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## OPERATIONAL OVERVIEW

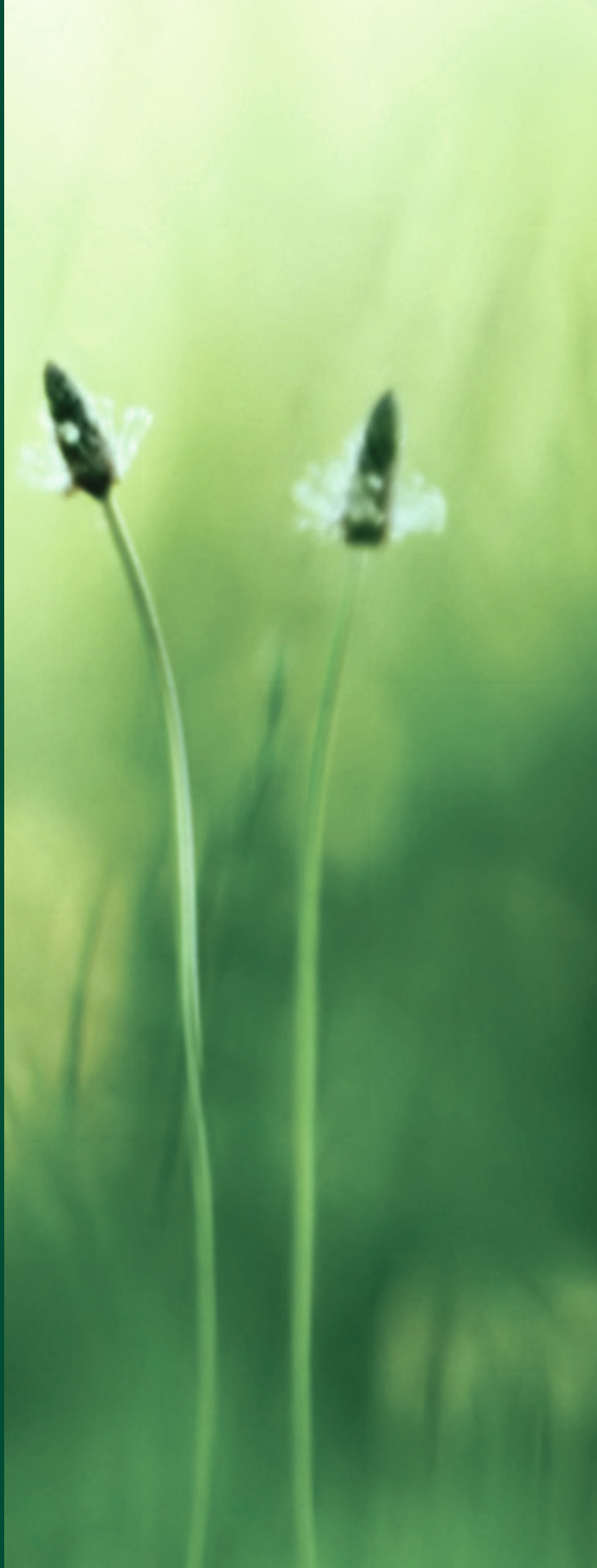
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## ANNUAL FINANCIAL STATEMENTS

REFER TO NEDBANK GROUP LIMITED INTEGRATED REPORT VOL 2



# GROUP PROFILE

NEDBANK GROUP LIMITED IS A BANK HOLDING COMPANY, WITH ITS PRINCIPAL BANKING SUBSIDIARY BEING NEDBANK LIMITED. THE COMPANY'S ORDINARY SHARES HAVE BEEN LISTED ON JSE LIMITED SINCE 1969 AND ON THE NAMIBIAN STOCK EXCHANGE SINCE 2007.

Nedbank Group is South Africa's fourth largest banking group measured by assets, with a strong deposit franchise and the second largest retail deposit base.

The group provides a wide range of wholesale and retail banking services and a growing insurance, asset management and wealth management offering through five main business clusters, namely Nedbank Capital, Nedbank Corporate, Nedbank Business Banking, Nedbank Retail and Nedbank Wealth.

