scheme				
278,98	199 929	8,0	199 929	9,0
	199 929	8,0	199 929	9,0
Namibia Affinity Group Scheme				
282,47	74 048	8,0	74 048	9,0
	74 048	8,0	74 048	9,0
Namibia Education Scheme				
282,47	98 730	8,0	98 730	9,0
	98 730	8,0	98 730	9,0
Namibia Black Management Scheme				
0,00	17 396	3,0	17 396	4,0
101,29	58 004	5,0	58 004	6,0
	75 400	4,5	75 400	5,5

50 SHARE–BASED PAYMENTS ... continued

50.5 Instruments granted during the year

The weighted average fair value of instruments granted during the year has been calculated using the Black-Scholes option pricing model, using the following inputs and assumptions.

	Nedbank Group (2005) Share Option and Restricted Share Scheme	Nedbank Group (2005) Matched Share Scheme	Old Mutual UK Sharesave Scheme (GBP)	Nedbank UK long-term incentive plan
2008				
Number of instruments granted	**2 516 999**	**295 983**	**1 009 743**	**34 132**
Weighted average fair value per instrument granted (R)	**111,53**	**95,26**	**0,26**	**19,01**
Weighted average share price (R)	**111,53**	**117,50**	**1,18**	**111,03**
Weighted average exercise price (R)			**0,90**	**120,62**
Weighted average expected volatility (%)*	**27,0**	**27,0**	**27,6**	**27,0**
Weighted average life (years)	**3,0**	**3,0**	**3,8**	**4,0**
Weighted average expected dividends (%)**		**7,3**	**5,9**	**8,1**
Weighted average risk-free interest rate (%)	**10,5**	**10,5**	**4,0**	**11,9**
Number of participants	**1 220**	**412**		**18**
Weighted average vesting period (years)	**3,0**	**3,0**	**3,4**	**3,0**
Possibility of not vesting (%)	**70**	**7**		
Expectation of meeting performance criteria (%)	**30**	**93**	**100**	**100**
2007				
Number of instruments granted	6 377 666	179 917	252 283	37 500
Weighted average fair value per instrument granted (R)	27,19	125,10	0,46	33,45
Weighted average share price (R)	134,78	141,00	1,67	135,00
Weighted average exercise price (R)	143,16		1,31	134,27
Weighted average expected volatility (%)*	27,0	27,0	28,0	28,0
Weighted average life (years)	4,0	3,0	4,0	5,0
Weighted average expected dividends (%)**	4,9	4,1	4,4	5,3
Weighted average risk-free interest rate (%)	8,6	8,7	4,7	9,3
Number of participants	1 262	414		8
Weighted average vesting period (years)	3,0	3,0	3,4	4,0
Possibility of not vesting (%)	10	7		10
Expectation of meeting performance criteria (%)	100	100	100	100

Expected volatility is determined based on the historical average volatility for shares over their vesting periods.

* *Volatility is determined using expected volatility for all shares listed on JSE Limited.*

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

Non-executive Director's Scheme	Retail Scheme	Corporate Scheme	Black Executives Scheme	Black Management Scheme
81 815			281 588	2 015 248
48,52			49,51	27,87
112,00			108,66	108,79
78,81			74,85	102,68
27,0			27,9	28,0
1,9			5,7	5,9
			5,3	7,2
10,9			9,8	9,8
1			13	685
0,5			5,0	5,0
			5	12
100			95	88
	2 137	300 282	233 170	1 335 806
	118,41	63,59	64,71	41,80
	136,37	134,76	134,85	134,88
		108,06	96,22	127,62
	27,0	27,0	27,9	28,0
	3,0	3,9	5,5	5,9
	4,8		3,5	4,7
	9,0	9,8	8,7	8,8
	1	2	10	628
	3,0	3,9	5,0	5,0
	1	5	5	12
	99			

51 RELATED PARTIES

51.1 Relationship with parent, ultimate controlling party and investees

The group's parent company is Old Mutual (South Africa) Limited (OMSA), which, through its subsidiaries, holds 54,30% (2007: 53,20%) of Nedbank Group Limited's ordinary shares. The ultimate controlling party is Old Mutual plc, incorporated in the United Kingdom.

Material subsidiaries of the group are identified on pages 330 to 332 and associates and joint ventures of the group are identified on pages 328 and 329.

51.2 Key management personnel compensation

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, including all directors of the company and its parent, as well as members of the Executive Committee who are not directors, as well as close members of the family of any of these individuals.

Details of the compensation paid to the board of directors are disclosed in the Remuneration Report on pages 194 to 205 and details of their shareholdings in the company are disclosed on pages 204 to 205. Compensation paid to the board of directors and compensation paid to other key management personnel, as well as the number of share options and instruments held, are shown below:

	Directors	Key management personnel	Total
Compensation (Rm)			
2008			
Directors' fees	12		12
Remuneration – paid by subsidiaries	25	80	105
– Short-term employee benefits	16	68	84
– Gain on exercise of options	9	12	21
	37	80	117
2007			
Directors' fees *	11		11
Remuneration – paid by subsidiaries	33	68	101
– Short-term employee benefits	19	43	62
– Gain on exercise of options	14	25	39
	44	68	112
Number of share options and instruments			
2008			
Outstanding at the beginning of the year	1 412 503	1 380 971	2 793 474
Granted	209 250	315 507	524 757
Forfeited		(107 645)	(107 645)
Exercised	(166 744)	(276 521)	(443 265)
Expired	(199 000)		(199 000)
Transferred		177 500	177 500
Outstanding at the end of the year	1 256 009	1 489 812	2 745 821
2007			
Outstanding at the beginning of the year	1 333 738	1 716 265	3 050 003
Granted	121 643	300 430	422 073
Forfeited	(26 926)	(68 708)	(95 634)
Exercised	(160 292)	(393 693)	(553 985)
Transferred	144 340	(173 323)	(28 983)
Outstanding at the end of the year	1 412 503	1 380 971	2 793 474

51.3 Related-party transactions

The following significant transactions were entered into between Nedbank Group and the following related parties. All of these transactions were entered into in the normal course of business.

Outstanding balances (Rm)	Due from/(Owing to) 2008 Rm	2007 Rm
Parent/Ultimate controlling party		
Loans and advances to Old Mutual plc		(545)
Forward exchange rate contracts with Old Mutual plc	(1)	(1)
Interest rate contracts with Old Mutual plc	(1)	(5)
Equity derivatives with Old Mutual plc	(307)	
Fellow subsidiaries		
Loans and advances from Old Mutual Life Assurance Company (SA) (Pty) Limited	(79)	(79)
Deposits from Old Mutual Life Assurance Company (SA) (Pty) Limited	(1 467)	(1 444)
Deposits from Old Mutual Asset Managers (SA) (Pty) Limited	(123)	(1 351)
Deposits from other fellow subsidiaries	(3 156)	(1 204)
Bank accounts held by Old Mutual Life Assurance Company (SA) (Pty) Limited	(1 637)	(1 054)
Bank accounts held by Old Mutual Asset Managers (SA) (Pty) Limited*	(1)	(255)
Bank accounts held by other fellow subsidiaries	(588)	(257)
Insurance-related receivables from Mutual & Federal Insurance Company Limited	9	20
Joint venture		
Loans to BoE (Pty) Limited	78	1
Loans from BoE (Pty) Limited	(1)	(118)
Deposits and bank accounts held by BoE (Pty) Limited	(553)	(139)
Associates		
Loans to associates	577	505
Deposits from associates	(93)	(289)
Bank accounts held by associates*	(319)	(177)
Key management personnel		
Mortgage bonds to key management personnel	12	11
Deposits from key management personnel	(9)	(15)
Deposits from entities under the influence of key management personnel	(422)	(229)
Bank accounts owing from key management personnel	17	2
Bank accounts owing to key management personnel	(8)	(11)
Bank accounts owing from entities under the influence of key management personnel	37	6
Bank accounts owing to entities under the influence of key management personnel	(41)	(19)

51 RELATED PARTIES ... continued

51.3 Related-party transactions ... continued

Outstanding balances (Rm)	Due from/(Owing to) 2008 Rm	2007 Rm
The Wiphold and Brimstone consortia and Aka Capital (Pty) Limited are related parties since certain key management personnel of the company have significant influence over these entities. These entities are participants in the Nedbank Eyethu BEE schemes and the share-based payments reserve recognised in respect of these entities and key management personnel is detailed below.		
Wiphold consortium	(108)	(108)
Brimstone consortium	(107)	(107)
Aka Capital (Pty) Limited	(28)	(20)
Key management personnel – directors	(33)	(30)
Key management personnel – other	(27)	(34)
Share-based payments reserve	(303)	(299)
Performance fees are also paid to the Wiphold and Brimstone consortia in terms of the Nedbank Eyethu BEE schemes:		
Wiphold consortium	(5)	
Brimstone consortium	(4)	
Performance fee liability at year-end	(9)	–
Long-term employee benefit plans		
Deposits from Nedbank Namibia Medical Aid Fund	(28)	(42)
Bank accounts held by other funds	(149)	(49)

Transactions (Rm)	Income/(Expense) 2008 Rm	2007 Rm
Parent/Ultimate controlling party		
Dividend declared to OMSA via its subsidiaries	(1 577)	(1 382)
Fellow subsidiaries		
Interest income from other fellow subsidiaries	2	
Interest expense to other fellow subsidiaries	(317)	(125)
Interest expense to Old Mutual Life Assurance Company (SA) (Pty) Limited*	(384)	(287)
Interest expense to Old Mutual Asset Managers (SA) (Pty) Limited*	(26)	(148)
Interest expense to Old Mutual Group Achievements (Pty) Limited*		(120)
Facilities management fee to Old Mutual Properties (Pty) Limited		(5)
Insurance premiums to Mutual & Federal Insurance Company Limited	(268)	(342)
Claims recovered from Mutual & Federal Insurance Company Limited	315	338
Commission income from Mutual & Federal Insurance Company Limited	63	84
Handling fees to Mutual & Federal Insurance Company Limited	(17)	(20)
Asset management fee to Old Mutual Asset Managers (SA) (Pty) Limited	(5)	(7)
Joint venture		
Interest expense to BoE (Pty) Limited	(54)	(12)
Lease income from BoE (Pty) Limited*	11	10
Administration fee income from BoE (Pty) Limited	26	14
Advisory fee expense to BoE (Pty) Limited	2	3
Commission expense to BoE (Pty) Limited		

Transactions (Rm)	Income/(Expense) 2008 Rm	2007 Rm
Associates		
Interest income from associates	**20**	29
Interest expense to associates*	**(25)**	(51)
Key management personnel		
Interest income from key management personnel	**2**	1
Interest income from entities under the influence of key management personnel	**3**	5
Interest expense to key management personnel	**(2)**	(1)
Interest expense to entities under the influence of key management personnel	**(41)**	(31)
The share-based payments charge in respect of the entities that are participants in the Nedbank Eyethu BEE schemes and key management personnel is detailed below:		
Aka Capital (Pty) Limited	**(8)**	(8)
Key management personnel – other	**(3)**	(4)
Share-based payments expense (included in BEE transaction expenses)*	**(11)**	(12)
Key management personnel – directors	**(10)**	(17)
Key management personnel – other	**(14)**	(8)
Share-based payments expense (included in staff costs)*	**(24)**	(25)
Performance fees are also paid to the Wiphold and Brimstone consortia in terms of the Nedbank Eyethu BEE schemes.		
Wiphold consortium	**(9)**	(10)
Brimstone consortium	**(8)**	(9)
Performance fee expense	**(17)**	(19)
Long-term employee benefit plans		
Interest expense to Nedgroup Pension Fund	**(8)**	(6)
Interest expense to other funds	**(14)**	(4)
The group has an insurance policy (Optiplus policy) with a fellow subsidiary, Old Mutual Life Assurance Company (SA) (Pty) Limited, in respect of its pension plan obligations. It also has an interest in the OMART cell captive within a fellow subsidiary in respect of its disability plan obligations. The value of this policy and this interest are shown as reimbursement rights, with a corresponding liability. In the case of the interest in the cell captive, the group recognises the surplus in the cell captive. The amounts included in the financial statements in respect of this policy and this interest are as follows:		
Optiplus policy reimbursement right	**842**	823
OMART policy reimbursement right	**276**	267
Included in long-term employee benefit assets	**1 118**	1 090
Optiplus policy obligation	**(842)**	(823)
Disability obligation	**(210)**	(181)
Included in long-term employee benefit liabilities	**(1 052)**	(1 004)