Focused on southern Africa, but with an aspiration to grow its business reach across the whole of the African continent, Nedbank Group is positioned as a bank for all – from both a retail and a wholesale banking perspective.

Acknowledged for its sustainability leadership, Nedbank Group is the first and only carbon-neutral financial services organisation in Africa.

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





Refer to page 417 for definitions of terms used.

# INTRODUCTION

THE NEDBANK GROUP INTEGRATED REPORT 2010 BUILDS ON THE COMPREHENSIVE FINANCIAL AND SUSTAINABILITY REPORTING UNDERTAKEN BY THE GROUP IN RECENT YEARS. NEDBANK GROUP'S ANNUAL AND SUSTAINABILITY REPORTS HAVE BEEN INTEGRATED TO REFLECT THE COMMITMENT OF THE GROUP TO INTEGRATE ECONOMIC, ENVIRONMENTAL, SOCIAL AND CULTURAL SUSTAINABILITY ACROSS ITS OPERATIONS.

The motivation to produce an integrated report is based on a number of factors, including:

- The requirement to deliver quality reporting that mirrors the group's integrated approach to sustainability as a core element of the way it does business.
- Nedbank Group's recognition of the need to align its reporting as closely as possible with best-practice recommendations on integrated reporting.
- A greater focus on sustainability reporting across all areas of the business.
- Eliminating the duplication of information, thereby reducing the associated paper usage and costs. To this end some of the detail contained in previous reports has been excluded from the printed document and included in the electronic version, which can be accessed on the group's website at [www.nedbankgroup.co.za](http://www.nedbankgroup.co.za). These initiatives reduced the overall volume of printed pages.

Nedbank acknowledges that integrated reporting, like integrated sustainability implementation, is a journey and that this report is a step in that journey and not an end in itself. Nedbank is committed to integrated reporting, which takes various formats throughout the year.

## SCOPE OF REPORTING

This report covers the period from 1 January 2010 to 31 December 2010 and provides an overview of the operations, financial performance and integrated sustainability developments across all clusters, operational areas and majority-owned businesses of Nedbank Group.

While organisations in which Nedbank Group may hold minority shares are not included in the sustainability scope of this report, the group works closely with these companies to provide guidance and assistance with all aspects of their economic, environmental, social and cultural sustainable development.

## MATERIAL SUSTAINABILITY ISSUES ADDRESSED IN THE NEDBANK GROUP INTEGRATED REPORT 2010

The process of determining material issues to be addressed in the 2010 integrated report was influenced by inputs from a broad spectrum of internal and external Nedbank Group stakeholders, including, but not limited to, shareholders, equity analysts, the

media, regulators, trade unions and various management teams. The material issues identified through this engagement process were tabled to Nedbank Group Executive Committee for consideration and, following its approval, the material sustainability issues were tabled for ratification by the Board Transformation and Sustainability Committee.

The endresult of this consultative process is a report that is aligned with the identified cornerstones of economic, environmental, social and cultural sustainability. In addressing these sustainability focus areas in an integrated manner, this report covers the key material issues set out below.

### SUSTAINABILITY FOCUS AREA: ECONOMIC

#### Key material issue

Deliver lasting stakeholder value through responsible business management and lending practices, governance, compliance and ethics, risk management, information technology system integrity and competitive products and pricing.

#### Reason for being a material issue

While optimising returns to shareholders remains a key objective of everything the group does, Nedbank Group recognises that there is more to economic sustainability than financial results. What is required is a holistic approach that contributes to, and helps ensure, the financial and economic sustainability of the group and all its stakeholders – including its staff, clients, shareholders, suppliers, communities, governments and countries in which it operates.

### SUSTAINABILITY FOCUS AREA: ENVIRONMENTAL

#### Key material issue

Minimise usage of, and impact on, natural resources through:

- a reduction and neutralisation of carbon emissions;
- waste management initiatives; and
- collaboration with stakeholders to encourage sustainable behaviour changes.

#### Reason for being a material issue

As Africa's first carbon-neutral bank, Nedbank Group is committed to conserving and preserving the environment. This includes an internal focus on limiting the impact of the group's business on the resources of the country and planet, and an outward focus that involves partnering with its stakeholders to enhance its positive impact.

## SUSTAINABILITY FOCUS AREA: SOCIAL

### Key material issue

Build societal capacity in southern Africa via:

- sustainable socioeconomic development;
- access to finance, affordable housing, healthcare and education for lower income earners;
- preferential procurement aimed at driving economic empowerment; and
- ongoing enterprise development and community upliftment.

### Reason for being a material issue

Nedbank Group recognises the importance of creating a solid and sustainable social infrastructure to secure the future of its own business and that of the country as a whole. Social sustainability is therefore approached from a clear understanding of the group's responsibility to do whatever it can to help create a better future for all stakeholders. Nedbank Group seeks to do this via social investment, staff volunteerism and empowering partnerships.

## SUSTAINABILITY FOCUS AREA: CULTURAL

### Key material issue

Develop a resilient corporate culture by:

- building a unique corporate culture that serves as a competitive advantage;
- embedding talent management; and
- constantly developing and growing the group's people.

### Reason for being a material issue

Key to the sustainability of Nedbank Group is its ability to create an attractive, rewarding and performance-driven corporate culture. People are the only truly sustainable competitive advantage, and attracting and retaining the most talented and capable people require a corporate culture that facilitates personal growth and career development, while offering ongoing talent management, a balanced environment, opportunities for advancement, and recognition for the efforts and achievements of all employees.

It is important to note that these material issues relate back to Nedbank Group's long-term deep green aspirations and the 2011 strategic focus areas as outlined on page 19. A table outlining the sustainability governance structures and policy framework, linking these to strategic focus areas and key material issues, appears on page 95.

## INDEPENDENT ASSESSMENT AND GLOBAL REPORTING INITIATIVE INDICES

The Global Reporting Initiative (GRI) and, in particular, the GRI Financial Services Sector Supplement (FSSS) form the basis for this report, and an analysis of the group's compliance with the GRI FSSS indices guidelines appear on pages 206 and 207. The full GRI content index is detailed at [www.nedbankgroup.co.za](http://www.nedbankgroup.co.za).

The integrated report has also been prepared in line with best practice pursuant to the recommendations of the King III Code (principle 9.1).

Ernst & Young has been engaged to provide assurance on the key performance indicators as outlined in their assurance report ('specified KPIs') on pages 208 to 211. The specified KPIs have been emphasised in our report in **bold green** for identification purposes. For an understanding of the levels of assurance expressed over the specified KPIs, the preparation of our report in accordance with the self-declared Global Reporting Initiative (GRI) G3 Guidelines A+ application level using the principles of materiality, completeness and sustainability context and in accordance with AccountAbility's AA1000APS (2008) using the principles of inclusivity, materiality, and responsiveness, reference should be made to the detailed Ernst & Young statement on pages 208 to 211.

The Nedbank Group has prepared the specified KPIs in accordance with the basis of measurement as published on our website, which can be obtained at [www.nedbankgroup.co.za](http://www.nedbankgroup.co.za)

Financial Sector Charter/black economic empowerment information has been assessed by appointed auditors SizweNtsaluba. Please see page 93 for the Department of Trade and Industry scorecard as signed off by SizweNtsaluba.

## ACCESSING THE INFORMATION YOU WANT

Recognising that the majority of stakeholders prefer to select only the information that is pertinent or of interest to them, this integrated report endeavours to make it easier to access the information you require. The following icons will assist readers in selecting information based on their sustainability focus:



Information relating to economic sustainability.



Information relating to environmental sustainability.



Information relating to social sustainability.



Information relating to cultural sustainability.



Information relating to integrated sustainability.

Certain sections of the report are identified by means of more than one icon. This is due to the integrated nature of the reporting process and the fact that many of the initiatives and operations within Nedbank Group cut across a number of sustainability focus areas.