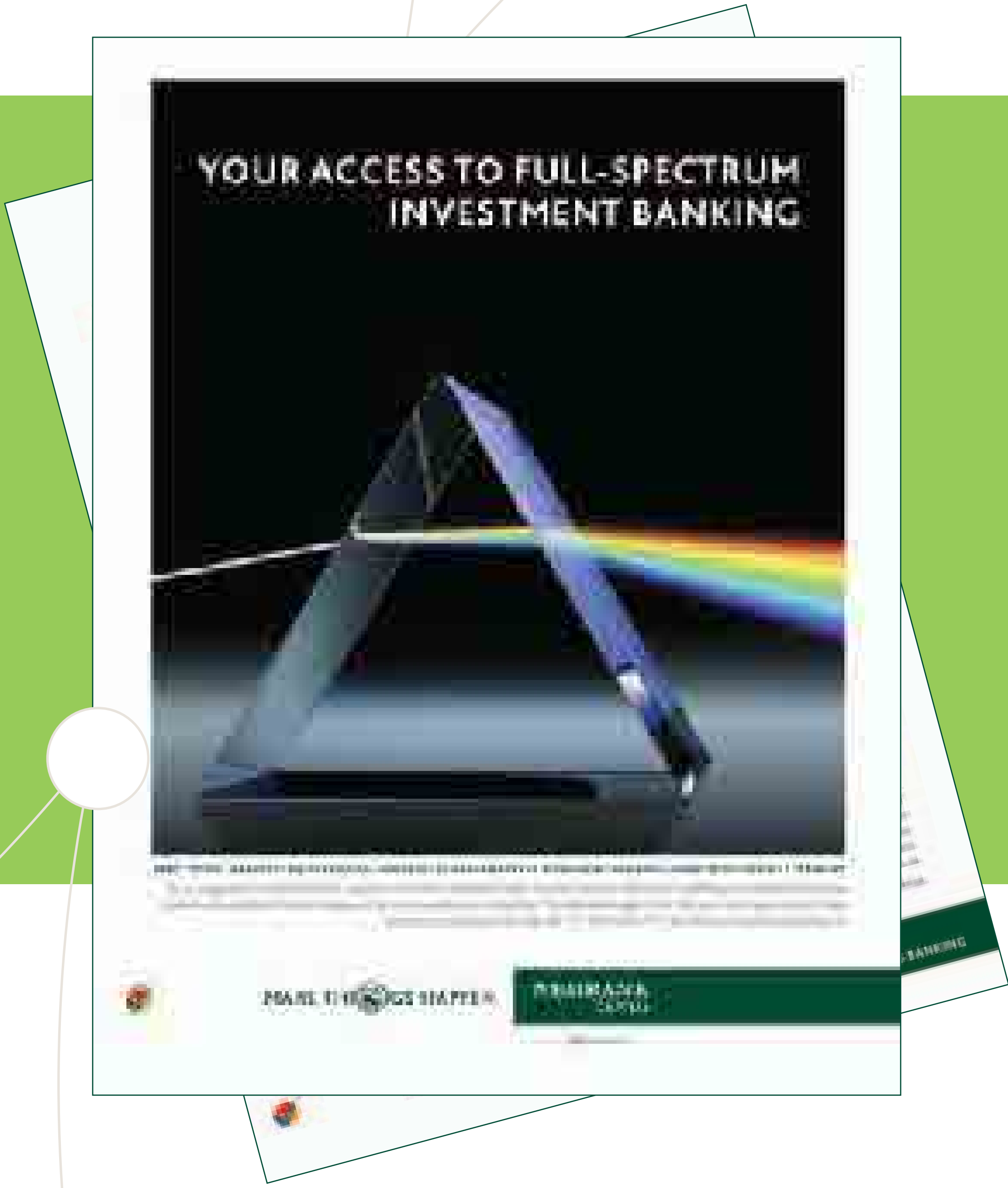
** Where necessary, comparative information has been enhanced to provide a more detailed analysis.*

52 RECLASSIFICATIONS

	Total impairment** 2007 Rm	Specific impairments Reclassified* 2007 Rm	Specific impairments As previously stated 2007 Rm	Portfolio impairments Reclassified* 2007 Rm	Portfolio impairments As previously stated 2007 Rm
52.1 Impairment of loans and advances					
52.1.1 Impairment of loans and advances					
Balance at the beginning of the year	5 184	3 564	3 787	1 620	1 397
Income statement charge	2 164	1 788	1 843	376	321
– loans and advances	2 267	1 891	1 946	376	321
– advances designated as at fair value through profit or loss (note 24.1)	(103)	(103)	(103)		
Recoveries	417	417	417		
Amounts written off against the impairment	(1 687)	(1 706)	(1 706)	19	19
Impairment of loans and advances	6 078	4 063	4 341	2 015	1 737
52.1.2 Impairment of loans and advances by classification					
Home loans	1 104	648	693	456	411
Commercial mortgages	502	154	154	348	348
Properties in possession	36	36	36		
Credit cards	456	367	408	89	48
Overdrafts	696	533	544	163	152
Other loans to clients	2 176	1 494	1 675	682	501
Net finance lease and instalment debtors	1 038	779	779	259	259
Preference shares and debentures	70	52	52	18	18
Trade, other bills and bankers' acceptances					
Impairment of loans and advances	6 078	4 063	4 341	2 015	1 737
52.1.3 Sectoral analysis					
Individuals	3 601	2 608	2 886	993	715
Financial services, insurance and real estate	767	401	401	366	366
Manufacturing	194	127	127	67	67
Building and property development	183	126	126	57	57
Transport, storage and communication	132	67	67	65	65
Retailers, catering and accommodation	176	59	59	117	117
Wholesale and trade	295	277	277	18	18
Mining and quarrying	45	16	16	29	29
Agriculture, forestry and fishing	96	42	42	54	54
Government and public sector	29	11	11	18	18
Other services	560	329	329	231	231
	6 078	4 063	4 341	2 015	1 737
52.1.4 Geographical analysis					
South Africa	5 910	3 960	4 238	1 950	1 672
Other African countries	90	59	59	31	31
Europe	67	42	42	25	25
Asia	4			4	4
Other	7	2	2	5	5
	6 078	4 063	4 341	2 015	1 737

* The group has changed its criteria for the distinction between specific and portfolio impairments during 2008 so as to align criteria with industry standard practice. The reclassification of impairments held against loans and advances did not have any effect on the amounts reported in the group's income statement, balance sheet, statement of changes in total shareholders' equity or cashflow statement, but had an effect on the notes above for 2007 in respect of specific and portfolio impairment provision balances.

** Total impairment of loans and advances and related data is not affected by the reclassifications.


YOUR ACCESS TO FULL-SPECTRUM
INVESTMENT BANKING

ANALYSIS OF INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

FOR THE YEAR ENDED 31 DECEMBER

Name of company and nature of business	Percentage holding 2008 %	2007 %	Acquisition date	Year-end
Unlisted				
Joint ventures				
BoE (Pty) Limited	**50**	50	Jan 03	Dec
Nedgroup Life Assurance Company Limited	**50**	50	Jan 03	Dec
Associates				
Access Africa Property Group (Pty) Limited***		40	Jan 06	Feb
Acturis Limited*** +		53	Mar 01	Sep
African Spirit Trading 306 (Pty) Limited	**33**	33	Oct 06	Dec
Ballywood Properties 1 (Pty) Limited	**49**		Nov 05	Feb
Bond Choice (Pty) Limited++	**29**		Jun 02	Feb
Capricorn Business and Technology Park (Pty) Limited	**41**	42	Nov 98	Sep
Clidet No 683 (Pty) Limited	**49**	49	Aug 06	Feb
Consep Developments (Pty) Limited	**25**		Dec 07	Feb
Eagle Creek Investments 265 (Pty) Limited***		25	Aug 07	Feb
Emergent Investments (Pty) Limited	**43**	43	Jul 07	Feb
Erf 7 Sandown (Pty) Limited	**35**		Oct 06	Feb
Falcon Forest Trading 85 (Pty) Limited	**30**	30	Mar 05	Feb
Firefly Investments 74 (Pty) Limited	**35**	35	Oct 06	Feb
Friedshelf 113 (Pty) Limited	**20**	20	Aug 02	Feb
G & C Shelf 31 (Pty) Limited	**30**	40	May 04	Feb
Golden Pond Trading 350 (Pty) Limited	**20**	20	Jul 06	Feb
Hazeldean Retreat (Pty) Limited	**20**	20	Mar 07	Feb
Kimberly Clark SA Holdings (Pty) Limited**			Aug 04	Dec
Lyric Rose (Pty) Limited	**49**	49	Oct 00	Feb
Masingita Property Investment Holdings (Pty) Limited	**35**	35	Aug 05	Feb
Mooirivier Mall (Pty) Limited	**30**	30	Nov 06	Feb
Nedglen Property Development (Pty) Limited	**35**	35	Nov 04	Jun
Newmarket Property Developments JV	**40**	40	Aug 06	Dec
Odyssey Developments (Pty) Limited	**49**	49	Nov 07	Jun
Off The Shelf Investment Forty One (Pty) Limited	**33**	33	Dec 00	Feb
Oukraal Developments (Pty) Limited	**30**		Jan 08	Jun
SafDev Tanganani (Pty) Limited	**25**		Oct 08	Jun
Sandton Square Portion 8 (Pty) Limited***		25	Nov 02	Apr
TBA Genomineerdes (Pty) Limited	**30**	30	Jan 03	Jun
The Waterbuck Trust	**40**	40	Oct 07	Feb
The Woodlands Property Trust	**20**	20	Jan 05	Feb
Visigro Investments (Pty) Limited	**30**	30	Jun 06	Feb
Whirlprops 33 (Pty) Limited	**49**	49	Sep 06	Feb
XDV (Pty) Limited	**25**	25	Nov 06	Jun
Other				

* *Represents amounts less than R1 million.*
** *Disposed of during 2007.*
*** *Disposed of during 2008.*
\+ *Investment in preference shares that do not carry voting rights; therefore accounted for as an associate.*
++ *No longer a subsidiary; shareholding changed from 62,0% to 28,5% in January 2008.*

Date to which equity income accounted for	Equity-accounted earnings 2008 Rm	Equity-accounted earnings 2007 Rm	Carrying amount 2008 Rm	Carrying amount 2007 Rm	Market value/ Directors' valuation 2008 Rm	Market value/ Directors' valuation 2007 Rm	Net indebtedness of loans to/(from) associates 2008 Rm	Net indebtedness of loans to/(from) associates 2007 Rm
	145	184	247	230	247	230	–	–
Dec 08	76	133	183	182	183	182		
Dec 08	69	51	64	48	64	48		
	9	55	920	748	920	748	577	505
				9		9		6
				9		9		
			22	20	22	20	20	20
			11		11			
Dec 08	5		27		27			
			14	17	14	17	10	13
			254	211	254	211	166	166
			21		21		14	
				20		20		11
			85	72	85	72	66	66
			17		17		4	
			10	8	10	8	2	2
			18	13	18	13	2	2
			10	10	10	10		
			*	46	*	46		(99)
			9	4	9	4	*	*
			12	*	12	*	12	
Jun 07		14						
			*	12	*	12		2
			30	27	30	27	33	28
			11	29	11	29	34	29
			8	6	8	6		
			22	*	22	*	22	*
			110	110	110	110	26	110
			9	8	9	8	7	7
			16		16		15	
			15		15			
				20		20		8
			12	7	12	7	3	3
			11	8	11	8	14	8
			11	4	11	4		
			110	48	110	48	2	2
Dec 08	3	40	*	*	*	*		
			19	10	19	10	(20)	10
Dec 08	1	1	26	20	26	20	145	111
	154	239	1 167	978	1 167	978	577	505

ANALYSIS OF INVESTMENTS IN SUBSIDIARIES
FOR THE YEAR ENDED 31 DECEMBER

	Group Issued capital 2008 Rm	2007 Rm
Banking		
Nedbank Namibia Limited (Namibia)	17	17
Nedbank Malawi Limited (Malawi)	13	10
Fairbairn Private Bank (Jersey) Limited	5	5
Imperial Bank Limited	4	3
Nedbank (Lesotho) Limited	20	20
Nedbank Limited	27	27
Nedbank (Swaziland) Limited	12	12
Peoples Mortgage Limited	45	45
MBCA Bank Limited (Zimbabwe)	*	*
Trust and participation bond administration		
NedInvest Limited (formerly BoE Unit Trust Management Company Limited)	5	5
Fairbairn Trust Company Limited (Guernsey)	1	1
Nedgroup Collective Investments Limited	6	6
Syfrets Participation Bond Managers Limited	*	*
Syfrets Securities Limited	1	1
Syfrets Securities Nominees (Pty) Limited	*	*
FTNIB Management Company Limited**	2	2
Other companies		
BoE Holdings Limited	2	2
NedNamibia Holdings Limited (Namibia)	18	18
Nedgroup International Holdings Limited (Isle of Man)	*	*
BoE Life Limited	1	1
BoE Limited	11	11
BoE Management Limited	*	*
Cape of Good Hope Financial Services Limited**	6	6
Dr Holsboer Benefit Fund		
NedEurope Limited (Isle of Man)	3 057	3 057
Alliance Investments Limited (Mauritius)***	*	*
MN Holdings Limited (Mauritius)	*	*
NBG Capital Management Limited	*	*
NIB Blue Capital Investments (Pty) Limited	*	*
Nedcor (SA) Insurance Company Limited	*	*
Nedcor Group Insurance Company Limited	*	*
Nedgroup Financial Services 104 Limited**	*	*
Nedgroup Investment Holdings 101 Limited	17	17
Nedgroup Investment 102 Limited	6	6
Nedcor Investments Limited	28	28
Nedgroup Securities (Pty) Limited	10	10
Nedcor Trade Services Limited (Mauritius)	2	2
Nedgroup Insurance Company Limited	5	5
Nedgroup Wealth Management Limited	*	*
NBS Boland Group Limited	75	75
Depfin Investments (Pty) Ltd	*	*
Tando AG (Switzerland)	42	28
The Board of Executors	*	*
Other companies	*	*

* Represents amounts less than R1 million.
** In the process of liquidation.
*** Acquired during 2008.

Unless otherwise stated, all entities are domiciled in South Africa.