## REFINE YOUR READING ONLINE

The same icons have been applied to the online version of the Nedbank Group Integrated Report 2010 allowing for specific information to be selected and displayed at the user's discretion. The online version of this report can be accessed at [www.nedbankgroup.co.za](http://www.nedbankgroup.co.za).

# INVESTMENT CASE

NEDBANK GROUP'S OBJECTIVE OF BUILDING AN ORGANISATION THAT OPTIMISES RETURNS TO STAKEHOLDERS AND CREATES A SUSTAINABLE FUTURE IS ENABLED BY AN INTEGRATED APPROACH TO ECONOMICS OF THE BUSINESS, ENVIRONMENTAL PRESERVATION, INVOLVEMENT IN SOCIETY AND ORGANISATIONAL CULTURE.



**ECONOMIC**  
SUSTAINABILITY



**ENVIRONMENTAL**  
SUSTAINABILITY



**SOCIAL**  
SUSTAINABILITY



**CULTURAL**  
SUSTAINABILITY



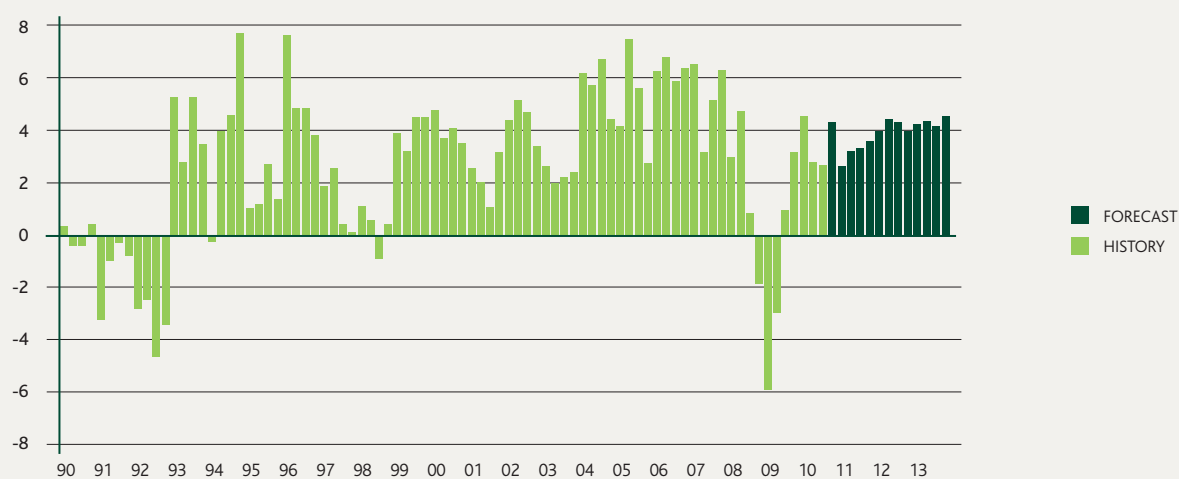
**INTEGRATED**  
SUSTAINABILITY

## LEVERS FOR GROWTH

- Recovering economic environment.
- Experienced management team in place.
- Continued improvement in impairments, particularly home loans, as the economy recovers.
- Strong wholesale franchise and retail upside potential.
- Primary client growth and non-interest-revenue (NIR) strategy gaining traction.
- Growth opportunities in the Nedbank Wealth businesses.
- Proven cost management culture.
- Strong position in selected lending categories and liabilities/deposit-taking.
- Endowment income upside when interest rates increase.
- Potential from new innovative products.
- Strategy for low-risk expansion into Africa.
- Continuous improvement of client service and satisfaction metrics.
- Continued high staff morale and unique corporate culture.
- Leadership in transformation making Nedbank Group increasingly relevant to all South Africans.
- Leadership in environmental issues and related business opportunities arising from the green economy.
- Integrated approach ensuring sustainable short- and long-term growth.