Headline earnings from subsidiaries (after eliminating intercompany transactions):

	2008 Rm	2007 Rm
Aggregate earnings	5 992	6 313
Aggregate losses	227	392

Group Effective holding 2008 %	Group Effective holding 2007 %	Company Book value of investments 2008 Rm	Company Book value of investments 2007 Rm	Company Net indebtedness 2008 Rm	Company Net indebtedness 2007 Rm
100	100				
97	97				
70	70				
50,1	50,1				
100	100				
100	100	17 949	17 949	(289)	(1 397)
67	67				
100	100				
15	15				
100	100	5			
100	100				
100	100				
100	100				
100	100	3	3		
99	99				
100	100	2	2		10
100	100				
100	100	429	429		
100	100				
100	100				
100	100	4 321	4 321	(1 070)	(1 123)
100	100			(3 687)	(3 687)
100	100			(6)	(6)
100	100				
100	100	1 158	1 205		
100					
100	100				
100	100				
100	100				
100	100	5	5		
100	100				
100	100	5	5		
100	100	194	194		
100	100				
100	100				
100	100				
100	100				
100	100	49	49		
100	100				
100	100				
100	100				
100	100			71	
100	100			(45)	(45)
100	100			(5)	(5)
		24 120	24 162	(5 031)	(6 253)

General information required in terms of the 4th schedule of the Companies Act, 61 of 1973, is detailed in respect of only those subsidiaries where the financial position or results are material to the group. It is considered that the disclosure in these statements of such information in respect of the remaining subsidiaries would entail expenses out of proportion to the value to members. Other subsidiaries consist of nominees, property-owning and financial holding companies acquired in the course of lending activities. A register detailing information in respect of all subsidiaries is available for inspection at the registered office.

Nedbank Group Limited will ensure that, except in the case of political risk and unless specifically excluded by public notice in a country where a subsidiary is domiciled, its banking subsidiaries, and its principal non-banking subsidiaries are able to meet their contractual liabilities.

NEDBANK MAJOR SUBSIDIARY COMPANIES
AT 31 DECEMBER 2008

Nedbank Limited 100%

Local subsidiaries

- Imperial Bank Limited 50,1%
- Nedcor Investment Limited 100%
- Nedgroup Investment 102 Limited 100%
- BoE Holdings Limited 100%
- Nedgroup Collective Investments Limited 100%

Foreign Nedgroup subsidiaries

- NedEurope Limited 100%
- Nedbank (Malawi) Limited 97,1%
- NedNamibia Holdings Limited 100%
- Tando AG 100%
- Alliance Investments Limited 100%
- MN Holdings Limited 100%

Foreign Nedbank subsidiaries

- Nedbank (Lesotho) Limited 100%
- Nedbank (Swaziland) Limited 67,2%
- Nedcor Trade Services Limited 100%

BoE Limited 100%

- The Board of Executors 100%
- Nedgroup Wealth Management Limited 100%
- NBS Boland Group Limited 100%
- BoE Life Limited 100%

Nedgroup Investment Holdings 101 Limited 100%

- Nedgroup Securities (Pty) Limited 100%

OTHER COMPANIES/ENTITIES

- Depfin Investments (Pty) Limited 100%

- Nedgroup Insurance Company Limited 100%
- Nedcor Group Insurance Company Limited 100%
- Nedgroup Financial Services 104 Limited 100%
- Nedcor (SA) Insurance Company Limited 100%

- Syfrets Securities Nominees (Pty) Limited 99%
- Syfrets Securities Limited 100%
- Fairbairn Trust Company Limited 100%

- BoE Management Limited 100%
- Dr Holsboer Benefit Fund 100%
- Cape of Good Hope Financial Services Limited 100%
- FTNIB Management Company Limited 100%

COMPANY INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER

	Notes	2008 Rm	2007 Rm
Interest and similar income			3
Net interest income		–	3
Dividends from subsidiaries		3 047	2 536
Foreign currency translation loss			(1)
Total income after foreign currency translation loss		3 047	2 538
Operating expenses	1	20	25
Profit from operations before non-trading capital items		3 027	2 513
Capital profit on sale of investment			56
Impairment of investments in subsidiaries		(44)	(83)
Impairment of intergroup loans and advances	6	(2)	24
Loss on waiver of subsidiary loans			(48)
Profit before taxation		2 981	2 462
Direct taxation	2	16	144
Profit after taxation		2 965	2 318

COMPANY BALANCE SHEET
AT 31 DECEMBER

	Notes	2008 Rm	2007 Rm
Assets			
Sundry debtors and accrued interest	3	28	1
Deferred taxation asset		7	
Current taxation receivable		8	5
Investment in subsidiary companies		24 207	24 497
– Shares at cost – unlisted		24 120	24 162
– Owing by subsidiaries		87	335
Total assets		24 250	24 503
Shareholders' equity and liabilities			
Ordinary share capital	4	469	459
Ordinary share premium		15 476	14 174
Share-based payments reserve	9	235	230
Non-distributable reserves		41	41
Distributable reserves		2 705	2 802
Equity attributable to equityholders of the parent		18 926	17 706
Sundry creditors	5	14	19
Deferred taxation liabilities		7	7
Impairment of intergroup loans and advances	6	185	183
Amounts owing to subsidiaries		5 118	6 588
Total liabilities		5 324	6 797
Total shareholders' equity and liabilities		24 250	24 503

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER

	Number of ordinary shares	Ordinary share capital Rm	Ordinary share premium Rm	Share-based payments reserve Rm	Other non-distributable reserves Rm	Distributable reserves Rm	Total ordinary shareholders' equity Rm
Balance at 31 December 2006	450 884 556	451	13 013	218	41	3 182	16 905
Shares issued in terms of employee incentive schemes	3 493 321	3	499				502
Capitalisation award	4 830 026	5	646				651
Shares acquired/cancelled by BEE trusts			8				8
Shares listed under BEE schemes	70 172		8				8
Share-based payments reserve movements				12			12
Profit for the year						2 318	2 318
Ordinary dividends						(2 698)	(2 698)
Balance at 31 December 2007	**459 278 075**	**459**	**14 174**	**230**	**41**	**2 802**	**17 706**
Shares issued in terms of employee incentive schemes	4 809 873	5	535				540
Capitalisation award	4 039 422	4	453				457
Shares acquired/cancelled by BEE trusts			15				15
Shares listed under BEE schemes	812 027	1	299				300
Share-based payments reserve movements				5			5
Profit for the year						2 965	2 965
Ordinary dividends						(3 066)	(3 066)
Other movements						4	4
Balance at 31 December 2008	**468 939 397**	**469**	**15 476**	**235**	**41**	**2 705**	**18 926**

COMPANY CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER

	Notes	2008 Rm	2007 Rm
Cash generated by operations	7	3 032	2 526
Cash received from clients – interest income			3
BEE transaction share-based payments expense		5	12
Cash paid to clients, employees and suppliers		(20)	(25)
Dividends received on investments		3 047	2 536
Change in funds for operating activities		(1 257)	(576)
Decrease in operating assets		213	588
Decrease in operating liabilities		(1 470)	(1 164)
Net cash generated from operating activities before taxation		1 775	1 950
Taxation paid	8	19	147
Cashflows from operating activities		1 756	1 803
Cashflows utilised by investing activities		(2)	(274)
Acquisition of investments in subsidiary companies		(2)	(274)
Cashflows utilised by financing activities		(1 754)	(1 529)
Proceeds from issue of ordinary shares		1 312	1 169
Dividends paid to ordinary shareholders		(3 066)	(2 698)
Net increase/(decrease) in cash and cash equivalents for the year		–	–

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER

1 OPERATING EXPENSES

	2008 Rm	2007 Rm
Audit fees – current year	5	1
BEE transaction share-based payments expenses	5	12
Directors' fees	7	10
Other	3	2
	20	25

2 DIRECT TAXATION

2.1 Charge for the year

	2008 Rm	2007 Rm
South African normal taxation – current taxation	1	2
Capital gains taxation		7
Secondary taxation on companies	15	135
	16	144

2.2 Taxation rate reconciliation

	%	%
Standard rate of South African normal taxation	28	29
Non-taxable income	(28)	(29)
Non-deductable expenses		1
Secondary taxation on companies	1	5
Effective taxation rate	1	6

3 SUNDRY DEBTORS

	2008 Rm	2007 Rm
Sundry debtors and accrued interest	28	1

These assets are repayable on demand or at short notice and are all within South Africa.

4 SHARE CAPITAL

	2008 Rm	2007 Rm
Ordinary share capital		
Authorised		
600 000 000 (2007: 600 000 000) ordinary shares of R1 each	600	600
Issued ordinary share capital		
468 939 397 (2007: 459 278 075) fully paid ordinary shares of R1 each	469	459

5 SUNDRY CREDITORS

	2008 Rm	2007 Rm
Creditors and other accounts	14	19

6 IMPAIRMENT OF INTERGROUP LOANS AND ADVANCES

Specific impairment has been raised on intergroup loans and advances made by Nedbank Limited to fellow subsidiary companies. Nedbank Group Limited has guaranteed these intergroup advances, for which a provision against these guarantees has been recognised.

	2008 Rm	2007 Rm
Balance at the beginning of the year	183	207
Income statement charge	2	(24)
Balance at the end of the year	185	183

7 CASH GENERATED BY OPERATIONS

	2008 Rm	2007 Rm
Reconciliation of profit before taxation to cash generated by operations		
Profit before taxation	2 981	2 462
Adjusted for:		
– BEE transaction share-based payments expenses	5	12
– Foreign currency translation profit		1
– Impairment of advances	2	(24)
– Impairment of investments	44	83
– Loss on waiver of loan to subsidiary		48
– Capital profit on sale of investment		(56)
Cash generated by operations	3 032	2 526

8 TAXATION PAID

	2008 Rm	2007 Rm
Amounts prepaid at the beginning of the year	(5)	(3)
Income statement charge – current taxation	1	2
Realised deferred taxation		8
Income statement charge – secondary taxation on companies	15	135
Amounts prepaid at the end of the year	8	5
	19	147

9 SHARE-BASED PAYMENTS

Equity instruments are granted to business partners and non-executive directors as an incentive to retain business and develop growth within the group. The share-based payment expenses and reserve balances in respect of the Black Business Partner Scheme and the Non-executive Directors' Scheme, implemented in 2005, were accounted for in the Nedbank Group Limited consolidated financial statements and in the Nedbank Group Limited standalone financial statements. Both of these schemes will be equity-settled.

As the company cannot estimate reliably the fair value of services received nor the value of additional business received, the company rebuts the presumption that such services and business can be measured reliably. The company therefore measures their fair value by reference to the fair value of the equity instruments granted, in line with the group's accounting policy. The fair value of such equity instruments is measured at the grant date utilising the Black-Scholes valuation model.

9.1 Description of arrangements

Scheme	Trust/SPV	Description	Vesting requirements	Maximum term
Nedbank Eyethu BEE schemes				
Black Business Partner Scheme	Wiphold Financial Services Number Two Trust and Brimstone-Mtha Financial Services Trust	Each trust was issued an equal number of restricted shares at R1,87 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	No dealing in the shares during the 10-year notional funding period.	10 years
Non-executive Directors' Scheme	Nedbank Eyethu Non-executive Directors' Trust	Certain non-executive directors acquired restricted shares at par value, with notional funding over a period of six years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	Six years' service and no dealing in the shares during this notional funding period. So as not to compromise the non-executive directors' independence, no specific performance conditions will apply to the directors' participation.	6 years

9.2 Effect on profit and financial position

	Share-based payments expense		Share-based payments reserve	
	2008 Rm	2007 Rm	**2008 Rm**	2007 Rm
Black Business Partner Scheme			**215**	215
Non-executive Directors' Scheme	**5**	12	**20**	15
	5	12	**235**	230

9 SHARE-BASED PAYMENTS... continued

9.3 Movements in number of instruments

	2008 Number of instruments	2008 Weighted average exercise price Rm	2007 Number of instruments	2007 Weighted average exercise price Rm
Black Business Partner Scheme				
Outstanding at the beginning of the year	7 891 300	171,82	7 891 300	171,82
Outstanding at the end of the year	7 891 300	171,82	7 891 300	171,82
Exercisable at the end of the year	–	–	–	–
Non-executive Directors' Scheme				
Outstanding at the beginning of the year	493 206		344 351	108,04
Other movements			148 855	
Granted	81 815	78,81		
Outstanding at the end of the year	575 021	103,88	493 206	108,04
Exercisable at the end of the year	–	–	–	–

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

	2008 Number of instruments	2008 Weighted average remaining contractual life (years)	2007 Number of instruments	2007 Weighted average remaining contractual life (years)
Black Business Partners Scheme				
171,82	7 891 300	6,6	7 891 300	7,6
	7 891 300	6,6	7 891 300	7,6
Non-executive Directors' Scheme				
78,81	81 815	2,6		
108,04	493 206	2,6	493 206	3,6
	575 021	2,6	493 206	3,6

9.5 Instruments granted during the year

The weighted average fair value of instruments granted during the year has been calculated using the Black-Scholes option pricing model, using the following inputs and assumptions.

	Non-executive Director's Scheme 2008	Non-executive Director's Scheme 2007
Number of instruments granted	81 815	
Weighted average fair value per instrument granted (R)	48,52	
Weighted average share price (R)	112,00	
Weighted average exercise price (R)	78,81	
Weighted average expected volatility (%)	27,0	
Weighted average life (years)	1,9	
Weighted average expected dividends (%)	0,0	
Weighted average risk-free interest rate (%)	10,9	
Number of participants	1	
Weighted average vesting period (years)	0,5	
Possibility of not vesting (%)	0,0	
Expectation of meeting performance criteria (%)	100	

10 RELATED PARTIES

10.1 Relationship with parent, ultimate controlling party and investees

The company's parent company is Old Mutual (South Africa) Limited (OMSA), which, through its subsidiaries, holds 54,30% (2007: 53,20%) of Nedbank Group Limited's ordinary shares. The ultimate controlling party is Old Mutual plc, incorporated in the United Kingdom.

Material subsidiaries of the company are identified on pages 330 to 332 and associates and joint ventures of the company are identified on pages 328 and 329.