## RECOVERING ECONOMIC ENVIRONMENT POSITIVE FOR NEDBANK

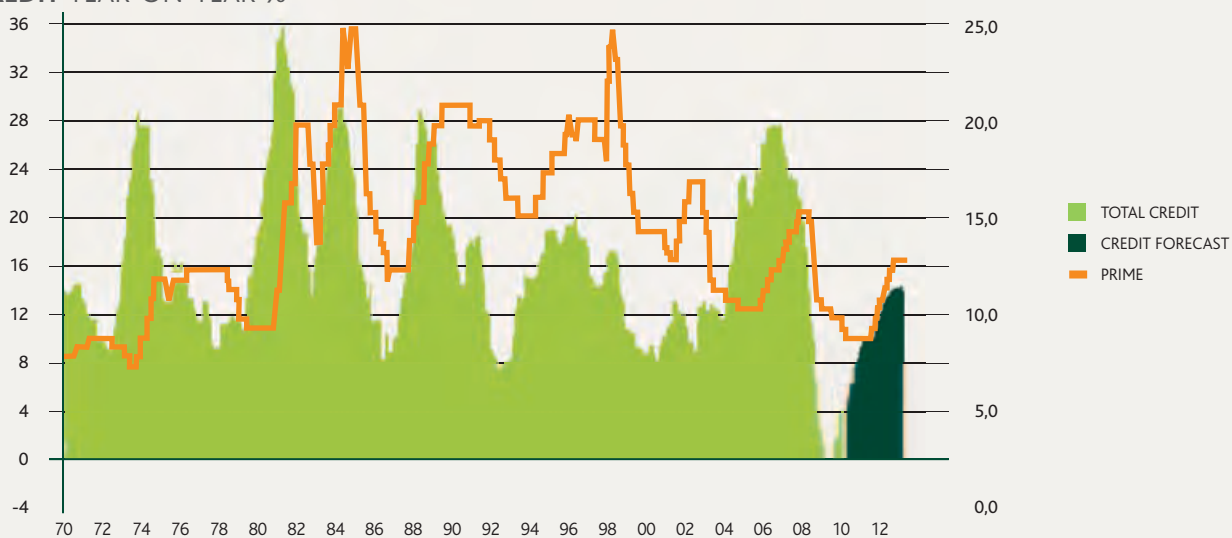
GDP\*: QUARTER-ON-QUARTER % CHANGE (SEASONALLY ADJUSTED ANNUAL RATE)



\* Gross domestic product.

CREDIT YEAR-ON-YEAR %

PRIME %



## AN INTEGRATED APPROACH TO SUSTAINABLE GROWTH

Companies that have integrated sustainability have been proven to yield superior returns over the longer term. With this in mind, Nedbank Group's activities over the past years were focused on entrenching its economic, environmental, social and cultural sustainability in order to enhance its appeal as a viable and attractive long-term investment opportunity.

The group has been acknowledged as a leader in sustainability by qualifying for the JSE Socially Responsible Investment (SRI) and the Dow Jones World Sustainability indices since 2004. This has assisted the group in obtaining preferential funding over the past six years.





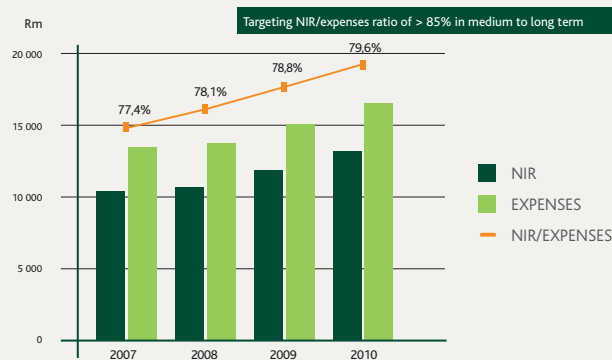
## ECONOMIC SUSTAINABILITY

Financial results for 2010 reflect good growth in headline earnings after periods of declining earnings during the peak of the economic crisis and recession. This performance is supported by the following:

- Selected growth in the market share of identified portfolios resulted in the group's advances growth being higher than the industry average credit growth levels. The group's portfolio tilt strategy, introduced in 2010, will continue to favour growth in businesses and products of strategic long-term importance, that are less capital consuming but provide sustainable economic profit returns.
- An improving trend in impairment levels is evident, particularly within secured retail lending. The wholesale book is of high quality, illustrating strong credit management.
- The opportunity exists to increase the group's NIR-to-expense ratio from 79,6% to meet its medium- to long-term target of 85%. The results for 2010 have demonstrated strong growth in core NIR, supported by reasonable primary client growth across all clusters and increased levels of cross-sell. A combination of good client relationships, enhanced systems for electronic banking, growing the insurance and wealth offerings, leveraging price competitiveness and a focus on improving client service will enable the group to grow its transactional banking market share and revenue base in the future.

### NON-INTEREST-REVENUE-TO-EXPENSE RATIO

#### NON-INTEREST-REVENUE/EXPENSES TREND



- The ability to manage costs while investing for future revenue growth is demonstrated in the group's expense growth rates of the past few years. The group's efficiency ratio, at 55,7% in 2010, highlights prudent cost management during times of subdued income growth. Achieving a medium- to long-term efficiency target of 50% should provide a further upside to earnings growth.
- Capital adequacy ratios remain above both regulatory levels and internal targets, and the group's relatively low leverage ratios, unlike those of major international banks, illustrate that it is

well-positioned within the SA banking system, which remained structurally sound during the global credit crisis. This highlights that the group has a strong balance sheet in an uncertain environment, particularly in the light of Basel III proposals, and also provides a platform for growth as the economy recovers.

- Nedbank Group has built a resilient retail and wholesale deposit franchise.
- Nedbank Retail provides a significant turnaround opportunity as it implements its new differentiated client-centred strategy. As home loan impairment levels improve and cost synergies are extracted in the short to medium term, the aim of the strategy is to increase transactional business and the number of primary clients for long-term sustainable growth.
- The buyout in 2009 of the remaining shares in the former joint ventures with Old Mutual has enabled the Nedbank Wealth Cluster to grow significantly in areas of high-economic-profit business across its insurance and asset and wealth management offerings. In addition, the acquisition of 100% of Imperial Bank and in particular its strong Motor Finance Corporation business has bolstered Nedbank Group's own motor finance business for strong future growth.
- The Nedbank Business Banking franchise is positioned well to leverage the high-growth, high-return and mainly sole-banked characteristics of its market segment by applying its unique decentralised and accountable decisionmaking business service model, which includes being involved in the business communities serviced by the bank. Business bankings alignment with Nedbank Retail will also benefit clients and future growth.
- Nedbank Corporate is a traditionally strong player in the domestic corporate banking market, is highly rated by clients, and leads in terms of market share in corporate lending and commercial property finance. The business will selectively grow advances while continuing to leverage its position to increase its transactional banking income through targeting primary-client growth.
- Nedbank Capital's integrated full-service investment banking model and ability to leverage client relationships, combined with balance sheet strength across the group and expertise in major domestic and African sectors, will provide growth opportunities into the future.
- There is the opportunity to grow organically and through acquisitions in the Southern African Development Community region where gross domestic product growth over the medium to long term is likely to outpace that of South Africa.
- The landmark alliance with Ecobank enables Nedbank Group to offer clients access to banking services in 35 countries in Africa through an effective one-bank experience.





## ENVIRONMENTAL SUSTAINABILITY

- Reducing the group's impact on the environment and demonstrating a leadership position in environmental sustainability are becoming increasingly important. Nedbank Group demonstrated its leadership commitment in this area when it became the first financial services institution and major corporation in Africa to achieve carbon neutrality.
- As climate change becomes more evident and the scarcity of natural resources increases, Nedbank Group is enhancing its social and environmental risk management tools to extend the philosophy of the Equator Principles beyond the project finance arena. These tools are also applied in a way that ensures that capital investments and shareholder value are protected.
- In 2010 the group celebrated its 20th year of partnership with the World Wide Fund for Nature and will continue to leverage and grow this relationship for mutual benefit into the future.
- Ongoing environmental impact reduction initiatives by the group continue to build its reputation as a green bank, while these also deliver economic benefits in the form of long-term cost savings.