10.2 Key management personnel compensation

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including all directors of the company and its parent, as well as members of the Executive Committee who are not directors, as well as close members of the family of any of these individuals.

Details of the compensation paid to the board of directors are disclosed in the Remuneration Report on pages194 to 205 and details of their shareholdings in the company are disclosed on pages 204 and 205. Compensation paid to the board of directors is aggregated below, together with the aggregate compensation paid to the executive directors, as well as the number of share options and instruments held.

	Directors	Key management personnel	Total
Compensation (Rm)			
2008			
Directors' fees – Paid by subsidiaries	**12**		**12**
Remuneration – Paid by subsidiaries	**25**	**80**	**105**
– Short-term employee benefits	**16**	**68**	**84**
– Gain on exercise of options	**9**	**12**	**21**
	37	**80**	**117**
2007			
Directors' fees* – Paid by subsidiaries	11		11
Remuneration – Paid by subsidiaries	33	68	101
– Short-term employee benefits	19	43	62
– Gain on exercise of options	14	25	39
	44	68	112
Number of share options and instruments			
2008			
Outstanding at the beginning of the year	**1 412 503**	**1 380 971**	**2 793 474**
Granted	**209 250**	**315 507**	**524 757**
Forfeited		**(107 645)**	**(107 645)**
Exercised	**(166 744)**	**(276 521)**	**(443 265)**
Expired	**(199 000)**		**(199 000)**
Transferred		**177 500**	**177 500**
Outstanding at the end of the year	**1 256 009**	**1 489 812**	**2 745 821**
2007			
Outstanding at the beginning of the year	1 333 738	1 716 265	3 050 003
Granted	121 643	300 430	422 073
Forfeited	(26 926)	(68 708)	(95 634)
Exercised	(160 292)	(393 693)	(553 985)
Transferred	144 340	(173 323)	(28 983)
Outstanding at the end of the year	1 412 503	1 380 971	2 793 474

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

10 RELATED PARTIES ... continued

10.3 Related-party transactions

The following significant transactions were entered into between Nedbank Group Limited and the following related parties. All of these transactions were entered into in the normal course of business.

Outstanding balances (Rm)	Due from/(Owing to) 2008 Rm	2007 Rm
Subsidiaries		
Loan from BoE Management Limited – interest-free	**(3 687)**	(3 687)
Loan from BoE Limited – interest-free	**(1 070)**	(1 171)
Loan from Cape of Good Hope Financial Services Limited – interest-free*	**(6)**	(5)
Loan from Nedbank Nominees (Pty) Ltd*	**(5)**	(5)
Loan from The Board of Executors 1838	**(45)**	(45)
Bank accounts with Nedbank Limited – interest-free	**(305)**	(1 723)
Advance to NEST	**16**	325
Loan to FTNIB Manco		10
Tando AG – dividend	**71**	
Due from Nedbank Limited on exercise of share options during the year – interest-free		325
Impairment provision in respect of amounts due to Nedbank Limited by its subsidiaries	**(163)**	(161)
Impairment provision in respect of amounts due to Nedgroup Investments Limited by its subsidiaries	**(2)**	(2)
Impairment provision in respect of amounts due by BoE Limited	**(18)**	(19)
Key management personnel		
The Wiphold and Brimstone consortia are related parties since certain key management personnel of the company have significant influence over these entities. These consortia are participants in the Nedbank Eyethu BEE schemes and the share-based payments reserve recognised in respect of these consortia and key management personnel is detailed below:		
Wiphold consortium	**(108)**	(108)
Brimstone consortium	**(107)**	(107)
Non-executive directors	**(20)**	(15)
Share-based payments reserve	**(235)**	(230)

Transactions (Rm)	Income/(Expense) 2008 Rm	2007 Rm
Parent		
Dividend declared to OMSA via its subsidiaries*	**1 577**	1 382
Subsidiaries		
MN Holdings Limited		3
Interest income	**–**	3
MN Holdings Limited		(1)
Foreign currency translation gains/(losses) on loans to or from subsidiaries	**–**	(1)
Nedbank Limited	**2 294**	1 947
Nedgroup Investment Holdings 101 Limited	**286**	498
Syfrets Securities Limited	**32**	10
Nedgroup Insurance Company Limited	**60**	
NedEurope Limited	**163**	
Tando AG	**143**	
FTNIB Management Company Limited*		10
Nedbank International Limited*		22
Alliance Investments Limited	**16**	
BoE Limited	**53**	49
Dividends declared by subsidiaries	**3 047**	2 536
Key management personnel The share-based payments charge in respect of the entities that are participants in the Nedbank Eyethu BEE schemes and key management personnel is detailed below:		
Non-executive directors	**(5)**	(12)
Share-based payments expense	**(5)**	(12)

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

THE BEST WAY TO LEAD IS BY EXAMPLE
A PARTNERSHIP
MADE IN HEAVEN

LETTER FROM THE CHAIRMAN

Dear Member

I extend a warm invitation to you to attend the 42nd annual general meeting of Nedbank Group Limited to be held in the Auditorium, Retail Place West, Nedbank Sandton, 135 Rivonia Road, Sandown, on Thursday, 14 May 2009, at 09:00.

Included in this document are:

- the notice of annual general meeting setting out the resolutions to be proposed at the meeting;
- annexure 1 to the notice of annual general meeting setting out explanatory notes regarding proxies and resolutions for the annual general meeting, as well as important notes about the annual general meeting; and
- a form of proxy.

If you are unable to attend, you will be able to exercise your right as a member to take part in the annual general meeting by following the accompanying explanatory notes.

I should like to remind members of their right to raise questions, at the appropriate time, at the annual general meeting. As it is not always possible to answer every question raised at the annual general meeting, and to ensure that matters of particular interest to members are covered, members may use the attached question form to raise, in advance, any questions of particular interest to them. From the question forms returned we can assess the most popular topics, which I shall endeavour to address at the annual general meeting. This advance notice of relevant questions will, of course, not prevent any member from raising questions, at the appropriate time, during the annual general meeting.

The question form can be:

- forwarded to the Company Secretary, Gawie Nienaber, Ground Floor, Block A, Nedbank Sandton, 135 Rivonia Road, Sandown, 2196 (PO Box 1144, Johannesburg, 2000), to be received no later than 09:00 on Wednesday, 13 May 2009; or
- handed in at the time of registering attendance at the annual general meeting, should the above option not have been chosen.

Should you require an interpreter (for sign language or translation from English into any of the other official languages of South Africa) to be in attendance at the annual general meeting, please do not hesitate to advise the Company Secretary's office on +27 (0)11 294 9105/6/7 or at gawien@nedbank.co.za by no later than Thursday, 7 May 2009, for this facility to be arranged.

Yours faithfully

Dr RJ Khoza
Chairman

Sandown
25 February 2009

HEADOFFICE

135 Rivonia Road, Sandown, 2196
PO Box 1144, Johannesburg, 2000, South Africa
Tel +27 (0)11 294 4444 Fax +27 (0)11 295 1111 www.nedbankgroup.co.za

Nedbank Group Limited
Reg No 1966/010630/06

Directors: Dr RJ Khoza (Chairman) Prof MM Katz (Vice-chairman) ML Ndlovu (Vice-chairman) TA Boardman (Chief Executive) CJW Ball MWT Brown TCP Chikane MA Enus-Brey Prof B de L Figaji R Harris† RM Head† A de VC Knott-Craig JB Magwaza ME Mkwanazi NP Mnxasana GT Serobe (†British)

Company Secretary: GS Nienaber

NEDBANK GROUP

QUESTION FORM FOR ANNUAL GENERAL MEETING

Name of member

Address

Contact details

Telephone number

Fax number

Email

Questions

SHAREHOLDERS' DIARY

2008 FINANCIAL YEAR

Financial year-end	31 December 2008
Annual results and announcement of final dividend	26 February 2009
Final dividend payment (Nedbank Limited preference shares)	on or about 30 March 2009
Final dividend payment (Nedbank Group Limited ordinary shares)	on or about 14 April 2009
Annual general meeting	14 May 2009

2009 FINANCIAL YEAR

First-quarter trading update	on or about 7 May 2009
Interim report and announcement of interim dividend	on or about 5 August 2009
Interim dividend payment	during September 2009
Third-quarter trading update	on or about 5 November 2009
Financial year-end	31 December 2009
Annual results and announcement of final dividend	during February 2010
Publication and posting of annual report	during March 2010
Final dividend payment	during April 2010
Annual general meeting	during May 2010

(Dates correct at time of going to print)

MAP GIVING LOCATION OF NEDBANK SANDTON

The map below indicates the location of Nedbank Sandton, where the annual general meeting will be held.

NOTICE OF ANNUAL GENERAL MEETING

Nedbank Group Limited
(Incorporated in the Republic of South Africa)
Reg No 1966/010630/06
JSE share code: NED; NSX share code: NBK
ISIN: ZAE000004875
(Nedbank Group or the company)

Notice is hereby given that the 42nd annual general meeting of the members of Nedbank Group will be held in the Auditorium, Retail Place West, Nedbank Sandton, 135 Rivonia Road, Sandown, Sandton, on Thursday, 14 May 2009, at 09:00.

AGENDA

1 To receive and adopt the annual financial statements of the company for the year ended 31 December 2008.

2 To note and confirm the interim dividend of 310 cents per ordinary share declared by the board of directors on 5 August 2008 and the final dividend of a number of Nedbank Group shares, to be determined in terms of the capitalisation award ratio, for every 100 Nedbank Group shares held to those members who elected (or were deemed to have elected) the capitalisation award and 310 cents per ordinary share to those members who did not elect to receive capitalisation shares, as declared by the board of directors on 25 February 2009.

3 To reelect as directors of the company

3.1 Dr RJ Khoza,

3.2 Mr MA Enus-Brey,

3.3 Prof MM Katz,

3.4 Mr JB Magwaza,

3.5 Mr ME Mkwanazi,

3.6 Mr ML Ndlovu and

3.7 Ms GT Serobe,

who retire by rotation in terms of the company's articles of association and, being eligible, make themselves available for reelection. Biographical details of the directors to be reelected are set out on pages 38 to 43 of the annual report.

Prof MM Katz and Messrs JB Magwaza, ME Mkwanazi and ML Ndlovu are required, in terms of board policy, to seek reelection annually as they have served on the board for more than nine years.

The performance and contribution of each of the above directors have been reviewed by the board and the board recommends that each of these directors be reelected. In addition, while length of tenure must be considered when determining a director's independence, the board believes that Prof Katz and Messrs Magwaza, Mkwanazi and Ndlovu continue to demonstrate the characteristics of independence as required by the board.

4 To elect

4.1 Mr A de VC Knott-Craig and

4.2 Ms NP Mnxasana

as directors of the company.

During the year the board of directors appointed Mr Knott-Craig and Ms Mnxasana as directors of the company. They retire in terms of the company's articles of association and, being eligible, make themselves available for election. Biographical details of Mr Knott-Craig and Ms Mnxasana are set out on pages 41 and 42 of the annual report.

5 To approve the non-executive directors' fees.

6 To approve the remuneration paid to executive directors.

7 To reappoint Deloitte & Touche (with the designated auditor currently being Mr D Shipp) and KPMG Inc (with the designated auditor currently being Ms TA Middlemiss), as joint auditors, to hold office from the conclusion of the 42nd annual general meeting until the conclusion of the next annual general meeting of Nedbank Group.

8 To authorise the Nedbank Group Audit Committee to determine the remuneration of the company's auditors and the auditors' terms of engagement.

9 To consider and, if deemed fit, pass with or without modification the following resolution:

ORDINARY RESOLUTION 1

Control of authorised, but unissued, shares

'Resolved that authority be and is hereby granted to the directors to place the authorised, but unissued, ordinary shares in the share capital of Nedbank Group under the control of the directors to allot these shares on such terms and conditions and at such times as they deem fit, subject to the provisions of the Companies Act, 61 of 1973, as amended, the Banks Act, 94 of 1990, as amended, and the JSE Limited Listings Requirements. The issuing of shares granted under this authority will be limited to Nedbank Group's existing contractual obligations to issue shares, including for purposes of Nedbank Group's BEE transaction approved in 2005 and the NedNamibia BEE transaction approved in 2006, any scrip dividend and/or capitalisation share award, shares required to be issued for the purpose of carrying out the terms of the Nedbank Group share incentive schemes as well as any alternative coupon settlement mechanism relating to issues, from time to time, of the Nedbank Limited Tier 1 hybrid debt capital instruments.'

10 As **special business**, to consider and, if deemed fit, pass with or without modification the following resolutions:

ORDINARY RESOLUTION 2

Amendment to the Nedbank Group (2005) Share Option, Matched Share and Restricted Share Scheme

'Resolved to amend paragraph 12.1.2 of The Nedbank Group (2005) Share Scheme rules, by deleting the underlined words in the aforesaid paragraph:

Termination before the Vesting Date

12.1 If a Participant is granted an Option in terms of the Scheme and, before the Vesting Date, the employment of such participant by an Employer terminates -

12.1.2 by reason of a Fault Termination, such Option shall lapse automatically on <u>the day which is 30 days immediately following</u> the Termination Date and shall cease to have any further force or effect; provided that the RemCom may, in its sole discretion, <u>and prior to the end of the 30-day period referred to above</u>, require that the Participant transfer his/her Options, prior to their lapsing, to the Trustees for a consideration no greater than any consideration paid by the Participant for such Options.'

Ordinary resolution 2 is required, under the JSE Listings Requirements, to be passed by achieving a 75% majority of the votes cast in favour of such resolution by all members present or represented by proxy and entitled to vote at the annual general meeting.