## SOCIAL SUSTAINABILITY

- For the second consecutive year Nedbank Group was rated the third most transformed company listed on JSE Limited and the number one financial services group per the Empowerdex annual survey of JSE-listed top 200 companies.
- The group has again met the level 2 requirements of the Department of Trade and Industry (dti) broad-based black economic empowerment Codes. This has been achieved through continued improvement in all elements of the scorecard, while still delivering on a number of Financial Sector Charter elements, including access to financial services. Despite increases in employment equity targets in 2012 and the maturity of the black economic empowerment (BEE) Eyethu share schemes, the group plans to remain a level 2 dti contributor.
- A number of the Eyethu schemes, including the broad-based employee scheme, the non-executive directors' scheme, the retail and corporate client schemes have matured. These schemes were among the first to have reached a broad base of participants, including over 14 000 employees, 35 000 retail clients, and clients of the Nedbank Corporate, Nedbank Business Banking and Nedbank Capital Divisions. Nedbank Group shares to the value of R1 billion were awarded to these participants (using the share price at 31 December 2010).
- A strong commitment to social responsibility is embedded in the group, with R80 million contributed to social upliftment by staff and clients and communities in the period under review.



## CULTURAL SUSTAINABILITY

- Nedbank Group has a strong and experienced management team in place and completed a smooth leadership transition in 2010 with the appointment of new Chief Executive, Mike Brown, and changes to the Group Executive Committee – which remains among the most skilled and transformed in the SA banking sector.
- The group has demonstrated a proven organisational capability to succeed in tough times. A culture of governance, compliance and sustainability is evident in controls and processes, and integrated in the business as illustrated by the early adoption of the principles of King III.
- Risk and capital management is embedded in the group's culture and is aimed at creating a strong, stable and economically sustainable group.
- Since 2004 a positive shift in staff morale and a strong positive move in corporate culture as a high-performing organisation have been evident.
- The results of the 2010 Hewitt Staff Engagement Survey showed that the group remains above the global financial services average and within the accepted high-performance range.
- Cultural entropy, which measures the amount of dissonance in the group, remained static in 2010 at 13% after declining steadily from a high of 25% in 2005.
- The top 10 cultural values in the group, as measured by the annual Barrett Survey, continue to be aligned to support the group's strategy.



## GROUP STRATEGY

DURING 2010 NEDBANK GROUP'S VISION WAS REFINED TO: 'BUILDING AFRICA'S MOST ADMIRABLE BANK BY OUR STAFF, CLIENTS, SHAREHOLDERS, REGULATORS AND COMMUNITIES'.

While the change in wording is subtle, it represents a significant enhancement to the group's vision and highlights the increasing focus by Nedbank Group on growing its business reach across the African continent not just in South Africa. However, the group recognises that, to become the most admired bank in Africa, it must achieve this in South Africa first, which is why Nedbank Group's primary focus during 2010 was on developing more competitive domestic strategies for each of its frontline businesses.

The group's vision continues to be supported by its long-term objectives, which are referred to internally as Deep Green aspirations.

### These are:

- to become a great place to work, a great place to bank and a great place to invest;
- 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 in transformation;
- to be great at collaboration; and
- to live our values.