SPECIAL RESOLUTION 1

General authority to repurchase shares

'Resolved, as a special resolution of the company, that the company and/or its subsidiaries be and are hereby authorised, in terms of a general authority contemplated in sections 85(2) and 85(3) of the Companies Act, 61 of 1973, as amended (the act), to acquire the company's issued shares from time to time on such terms and conditions and in such amounts as the directors of the company may from time to time decide, but always subject to the approval, to the extent required, of the Registrar of Banks, the provisions of the act, the Banks Act, 94 of 1990, as amended, and the JSE Limited (JSE) Listings Requirements, subject to the following limitations:

(a) the repurchase of securities shall be effected through the main order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;

(b) authorisation thereto shall be given by the company's articles of association;

(c) this general authority shall be valid only until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of the passing of this special resolution;

(d) in determining the price at which the company's ordinary shares are acquired by the company in terms of this general authority the maximum premium at which such ordinary shares may be acquired shall be 10% of the weighted average of the market price at which such ordinary shares are traded on JSE, as determined over the five trading days immediately preceding the date of the repurchase of such ordinary shares by the company;

(e) the acquisitions of ordinary shares in the aggregate in any one financial year shall not exceed 10% of the company's issued ordinary share capital of that class in any one financial year;

(f) the company and Nedbank Group shall be in a position to repay their debts in the ordinary course of business for a period of 12 months after the decision by the directors of the company to repurchase shares in the open market;

(g) the assets of the company and Nedbank Group shall be in excess of the liabilities of the company and Nedbank Group for a period of 12 months after the decision by the directors of the company to repurchase shares in the open market – for this purpose the assets and liabilities shall be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements;

(h) the ordinary capital and reserves of the company and Nedbank Group shall be adequate for ordinary business purposes for the 12 months after the decision by the directors of the company to repurchase shares in the open market;

(i) the available working capital shall be adequate to continue the operations of the company and Nedbank Group for a period of 12 months after the decision by the directors to repurchase shares in the open market;

(j) after such repurchase the company shall continue to comply with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread requirements;

(k) neither the company nor its subsidiaries shall repurchase securities during a prohibited period, as defined in paragraph 3.67 of the JSE Listings Requirements, unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement on SENS prior to the commencement of the prohibited period;

(l) when the company has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% in aggregate of the initial number of that class acquired thereafter, an announcement shall be made; and

(m) at any point in time the company shall appoint only one agent to effect any repurchase(s) on its behalf.'

In terms of the proposed special resolution the maximum number of Nedbank Group shares that may be repurchased during the term of this authority, subject to (b) above, is 46 893 940 shares (10% of 468 939 397 shares in issue at 3 March 2009).

The reason for and effect of special resolution 1 is to authorise the company and/or its subsidiaries by way of a general authority to acquire its/their own issued shares on such terms and conditions and in such numbers as determined from time to time by the directors of the company, subject to the limitations set out above. Should the general authority for the acquisition of shares be granted at Nedbank Group's annual general meeting, it will provide the board with the flexibility to repurchase such shares as and when the best interests of the company require it to do so.

Statement by the directors of Nedbank Group in terms of section 85(4) of the Companies Act

The directors of Nedbank Group, after considering the effect of the repurchase of shares from the BEE partners, which was approved by the company as special resolution 2 on 22 July 2005, and the repurchase of the maximum number of the company's shares in terms of the general authority, are satisfied that, for the period until the date of the next annual general meeting:

- the company and the group will be able to pay their debts in the ordinary course of business;
- the assets of the company and the group will be in excess of the liabilities, measured in accordance with the accounting policies used in the audited financial statements for the year ended 31 December 2008; and
- the working capital and reserves of the company and the group will be adequate.

Disclosure in terms of section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosures, which are disclosed in the Nedbank Group 2008 Annual Report, as set out below:

Management and directors	pages 22 and 38 to 43
Major shareholders of Nedbank Group	pages 62 and 63
Directors' interests in securities	pages 204 and 205
Share capital of Nedbank Group	pages 296 and 297

Material change
Other than the facts and developments, as reported on in the annual report, there have been no material changes in the affairs or financial position of Nedbank Group and its subsidiaries from 31 December 2008 to the date of the audit report forming part of the annual financial statements.

Directors' responsibility statement
The directors, whose names are given on pages 38 to 43 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution 1 and certify that, to the best of their knowledge and belief, no facts have been omitted that would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution and additional disclosure in terms of section 11.26 of the JSE Listings Requirements pertaining thereto contain all such information required by law and the JSE Listings Requirements.

Litigation statement
In terms of section 11.26 of the JSE Listings Requirements the directors, whose names are given on pages 38 to 43 of the annual report, are not aware of any legal or arbitration proceedings, including proceedings pending or threatened, that may have or may have had in the recent past, being at least the previous 12 months, a material effect on Nedbank Group's financial position.

VOTING BY PROXY

A member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company. Completed proxy forms should be received at the office of the transfer secretaries no later than 24 hours before the time appointed for the holding of the annual general meeting.

By order of the board

GS Nienaber
Company Secretary

Sandown
25 February 2009

REGISTERED OFFICE
Nedbank Group Limited
Reg No 1966/010630/06
Nedbank Sandton
135 Rivonia Road
Sandown, 2196

PO Box 1144
Johannesburg, 2000
Tel: +27 (0)11 294 4444
Fax: +27 (0)11 295 1111

TRANSFER SECRETARIES IN SOUTH AFRICA
Computershare Investor Services (Pty) Limited
70 Marshall Street
Johannesburg, 2001

PO Box 61051
Marshalltown, 2107
Tel: +27 (0)11 370 5000
Fax: +27 (0)11 688 5238

TRANSFER SECRETARIES IN NAMIBIA
Transfer Secretaries (Pty) Limited
Shop 8, Kaiserkrone Centre
Post Street Mall,
Windhoek, Namibia

PO Box 2401
Windhoek, Namibia
Tel: +264 (0)61 227 647
Fax: +264 (0)61 248 531

ANNEXURE 1

EXPLANATORY NOTES TO RESOLUTIONS FOR THE ANNUAL GENERAL MEETING

1 Receipt and adoption of annual financial statements and reports

In terms of the Companies Act, 61 of 1973, as amended ('the act'), the directors are required to present to members at the annual general meeting the annual financial statements, incorporating the report of the directors, for the year ended 31 December 2008, together with the report of the auditors contained in the annual financial statements.

2 Payment of dividends

An interim dividend of 310 cents per ordinary share was declared by the board of directors on 5 August 2008 and paid on 15 September 2008. A final dividend of a number of Nedbank Group shares, to be determined in terms of the capitalisation award ratio, for every 100 Nedbank Group shares held was declared by the board of directors on 25 February 2009 to those members who elected (or were deemed to have elected) the capitalisation award and 310 cents per ordinary share to those members who did not elect to receive capitalisation shares. Members are asked to note and confirm the dividends paid/payable.

3 Election of directors who retire by rotation or retire as a result of filling a casual vacancy

In terms of the company's articles of association ('articles') one-third of the directors are required to retire at each annual general meeting and may make themselves available for reelection. In addition, any person appointed to fill a casual vacancy on the board of directors, or as an addition thereto, since the last annual general meeting is similarly required to retire and is eligible for election at the annual general meeting. During 2008 the board of directors took a decision that, in line with one of the requirements of the Combined Code of Corporate Governance, any director in office for a period of more than nine years should retire annually at the annual general meeting but could make himself/herself available for reelection. Biographical details of the directors of the company retiring by rotation, or as a result of an appointment during the year, are set out on pages 38 to 43 of the Nedbank Group 2008 Annual Report. Voting will be conducted in respect of each director individually.

4 Non-executive directors' fees

In terms of article 17.7 of the company's articles, remuneration shall be payable to the directors as determined by the company at a general meeting. Full particulars of all fees and remuneration are contained on pages 194 to 207 of the Nedbank Group 2008 Annual Report. The Nedbank Group Board has recommended the following increases in the non-executive directors' fees for the 2009 financial year:

- Chairman's fee to be increased from R3 000 000 to R3 300 000 per annum.
- Nedbank Limited Board member fee to be increased from R110 000 to R121 000 per annum.
- Nedbank Group Limited Board member fee to be increased from R130 000 to R143 000 per annum.
- Group Audit Committee member fee to be increased from R105 000 to R114 000 per annum.
- Group Remuneration Committee member fee to be increased from R60 000 to R64 800 per annum.
- Group Risk and Capital Management Committee member fee to be increased from R75 000 to R90 000 per annum.
- Group Credit Committee member fee to be increased from R65 000 to R67 500 per annum.
- Group Directors' Affairs Committee member fee to be increased from R40 000 to R44 000 per annum.
- Board Strategic Innovation Management Committee member fee to be increased from R40 000 to R42 000 per annum.

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

No changes in fees are proposed for the annual premium of R100 000 paid to the vice-chairmen (payable until these positions are discontinued) and members of the Group Finance and Oversight Committee (currently R20 000) and the Group Transformation and Sustainability Committee (currently R65 000). As indicated in the Directors' Report, the Joint Vice-chairmen of the board, Prof MM Katz and Mr ML Ndlovu, will formally step down from their positions as vice-chairmen at the annual general meeting to be held on 14 May 2009 and will continue to serve as directors of Nedbank Group.

The chairmen of the various committees (apart from Dr RJ Khoza) receive double the member fee.

The Nedbank Group Board also recommends that a premium of 40% on the Nedbank Limited and Nedbank Group Limited Board member fee (as revised from time to time) be paid to the senior independent director with effect from 1 January 2008.

5 Reappointment of auditors

This resolution proposes the reappointment of the company's existing joint auditors, Deloitte & Touche (the designated auditor currently being Mr D Shipp) and KPMG Inc (the designated auditor currently being Ms TA Middlemiss), until the next annual general meeting. The appointments are recommended by the directors of the company following the review and recommendation thereof by the Group Audit Committee.

6 **Remuneration of auditors**

This resolution gives authority to the Nedbank Group Audit Committee to fix the remuneration and the terms of engagement of the auditors (proposed to be reappointed in terms of the above resolution). The aggregate auditors' remuneration for audit and other services paid to the auditors for the financial year ended 31 December 2008 amounted to R94 million (2007: R93 million). Particulars of the auditors' remuneration can be found in note 14 on page 257 of the Nedbank Group 2008 Annual Report.

7 **Ordinary resolution 1 – placing of unissued ordinary shares under the control of the directors**

In terms of sections 221 and 222 of the act the members of the company have to approve the placement of unissued shares under the control of the directors. The authority is limited to shares being issued for purposes of Nedbank Group's existing contractual obligations, including Nedbank Group's BEE transaction approved in 2005 and the NedNamibia BEE transaction approved in 2006, for the issue of shares for capitalisation share awards and scrip dividends and for the various Nedbank Group share incentive schemes as well as any alternative coupon settlement mechanism relating to issues, from time to time, of the Nedbank Limited Tier 1 hybrid debt capital instruments.

8 **Ordinary resolution 2 – amendment to the Nedbank Group (2005) Share Option, Matched Share and Restricted Share Scheme**

The current termination of employment clause in the Nedbank Group (2005) Share Option, Matched Share and Restricted Share Scheme rules allows employees who terminate their employment relationship with Nedbank Group an additional 30 days immediately following their termination date in which share options can vest and be exercised. It is proposed that the rules be amended automatically to lapse all unvested share options on date of termination of service in the event of a fault termination.

9 **Special resolution 1 – repurchase of shares**

The company's articles contain a provision allowing the company or any of its subsidiaries to repurchase (acquire) the company's issued shares. This is subject to the approval of members in terms of the company's articles, the Companies Act, 61 of 1973, as amended, the Banks Act, 94 of 1990, as amended, and the JSE Limited (JSE) Listings Requirements. The existing general authority, granted by members at the last annual general meeting on 13 May 2008, is due to expire unless renewed.

The directors are of the opinion that it would be in the best interests of the company to extend such general authority and thereby allow the company to be in a position to purchase its own shares on the open market, should market conditions and price justify such action. The proposed authority would enable the company to purchase up to a maximum of 46 893 940 ordinary shares in the capital of the company, with a stated upper limit on the price payable, in terms of the JSE Listings Requirements. The board manages the company's equity on a proactive and dynamic basis, and purchases would be made, only after the most careful consideration, in cases where the directors believed that such purchases were in the best interests of the company and its members.

No shares in Nedbank Group were acquired by Nedbank Group or by a Nedbank Group subsidiary during the financial year ended 31 December 2008, other than in respect of the repurchase of shares from the Nedbank Eyethu Retail Scheme, the terms and conditions of which scheme are detailed in the circular to ordinary shareholders dated 15 June 2005.

IMPORTANT NOTES ABOUT THE ANNUAL GENERAL MEETING

Venue: The Auditorium, Retail Place West, Nedbank Sandton, 135 Rivonia Road, Sandown.

Date: Thursday, 14 May 2009, at 09:00.

Time: The annual general meeting will start promptly at 09:00. Shareholders wishing to attend are advised to be in the auditorium no later than 08:45. The reception area will be open from 08:30, from which time refreshments will be served.

Travel information: The map on page 345 indicates the location of Nedbank Sandton.

Admission: Shareholders and others attending the annual general meeting are asked to register at the registration desk in the auditorium reception area at the venue. Shareholders, shareholder representatives and proxies may be required to provide proof of identity. Cellphones should be switched off for the duration of the proceedings.

Parking: Secure parking is provided at the venue, Entrance 4, off Fredman Drive.

Questions: Shareholders who wish to ask questions relating to the business of the annual general meeting or on other related matters but have not lodged their question forms with or faxed them to the Company Secretary are asked to register their names and addresses and hand in their question forms at the registration desk. A question form is enclosed on page 344 for this purpose. Staff will be on hand to provide any advice and assistance required.

Electronic voting: We will once again be taking advantage of the benefits that electronic meeting management can offer. On arrival you will be registered, be linked to your profile on the share register and be given an electronic keypad with which to cast your vote. As your vote is received, a message will be displayed on the keypad screen, confirming that your vote has been registered. Results of votes cast on each resolution will be displayed on an overhead screen within minutes of voting.

Interpreter: Should you require an interpreter (for sign language or translation from English into any of the other official languages of South Africa) to be in attendance at the annual general meeting, please do not hesitate to advise the Company Secretary's office on +27 (0)11 294 9105/6/7 or at gawien@nedbank.co.za by no later than Thursday, 7 May 2009, for this facility to be arranged.

Certificated shareholders and own-name dematerialised registration

Holders of certificated Nedbank Group ordinary shares wishing to attend the annual general meeting should verify beforehand with the transfer secretaries of the company that their shares are in fact registered in their name and check the number of shares so registered. Should their shares not be registered in their own name, but in any other name or form, shareholders wishing to attend and/or vote at the annual general meeting should follow the instructions and explanatory notes that accompany the notice of the annual general meeting. Similarly, shareholders who are holding dematerialised Nedbank Group ordinary shares and believe these to be held in their own name should check with the transfer secretaries and take the appropriate action in accordance with the instructions and guidance contained herein or obtain assistance from the transfer secretaries, if necessary.

Participant (previously known as Central Securities Depository Participant) or nominee holdings

Holders of Nedbank Group ordinary shares (whether certificated or dematerialised) through a nominee should timeously make the necessary arrangements with that nominee or, if applicable, participant or broker to furnish such nominee, participant or broker with the necessary authority to attend and vote at the annual general meeting or they should instruct their nominee, participant or broker (as the case may be) on how they wish their votes to be cast on their behalf at the annual general meeting. As far as holdings in a participant are concerned, these will be guided by the terms of the agreement entered into between shareholders and their participant or broker.

Proxies

Shareholders completing a proxy form (see note 1 on page 354) should ensure that their proxy form reaches the address indicated in note 9 on page 354 no later than 09:00 on Wednesday, 13 May 2009.

Enquiries

Any shareholders experiencing difficulties or having questions pertaining to the annual general meeting or the above are invited to contact the Company Secretary's office on +27 (0)11 294 9105/6/7.

Results of the annual general meeting

The results of the annual general meeting will be posted on SENS as soon as is practicable after the meeting.

FORM OF PROXY

Nedbank Group Limited
(Incorporated in the Republic of South Africa)
Reg No 1966/010630/06
JSE share code: NED; NSX share code: NBK
ISIN: ZAE000004875
(Nedbank Group or the company)

For use by members and registered holders of certificated Nedbank Group ordinary shares and holders of dematerialised Nedbank Group ordinary shares registered in their own name at the annual general meeting to be held in the Auditorium, Retail Place West, Nedbank Sandton, 135 Rivonia Road, Sandown, on Thursday, 14 May 2009, at 09:00 and at any adjournment thereof.

Holders of Nedbank Group ordinary shares (whether certificated or dematerialised) through a nominee should not complete this form of proxy but should timeously make the necessary arrangements with that nominee or, if applicable, participant (previously referred to as central securities depository participant) or broker (as the case may be) to furnish such nominee, participant or broker with the necessary authority to attend and vote at the annual general meeting or they should instruct their nominee, participant or broker (as the case may be) on how they wish their votes to be cast on their behalf at the annual general meeting.

I/We

of (address)

being the holder(s) of ______ ordinary shares in the company, appoint (see note 1)

1 or failing him/her

2 or failing him/her

3 the chairman of the annual general meeting

as my/our proxy to act for me/us and on my/our behalf at the annual general meeting that will be held for the purpose of considering and, if deemed fit, passing with or without modification the ordinary and special resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against such resolutions and/or to abstain from voting in respect of the ordinary shares registered in my/our name(s), in accordance with the following instructions (see note 3):

	Number of votes (one vote per ordinary share)		
Resolutions	For	Against	Abstain
1 Receipt and adoption of annual financial statements			
2 Noting and confirmation of payment of dividends			
3.1 Reelection as a director of Dr RJ Khoza, who is retiring by rotation			
3.2 Reelection as a director of Mr MA Enus-Brey, who is retiring by rotation			
3.3 Reelection as a director of Prof MM Katz, who is retiring by rotation			
3.4 Reelection as a director of Mr JB Magwaza, who is retiring by rotation			
3.5 Reelection as a director of Mr ME Mkwanazi, who is retiring by rotation			
3.6 Reelection as a director of Mr ML Ndlovu, who is retiring by rotation			
3.7 Reelection as a director of Ms GT Serobe, who is retiring by rotation			
4.1 Election of Mr A de VC Knott-Craig, who was appointed as a director during the year			
4.2 Election of Ms NP Mnxasana, who was appointed as a director during the year			
5 Approval of the non-executive directors' fees			
6 Approval of the remuneration paid to executive directors			
7 Reappointment of the joint auditors			
8 Determination of the remuneration of the joint auditors			
9 Ordinary resolution 1 – placing of unissued ordinary shares under the control of the directors			
10 Ordinary resolution 2 – amendment of the Nedbank Group (2005) Share Option, Matched Share and Restricted Share Scheme rules			
11 Special resolution 1 – general authority to repurchase shares			

Signed at (place) on (date) 2009

Signature

Assisted by me
(where applicable)

Please read the notes on the reverse side hereof.

Contact details
Tel:
Fax:
Email:

NOTES TO PROXY FORM

1 Each member is entitled to appoint one or more proxies (who need not be a member of the company) to attend, speak and vote in place of that member at the annual general meeting.

2 A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space provided, with or without deleting 'the chairman of the annual general meeting'. The person whose name stands first on the form of proxy and who is present at the annual general meeting shall be entitled to act as proxy to the exclusion of the persons whose names follow.

3 A member's instructions to the proxy have to be indicated by the insertion of the relevant number of votes exercisable by that member in the appropriate box provided. Failure to comply with this shall be deemed to authorise the chairman of the annual general meeting, if the chairman is the authorised proxy, to vote in favour of the ordinary and special resolutions at the annual general meeting or the appointed proxy to vote or to abstain from voting at the annual general meeting, as he/she deems fit, in respect of all the member's votes exercisable thereat.

4 A member or his/her proxy is not obliged to vote in respect of all the ordinary shares held by such member or represented by such proxy, but the total number of votes for or against the ordinary and special resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the member or his/her proxy is entitled.

5 Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity has to be attached to this form of proxy, unless previously recorded by the company's transfer secretaries or waived by the chairman of the annual general meeting.

6 The chairman of the annual general meeting may reject or accept any form of proxy that is completed and/or received in any manner other than in accordance with these instructions and notes.

7 Any alterations or corrections to this form of proxy shall be initialled by the signatory/signatories.

8 The completion and lodging of this form of proxy shall not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.

9 Forms of proxy have to be lodged with or posted to the transfer secretaries in South Africa, namely Computershare Investor Services (Pty) Limited (Computershare), 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), or in Namibia, namely Transfer Secretaries (Pty) Limited, Shop 8, Kaiserkrone Centre, Post Street Mall, Windhoek, Namibia (PO Box 2401, Windhoek, Namibia). The forms of proxy must be received no later than 09:00 on Wednesday, 13 May 2009. Proxy forms can also be submitted by fax to Computershare [fax number +27 (0)11 688 5238], subject to the proxy instructions meeting all other criteria.

10 This proxy form is to be completed only by those members who are:

- holding shares in a certificated form; or
- recorded in the subregister as holding shares in dematerialised electronic form in their own name.

11 Holders of Nedbank Group ordinary shares (whether certificated or dematerialised) through a nominee should timeously make the necessary arrangements with that nominee or, if applicable, participant (previously referred to as central securities depository participant) or broker (as the case may be) on how they wish their votes to be cast on their behalf at the annual general meeting. As far as holdings in a participant are concerned, these will be guided by the terms of the agreement entered into between members and their participant or broker.

12 Members attending the annual general meeting will be afforded the opportunity of putting questions to the directors and management. A perforated form has been included for this purpose.

DEFINITIONS

ACCOUNTING AND TAXATION RISK

The risk that the integrity of the financial statements and related information cannot be upheld.

ACCOUNTING RISK

- The risk that inappropriate accounting information causes suboptimal decisions to be made, due to inappropriate policy, faulty interpretation of policy, or plain error.
- The extent to which the financial statements can be affected by exchange rate fluctuations. Also called accounting exposure or translation risk.
- The risk that financial statements and other statutory and regulatory reporting do not accord with international financial reporting standards (IFRS) and/or other relevant statutory requirements are not based on appropriate accounting policies and do not incorporate required disclosures.
- The risk that the internal financial and operational controls of accounting and administration do not provide reasonable assurance that transactions are executed and recorded in accordance with generally accepted business practice and the group's policies and procedures, and that assets are safeguarded.

ADVANCED INTERNAL RATINGS-BASED APPROACH (AIRB)

Subject to supervisory approval, a bank may use its internally developed credit risk measurement systems to calculate the capital requirements for credit risk.

ASSETS UNDER MANAGEMENT

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

ASSURANCE RISK

The failure to reinsure with other acceptable quality insurers, beyond the level of risk appetite (excessive risk) mandated by the board of directors, risks underwritten by the short-term insurance and/or life assurance activities of the group, including catastrophe insurance (ie more than one insurance claim on the group arising from the same event), leading to disproportionate losses to the group.

AUTOMATED TELLER MACHINE (ATM)

A cash machine or free-standing device dispensing cash, which may also provide other information or services to clients who have a card and a personal identification number, password or other personal identification.

BANKS

This asset class covers all exposures to counterparties treated as banks.

BASEL 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 debt obligations of a corporation, partnership or proprietorship. Banks are permitted to distinguish between exposures to small- and medium-sized entities.

Specialised lending – high-volatility commercial real estate (property development)

High-volatility commercial real estate (HVCRE) lending is the financing of commercial real estate that exhibits higher loss rate volatility compared with other types of specialised lending.

Specialised lending – income-producing real estate

Income-producing real estate (IPRE) refers to a method of providing funding to real estate (such as office buildings to let, retail space, multifamily residential buildings, industrial or warehouse space, and hotels) where the prospects for repayment and recovery on the exposure depend primarily on the cashflows generated by the asset. The primary source of these cashflows would generally be lease or rental payments or the sale of the asset.

Specialised lending – object finance

Object finance (OF) refers to a method of funding the acquisition of physical assets (eg ships, aircraft, satellites, railcars and fleets) where the repayment of the exposure is dependent on the cashflows generated by the specific assets that have been financed and pledged.

Specialised lending – commodities finance

Commodities finance (CF) refers to structured short-term lending to finance reserves, inventories or receivables of exchange-traded commodities (eg crude oil, metals or crops) where the exposure will be repaid from the proceeds of the sale of the commodity.

DEFINITIONS ... CONTINUED

Specialised lending – project finance

Project finance (PF) is a method of funding in which the lender looks primarily to the revenues generated by a single project, both as the source of repayment and as security for the exposure. This type of financing is usually for large, complex and expensive installations (eg power plants, chemical processing plants and mines).

SME corporate

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

Purchased receivables – corporate

This asset class covers all receivables classified as corporate exposures, which are purchased for inclusion in asset-backed securitisation structures. However, banks may also use this approach, with the approval of national supervisors, for appropriate on-balance-sheet exposures that share the same features.

PUBLIC SECTOR ENTITIES

This asset class covers all exposures to enterprises that are wholly or majority-owned by the central government, (eg Eskom and Transnet).

LOCAL GOVERNMENTS AND MUNICIPALITIES

This asset class covers all exposures to enterprises that are wholly or majority-owned by the central government (eg Eskom and Transnet).

SOVEREIGN (INCL 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 trading in securities.

RETAIL EXPOSURES

Retail mortgages (incl home equity line of credit)

This asset class covers all mortgage advances or credit lines to individuals that are fully secured by a mortgage over residential property.

Retail revolving credit

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

Retail – other

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

SME retail

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

Purchased receivables – Retail

This asset class covers all receivables classified as retail exposures, which are purchased for inclusion in asset-backed securitisation structures. However, banks may also use this approach, with the approval of national supervisors, for appropriate on-balance-sheet exposures that share the same features.

BLACK ECONOMIC EMPOWERMENT (BEE)

BEE is defined in the Financial Sector Charter and means the economic empowerment of all black people (Africans, coloureds and Indians who are 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'.

BRANCH-IN-A-BOX

This is a cost-effective, quick-deployment, relocatable, prefabricated bank branch. It uses modern, broadband satellite technology for communication, which makes it effective for speedy access and hence client convenience. It is also used to test new markets, especially in areas with limited infrastructure such as urban townships and deep rural areas where banking services are not readily available. A branch-in-a-box provides full transaction facilities to clients, including cash withdrawals and deposits, sales and service.

CAPITAL ADEQUACY RATIO (CAR)

The capital adequacy of South African banks is measured in terms of the South African Banks Act requirements. The ratio is calculated by dividing the primary (Tier 1), secondary (Tier 2) and tertiary (Tier 3) capital by the risk-weighted assets.

Group capital adequacy ratio

Group capital adequacy is the ratio of group net qualifying capital and reserve funds to total group risk-weighted assets as calculated in accordance with the 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, the excess amount in respect of eligible provisions and 50% of any revaluation surplus, less regulatory deductions.

Tertiary (Tier 3) capital

Tertiary capital consists of capital obtained by way of unsecured subordinated loans, subject to such conditions as may be prescribed.

CAPITAL RISK

The risk that the group will become unable to absorb losses, maintain public confidence and support the competitive growth of the business. This entails ensuring that opportunities can be acted on timeously, while solvency is never threatened.

CASHFLOW

Financing activities

Activities that result in changes to the capital structure of the group.

Investment activities

Activities relating to the acquisition, holding and disposal of property and equipment and long-term investments.

Operating activities

Activities that are not financing or investing activities and arise from the operations conducted by the group.

CLOSING PRICE/TANGIBLE NET ASSET VALUE PER SHARE

The closing share price on JSE at year-end divided by the tangible net asset value per share.

COMPETITION COMMISSION INQUIRY INTO BANKING

A formal inquiry that was conducted by the Competition Commission of South Africa into competition in the banking sector. A detailed report outlining the recommendations of the banking inquiry panel to the Competition Commission was published in December 2008. Industry stakeholders have been given an opportunity by National Treasury to comment on the recommendations contained in the report. This input will be discussed by National Treasury with the Department of Trade and Industry, the South African Reserve Bank and the Competition Commission, and it is anticipated that the final outcome of the banking inquiry process and the impact on the banking industry will be finalised during 2009.

COMPLIANCE RISK

The risk to earnings and capital arising from violations of or non-compliance with laws, rules and regulations, as well as internal group policies and authority levels, prescribed practices and ethical standards.

COMPOUND ANNUAL GROWTH RATE (CAGR)

The year-on-year growth rate of an amount over a specified period of time.

CREDIT LOSS RATIO

Credit loss ratio is the impairments charge as a percentage of average advances.

CREDIT RISK

The risk to earnings and capital arising from the probability of borrowers and counterparties failing to meet their repayment commitments (including accrued interest). Credit concentration risk arises on a portfolio basis where the bank has significant aggregated exposures to particular credit segments, sectors of industry or other portfolios.

CURRENCY TRANSLATION RISK

The risk to earnings or capital arising from the conversion of the group's offshore banking book assets or liabilities or commitments or earnings from foreign currency to local or functional currency.

DEFAULTED ADVANCE

Any advance or group of advances that has triggered relevant 'definition of default' criteria for that portfolio, which is in line with the amended regulations relating to banks. For retail portfolios it is transaction-centric and therefore a default would be specific to an account (specific advance). For wholesale portfolios it is client- or borrower-centric, meaning that, should any transaction within a borrowing group default, then all transactions within the borrowing group would be defaulted.

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 tax (CGT) and secondary tax on companies (STC).

DIVIDEND/DISTRIBUTION COVER

Headline earnings per share divided by the dividend/distribution declared per share.

DIVIDEND/DISTRIBUTION DECLARED PER SHARE

Dividend/Distribution declared per share is the actual interim dividend paid/capitalisation award issued and the final dividend declared/capitalisation award declared for the period under consideration, expressed in cents.

DIVIDEND/DISTRIBUTION PAID/CAPITALISED PER SHARE

Dividend/Distribution paid/capitalised per share is the actual final dividend paid/capitalisation award issued for the prior year and the interim dividend paid/capitalisation award issued for the year under consideration, expressed in cents.

DIVIDEND YIELD

Dividend/Capitalisation award declared per ordinary share as a percentage of the closing share price of ordinary shares.

DOWNTURN EXPECTED LOSS

A stress-tested value for expected loss under downturn economic conditions that could have unfavourable effects on a bank's credit exposures.

DTI CODES

The Codes of Good Practice, as promulgated on 9 February 2007 under section 9(1) of the Broad-based Black Economic Empowerment Act, 2003 (53 of 2003), establish the rules, targets and stipulations for the measurement of broad-based black economic empowerment within South Africa based on three scorecard classifications for organisations: emerging microenterprise (EME), qualifying small enterprise (QSE) and generic enterprise. Nedbank is scored as a generic enterprise.

EARNINGS PER SHARE (EPS)

Basic earnings basis

Income attributable to equityholders for the period divided by the weighted average number of ordinary shares in issue (net of shares held by group entities) during the period.

Headline earnings basis

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

Fully diluted basis

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

EARNINGS YIELD

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

ECONOMIC CAPITAL (ECAP)

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

EFFECTIVE TAXATION RATE

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

EFFICIENCY RATIO (COST-TO-INCOME RATIO)

Total operating expenses (excluding indirect taxation) as a percentage of income from normal operations (net interest income plus non-interest revenue).

ENTERPRISEWIDE RISK

All risk types and categories across all business lines, functions, geographical locations and legal entities of the group, collectively known as its 'risk universe'.

ENTERPRISEWIDE RISK MANAGEMENT FRAMEWORK (ERMF)

The risk framework developed by Nedbank Group and applied to all of its divisions to monitor and manage risk. Further details are included in the risk management section of this annual report.

EXPECTED LOSS (EL)

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

EXPENSES PER EMPLOYEE

Operating expenses for the year divided by the number of employees at year-end.

EXPENSES TO AVERAGE ASSETS

Operating expenses for the year divided by average total assets.

EXPOSURE AT DEFAULT (EAD)

EAD is an estimation of the extent to which a bank may be exposed to a counterparty in the event and at the time of that counterparty's default.

EYETHU

Eyethu means 'ours' in the Nguni languages and epitomises the inclusive and uniquely South African identity of the BEE transaction.

THE FINANCIAL ADVISORY AND INTERMEDIARY SERVICES ACT, 37 OF 2008 (FAIS)

FAIS aims to regulate a wide range of financial advisory and intermediary services to clients. All financial advisers who are authorised to operate under a FAIS licence have to adhere to certain standards and processes.

THE FINANCIAL INTELLIGENCE CENTRE ACT, 38 OF 2001 (FICA)

FICA is aimed at combating money laundering in South Africa. The group's compliance function has developed processes and procedures across the business to ensure that clients are properly identified, suspicious transactions are reported, adequate records are maintained and employees are trained in respect of FICA.

FINANCIAL SECTOR CHARTER (FSC)

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

FOREIGN EXCHANGE TRANSLATION GAINS/LOSSES

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

FTSE/JSE AFRICA ALL-SHARE INDEX

This comprises the top 99% of eligible listed companies on JSE ranked by full market capitalisation.

FTSE/JSE AFRICA BANKS INDEX

This comprises all companies that are constituents of both the FTSE/JSE Africa All-share Index and the banking sector.

GROSS DOMESTIC PRODUCT (GDP)

The total market value of the goods and services produced by a country's economy during a specific period of time.

HEADLINE EARNINGS

Headline earnings is not a measure of maintainable earnings. For purposes of the definition and calculation the guidance given on headline earnings, as issued by the 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.

HEADLINE EARNINGS PER EMPLOYEE

Headline earnings divided by the number of employees in service at year-end.

HEDGE

A risk management technique used to insulate financial results from market, interest rate or foreign currency exchange risk (exposure) arising from normal banking operations. The elimination or reduction of such exposure is accomplished by establishing offsetting positions. For example, assets denominated in foreign currencies can be offset against liabilities in the same currencies or through the use of foreign exchange hedging instruments such as futures, options or foreign exchange contracts.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

IMPAIRMENTS CHARGE TO AVERAGE ADVANCES

Impairments charge on loans and advances for the year divided by average advances. Also known as the credit loss ratio or impairment ratio.

IMPAIRMENT OF LOANS AND ADVANCES

Impairment of loans and advances arises where there is objective evidence that the group will not be able to collect an amount due. The impairment is the difference between the carrying amount and the estimated recoverable amount.

INDIRECT TAXATION

Value-added tax (VAT) and other taxes, levies and duties paid to government, excluding direct taxation.

INFORMATION TECHNOLOGY RISK

The risk resulting from system malfunction and unavailability, security breaches and inadequate systems investment, development, implementation, support and capacity (refer to the definition of 'Operational risk').

INSURANCE RISK

The risk of no insurance cover or inadequate/failed insurance cover for insurable business risks.

INTEREST RATE RISK

Interest rate risk in the banking book is the risk that a bank's earnings or economic value will decline as a result of changes in interest rates. The sources of interest rate risk in the banking book are:

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

INVESTMENT RISK

The risk of a decline in the net realisable value of investment assets arising from adverse movements in market prices or factors specific to an investment itself (eg reputation and quality of management). Market prices are independent variables, which include interest rates, property values, exchange rates, equity and commodity prices.

'JAWS' RATIO

The difference between the rate of growth in total income from normal operations and the rate of total expense growth.

JOHANNESBURG INTERBANK AGREEMENT RATE (JIBAR)

The rate that South African banks charge each other for wholesale money.

JSE LIMITED (JSE)

Previously JSE Securities Exchange South Africa.

KING II (THE CODE)

The King Report on Corporate Governance 2002, which sets out principles of good corporate governance for South African companies and organisations.

LIQUIDITY RISK

There are two types of liquidity risk: market liquidity risk and funding liquidity risk. Market liquidity risk is the risk that the bank cannot easily offset or eliminate a position without significantly affecting the market price because of inadequate market depth or market disruption. It differs from funding liquidity risk, which is the risk that the bank will not be able efficiently to meet both expected and unexpected current and future cashflow and collateral needs without affecting either daily operations or the financial condition of the bank. However, in many cases, the same factors may trigger both types of liquidity risk.

LONDON INTERBANK OFFERED RATE (LIBOR)

The rate that banks participating in the London money market offer each other for short-term deposits.

LOSS-GIVEN DEFAULT (LGD)

Estimate of the amount of the exposure at default that will be lost (ie not recovered). Also includes other economic costs, eg legal costs.

MARKET CAPITALISATION

The group's closing share price multiplied by the number of shares in issue, including shares held by group entities.

MARKET RISK

Market risk is the potential impact on earnings of unfavourable changes in foreign exchange rates, interest rates, prices, market volatilities and liquidity. Market risk includes trading risk and, in terms of the banking book, derivative instruments used for hedging risk in non-trading portfolios, investment risk, translation risk and interest rate risk. Investment risk arises from changes in the fair value of investments and includes private equity and property as well as strategic investments.

MARK-TO-MARKET

Valuation of financial instruments using prevailing market prices or fair value as of the balance sheet date.

MOBILE BOOTKITS

These are mobile sales and service kits that are easily transportable and can be quickly deployed in areas without traditional branch infrastructure.

MZANSI ACCOUNTS

The Mzansi Account is a card-based, entry-level savings/transmission product with a basic set of features and simplified pricing structure. The major banks worked collectively to provide a standard for new bank accounts that offer affordable and accessible products to previously unbanked individuals. Each bank sets its own pricing, but collaboration between the banks allows holders of Mzansi Accounts to make use of any of the participating banks' ATMs at no additional cost.

NATIONAL CREDIT ACT (NCA)

The National Credit Act, 34 of 2005, that became effective in stages commencing on 1 June 2006, 1 September 2006 and 1 June 2007. The NCA sets a framework for every type of credit transaction and replaces the Usury Act of 1968 (governing moneylending transactions) and the Credit Agreements Act of 1980 (governing instalment sale or hire purchase agreements).

NET ASSET VALUE PER SHARE

Total equity attributable to equityholders of the parent divided by the number of shares in issue, excluding shares held by group entities.

NET INTEREST INCOME TO AVERAGE INTEREST-EARNING ASSETS (NET INTEREST MARGIN)

Net interest income expressed as a percentage of average net interest-earning banking assets. Net interest-earning banking assets are used, as these closely resemble the quantum of assets earning income that is included in net margin.

NEW-BUSINESS RISK

Development of new products and business that reach the client distribution channel without the appropriate signoff for compliance with the requirements for managing regulatory, legal, tax, accounting, pricing, strategic and any other relevant risks. Also the risk that new products and business do not generate anticipated revenue or cost savings to the group.

NON-INTEREST REVENUE TO TOTAL INCOME

Income from normal operations, excluding net interest, as a percentage of total income from normal operations.

NON-TRADING AND CAPITAL ITEMS

These comprise:

- surpluses and losses on disposal of long-term investments, subsidiaries, joint ventures and associates;
- impairment of goodwill arising on acquisition of subsidiaries, joint ventures and associates;
- surpluses and losses on the sale or termination of an operation;
- capital cost of fundamental reorganisation or restructuring that has a material effect on the nature and focus of the operations of the reporting entities;
- impairment of investments, property and equipment, computer software and capitalised development costs; and
- other items of a capital nature.

NUMBER OF SHARES TRADED

Total number of ordinary shares traded on JSE during the year.

NUMBER OF SHARES TRADED TO WEIGHTED AVERAGE NUMBER OF SHARES

Number of shares traded for the year as a percentage of the weighted average number of shares in issue during the year.

OFF-BALANCE-SHEET ASSETS

Assets managed on behalf of third parties on a fully discretionary basis.

ON-BALANCE-SHEET EXPOSURE

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

OPERATIONAL RISK

The risk of loss resulting from inadequate or failed internal processes and systems, incompetent people or external events. This definition includes legal risk.

ORDINARY SHAREHOLDERS' FUNDS

Total equity attributable to equityholders of the parent.

PEOPLE RISK

People risk is defined as possible inadequacies in human capital and inadequate management of human resource practices, policies and processes resulting in the inability to attract, manage, develop and retain competent resources. This may stem from inadequate skills or knowledge, no clear consequences of not meeting performance standards, lack of alignment with strategy or a reward system that fails to motivate properly.

PRICE/EARNINGS RATIO

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

DEFINITIONS ... CONTINUED

PRICE TO BOOK

The group's closing share price relative to the net asset value.

PRIMARY CLIENT

In the case of an individual, a client is classified as a primary client where a form of salary, wage, annuity or pension is paid into either a current account or a savings account.

PROBABILITY OF DEFAULT (PD)

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

PROPERTIES IN POSSESSION (PIPs)

Properties acquired through payment defaults on loans secured by properties.

REPUTATIONAL RISK

The risk of impairment of the group's image in the community or the long-term trust placed in the group by its stakeholders as a result of a variety of factors, such as the group's performance, strategy execution, ability to create shareholder value, or an activity, action or stance taken by the group. This may result in loss of business and/or legal action.

RETURN ON ORDINARY SHAREHOLDERS' EQUITY (ROE)

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

RETURN ON ORDINARY SHAREHOLDERS' EQUITY (ROE) EXCLUDING GOODWILL

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

RETURN ON RISK-ADJUSTED CAPITAL (RORAC)

Headline earnings expressed as a percentage of economic capital.

RETURN ON RISK-WEIGHTED ASSETS

Headline earnings for the year divided by the average risk-weighted assets.

RETURN ON ASSETS (ROA)

Headline earnings expressed as a percentage of average total assets.

RISK APPETITE

Risk appetite is a tool to express the group's risk tolerance quantitatively and an articulation of the level of risk Nedbank Group is willing to take in pursuit of its strategic goals.

RISK-WEIGHTED ASSETS

Risk-weighted assets are determined by applying risk weights to balance sheet assets and off-balance-sheet financial instruments according to the relative credit risk of the counterparty. The risk weighting for each balance sheet asset and off-balance-sheet financial instrument is regulated by the 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 1 January 2008, based on the revised Basel Capital Accord (Basel II). The new Basel Capital Accord of the Bank of International Settlements is an improved capital adequacy framework accomplished by closely aligning banks' capital requirements with improved modern risk management practices and sophisticated risk assessment capabilities. It further ensures the risk sensitivity of the minimum capital requirements by including supervisory reviews and market discipline through enhanced disclosure.

SECONDARY TAX ON COMPANIES (STC)

STC is a tax paid at company level on the net difference between dividends paid and dividends received. The current rate of STC is 10%. The government has announced that STC will be replaced by a withholding tax on shareholders, which is expected to take place towards the end of 2010.

SECURITISATION EXPOSURES

This asset class covers all exposures to tradeable, interest-bearing commercial paper, which is secured by an underlying asset, eg mortgage loans.

SEGMENTAL REPORTING

Geographical segment

A distinguishable component of the group that is engaged in providing services within a particular economic environment and is subject to risks and returns that are different from those of components operating in other economic environments.

Operational segment

A distinguishable component of the group, based on the market on which each business area focuses, which is subject to risks and returns that are different from those of other operating segments.

SHARE-BASED PAYMENTS

Transfers of a company's equity instruments by its shareholders to parties that have supplied goods or services to the company (including employees).

SHARES HELD BY GROUP ENTITIES (TREASURY SHARES)

Ordinary shares in Nedbank Group Limited acquired/held by group companies, including ordinary shares held in share trusts as part of the BEE transaction.

SOCIAL AND ENVIRONMENTAL RISKS

The risks related to non-achievement of a balanced and integrated financial, social and environmental performance (referred to as the 'triple bottomline'), resulting in reputational impairment to the group and ultimately loss of business and profitability.

SELF-SERVICE TERMINAL (SST)

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.

STRATEGIC RISK

Strategic risk relates to the consequences that arise when the environment in which decisions that are hard to implement quickly and to reverse has an unattractive or adverse impact. Strategic risk ultimately has two elements: doing the right thing at the right time; and doing it well.

TANGIBLE NET ASSET VALUE PER SHARE

Total equity attributable to equityholders of the parent, less goodwill, computer software and capitalised development costs, divided by the number of shares in issue, excluding shares held by group entities.

TAXATION RISK

Taxation risk is the risk of loss (financial or otherwise) as a result of:

- inappropriate tax planning and strategy;
- non-compliance with or incorrect interpretation and application of taxation legislation; or
- the effect of new tax legislation on existing financial structures or products.

TOTAL COLLATERAL

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

TOTAL CREDIT EXTENDED

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

TOTAL EQUITY ATTRIBUTABLE TO EQUITYHOLDERS OF THE PARENT

Ordinary share capital, share premium and reserves.

TOTAL INCOME FROM NORMAL OPERATIONS

Net interest income plus non-interest revenue plus foreign currency translation gains/losses.

TRADED PRICE

The last traded price on JSE on the last business day of the year, also referred to as 'closing price'.

TRADING MARKET RISK

Trading market risk exists within the group's proprietary trading activities (trading on the group's own account). It is defined as the risk of loss occurring as a result of unfavourable changes in market prices such as foreign exchange rates, interest rates, equity prices and commodity prices.

VALUE AT RISK (VaR)

A generally accepted risk measurement concept that uses statistical models to estimate the distribution of possible returns on a portfolio at a given level of confidence.

VALUE OF SHARES TRADED

Total value of ordinary shares traded on JSE during the year.

VALUE TRADED TO MARKET CAPITALISATION

Value of shares traded as a percentage of market capitalisation at year-end.

WEIGHTED AVERAGE NUMBER OF SHARES

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

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

DISCLAIMER

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

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

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

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

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

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

ABBREVIATIONS, ACRONYMS AND INITIALISMS

ABCP	asset-backed commercial paper
ABET	Adult Basic Education and Training
ACSA	Airports Company of South Africa
AGM	annual general meeting
AIRB	Advanced Internal Ratings-based
AJTP	activity-justified transfer pricing
ALCO	Asset and Liability Committee
ALM	asset and liability management
ALSI	all-share index
AMA	Advanced Measurement Approach
AMP	Advanced Management Programme
ASA	Athletics South Africa
ATM	automated teller machine
BA	Banks Act
BEE	black economic empowerment
BESA	Bond Exchange of South Africa
BMF	Black Management Forum
BRMF	Business Risk Management Forum
CAPM	Capital Adequacy Projection Model
CAGR	compound annual growth rate
CAR	capital adequacy ratio
CE	chief executive
CEM	current exposure method
CF	commodities finance
CFO	Chief Financial Officer
CFT	combating of the financing of terrorist and related activities
CGU	cash-generating unit
CMAT	Client Management Assessment Tool
CMF	Capital Management Framework
CMVU	Credit Models Validation Unit
COE	cost of equity
CPIX	consumer price index excluding mortgage bond interest cost
CPM	Credit Portfolio Model
CRO	Chief Risk Officer
CSI	corporate social investment
CVaR	credit value at risk
DBSA	Development Bank of South Africa
DCC	divisional credit committee
DCM	Debt Capital Markets
dEL	downturn expected loss
DJSI	Dow Jones World Sustainability Index
dLGD	downturn loss-given default
DoL	Department of Labour
DSTI	deferred short-term incentive
dti	Department of Trade and Industry
EAD	exposure at default
EaR	earnings at risk
Ecap	economic capital
ECC	Executive Credit Committee
ECM	Equity Capital Markets
ED	enterprise development
EDP	Executive Development Programme
EE	employment equity
EEF	Employment Equity Forum
EFO	Executive Financial Officer
EGC	enterprise governance and compliance
EL	expected loss
EME	emerging microenterprise
EMTN	European medium-term note programme
EP	economic profit
EPS	earnings per share
ERCO	Enterprisewide Risk Committee
ERM	enterprisewide risk management
ERMF	Enterprisewide Risk Management Framework
ESAAMLG	Eastern and Southern Africa Anti-money-laundering Group
ETDP	Education and Training Development Practices
ETI	Ecobank Transnational Incorporated
EVE	economic value of equity
EVP	employee value proposition
Exco	executive committee
FAIS	Financial Advisory and Intermediary Services Act
FCL	foreign currency loans
FCTR	foreign currency translation reserve
FIC	Financial Intelligence Centre
FICA	Financial Intelligence Centre Act
forex	foreign exchange
FSC	Financial Sector Charter
FTE	fulltime equivalent
FTP	funds transfer pricing
FVTPL	fair value through profit or loss
FX	foreign exchange
GAC	Group Audit Committee
GCC	Group Credit Committee
GCRF	Group Credit Risk Management Framework
GCRM	Group Credit Risk Monitoring
GDP	gross domestic product
GIA	Group Internal Audit

ABBREVIATIONS, ACRONYMS AND INITIALISMS ... CONTINUED

GIBS	Gordon Institute of Business
GMRM	Group Market Risk Monitoring
GORF	Group Operational Risk Management Framework
GORM	Group Operational-risk Monitoring
GRI	Global Reporting Initiative
GT	Group Technology
HC	headcount
HCD	human capital development
HEPS	headline earnings per share
HR	Human Resources
HVCRE	high-volatility commercial real estate
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICAAP	internal capital adequacy assessment process
IEP	International Executive Programme
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
INSEAD	Institute of Risk Management South Africa
IPRE	income-producing real estate
IRB	internal ratings-based
IRMSA	Institute of Risk Management South Africa
IRRBB	interest rate risk in the banking book
ISDA	International Swaps and Derivatives Association
ISLA	International Securities Lending Association
ISMA	International Security Management Association
IT	information technology
ITBLP	Information Technology Banking Learnership Programme
JIBAR	Johannesburg Interbank Agreement Rate
JV	joint venture
KRI	key risk indicator
LDP	Leadership Development Programme
LGD	loss-given default
LSM	Living Standards Measure
LTI	long-term incentive
LTV	loan to value
M	maturity
M&A	mergers and acquisitions
MAP	Management Advancement Programme
MDP	Management Development Plan
MFC	Motor Finance Corporation

MIP	Matched Investment Plan
MIS	management information system
MLCP	Money-laundering Control Programme
MTM	mark-to-market
NAV	net asset value
NBCV	Nederlandsche Bank en Credietvereeniging voor Zuid-Afrika
NBS	Natal Building Society
NBSA	Netherlands Bank of South Africa
NBZA	Nederlandsche Bank voor Zuid-Afrika
NCA	National Credit Act
NCD	negotiable certificate of deposit
NEEF	Nedbank Employment Equity Forum
NEI	Nedbank ethics indicator
NGO	Non-governmental organisation
NGR	Nedbank Group rating
NIB	Nedcor Investment Bank
NII	net interest income
NIR	non-interest revenue
NPA	non-performing advance
NPO	non-profitable organisation
npv	net present value
NTR	Nedbank transaction rating
OF	object finance
OMART	Old Mutual Alternative Risk Transfer Fund
OMSA	Old Mutual South Africa
Opcom	Group Operations Committee
OTC	over the counter
PASA	Payment Association of South Africa
P & L	profit and loss
PD	probability of default
PIC	Public Investment Corporation
PIP	property in possession
PF	project finance
POS	point of sale
PRP	Prince's Rainforest Project
PSL	Premier Soccer League
PWD	People With Disabilities
QSE	qualifying small enterprise
RAPM	risk-adjusted performance measurement
ROA	return on assets
ROE	return on equity
RORAC	return on risk-adjusted capital
RWA	risk-weighted asset

SA	Standardised Approach
SADC	South African Development Community
SAFEX	South African Futures Exchange
SAR	share appreciation right
SARB	South African Reserve Bank
SARS	South African Revenue Service
SBPR	share-based payments reserve
SCP	Strategic Capital Plan
SENS	Securities Exchange News Service
SFT	securities financing transaction
SLDP	Senior Leadership Development Programme
SMB	Strategic Management in Banking
SME	small and medium enterprise
SOA	service-oriented architecture
SPE	special-purpose entity
SPV	special-purpose vehicle
SREP	supervisory review and evaluation process
SRI	Socially Responsible Investment
SST	self-service terminal
STC	secondary tax on companies
STI	short-term incentive
TIP	transactional and investment products
TOPP	Training Outside Public Practice
TRAHRCO	Transformation and HR Committee
TTC	through the cycle
UK LTIP	United Kingdom long-term incentive plan
UN	United Nations
UNEP FI	United Nations Environment Programme Finance Initiatives
USD	United States dollar
VAF	vehicle and asset finance
VaR	value at risk
VAT	value-added tax
WBS	Wits Business School
WSP	Workplace Skills Plan
WWF	World Wide Fund for Nature
WWFSA	World Wide Fund for Nature – South Africa
YOY	year-on-year

INSTRUMENT CODES

NEDBANK GROUP ORDINARY SHARES

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

NEDBANK LIMITED NON-REDEEMABLE, NON-CUMULATIVE PREFERENCE SHARES

JSE share code:	NBKP
ISIN:	ZAE000043667

IMPERIAL BANK LIMITED NON-REDEEMABLE, NON-CUMULATIVE PREFERENCE SHARES

JSE share code:	IBLP
ISIN:	ZAE000081675

NEDBANK LIMITED SUBORDINATED DEBT

Listed on the Bond Exchange of South Africa

	ISIN
NED5	ZAG000029810
NED6	ZAG000033358
NED7	ZAG000036831
NED8	ZAG000036849
NED9	ZAG000041120
NED10	ZAG000043191
NED11	ZAG000044272
NED12A	ZAG000047937
NED12B	ZAG000047945
NEDH1A	ZAG000053703
NEDH1B	ZAG000053711

IMPERIAL BANK LIMITED SUBORDINATED DEBT

Listed on the Bond Exchange of South Africa

	ISIN
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NEDBANK GROUP 2008 ANNUAL REPORT

Should you require a copy of the Nedbank Group 2008 Annual Report, please email your address details to Nedbank Group Investor Relations at nedbankgroupir@nedbank.co.za or send a fax to +27 (0)11 294 6549. It is also available on the enclosed CD or online at www.nedbankgroup.co.za.

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ABOUT THIS REPORT

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