## TWO OTHER KEY AREAS RECEIVED ADDITIONAL FOCUS DURING THE 2010 STRATEGY PROCESS:

IDENTIFICATION OF KEY TRENDS, THEIR IMPLICATIONS AND NEDBANK GROUP'S STRATEGIC RESPONSE TO THEM

IDENTIFIED TREND	NEDBANK GROUP WILL ...
Bank returns are structurally declining.	... respond through active portfolio management and 'tilting' of its portfolio of businesses to optimise sustainable profitability, utilise capital and liquidity judiciously, invest to exploit new growth opportunities, and build a lean operating model.
The SA financial services' economic profit pool is large, but higher growth is expected in the rest of Africa in the longer term.	... focus domestically, but continue to explore expansion opportunities in Africa.
SA prospects continue to be driven by infrastructural investment (mostly government) and a wealthier consumer.	... ensure that it benefits from the opportunities created through infrastructure development, increase its focus on wholesale banking, and improve its retail proposition to capture disposable income shifts. The group will also continue to bring more people into the formal banking system through innovative and affordable products such as M-PESA.
There is high growth from bandwidth, electronic, internet, mobile and new technology developments.	... leverage new technologies and then lead in these high-growth markets and banking markets linked to these, such as mobile banking.
SA demographic shifts are enabling consumer opportunities.	... target large and growing segment opportunities such as the underbanked, youth, small and medium enterprise and senior-citizen markets. A differentiated approach is essential to service such new markets in a cost-efficient manner.
The voice of and focus on the client are increasing.	... meet the need for simplicity, convenience, choice, affordability, advice, and trust from clients. Client centricity will remain a core focus, with the aim to increase direct engagement with clients.
Non-banking solutions are growing faster than banking, but deposits have become a key priority.	... seek out add-on growth solutions while improving transactional banking capabilities, such as cross-sell, primary clients, and functionality.
Demand for talent is greater than growth of the talent pool.	... develop unique ways to retain, develop and grow the staff talent pool, especially in businesses that will be targeting higher growth.
Pressure on natural resources is increasing.	... continue to reduce and neutralise its own operational impact, consider environmental impacts in its lending activities and actively support its clients in their endeavours to reposition their businesses accordingly.

## PORTFOLIO MANAGEMENT (PORTFOLIO TILT)

This approach was adopted for sustainably optimising returns in an environment where resources, capital and liquidity are scarce commodities. The group must be more judicious in selecting strategic business opportunities that will allow better alignment of risk and returns, taking into account liquidity, capital and credit risks. Doing so will allow a transition from some of the existing portfolios, such as retail home loans (where the economic returns continue to be poor), while growing low-capital-intensive businesses. The group will, however, continue to take a long-term sustainable view of its products, client needs and its societal impact.

Against this strategic backdrop the business plan for 2011 to 2013 will see Nedbank Group focus on:

- building enduring primary banking relationships with more retail and wholesale clients in South Africa;
- improving its primary banking positioning across all businesses;
- becoming the leader in business banking for South Africa;
- becoming the public sector bank of choice;
- continuing as one of the top two wholesale banks;

- ramping up the wealth and asset management, and insurance businesses;
- leveraging the Imperial Bank integration;
- becoming the leader in client service delivery; and
- building on its position as a leader in, and influencer of, integrated sustainability.

The group will also continue to evolve its strategy of building Africa's most admired bank by:

- implementing its three-tier strategy to grow its physical network in the Southern African Development Community;
- leveraging boutique investment banking opportunities;
- leveraging the Ecobank Nedbank Alliance to provide clients with access to a Pan-African network; and
- evaluating selective investment opportunities.

The current strong capital position of the group, combined with these strategic focus areas, places Nedbank Group in a position for sustainable growth.

The Nedbank Group strategy can be visually represented as follows:

## VISION-LED VALUES-DRIVEN





## REVIEW OF 2010

IN 2010 NEDBANK GROUP IMPROVED ITS NON-FINANCIAL KEY PERFORMANCE INDICATORS IN SEVERAL OPERATIONAL AREAS. THIS WAS A DIRECT RESULT OF THE GROUP'S FOCUS OF DELIVERING ON ITS STRATEGIC OBJECTIVES AND A CLEAR COMMITMENT TO INNOVATION AS A STRATEGIC DIFFERENTIATOR WITHIN THE VARIOUS AREAS OF THE BUSINESS. THE PERFORMANCE SCORECARD BELOW REFLECTS THE MOST SIGNIFICANT PERFORMANCE INDICATORS FOR THE PERIOD UNDER REVIEW.

### STAFF

**Deep Green aspiration: To become a great place to work, to create a community of leaders, to live our values.**

OBJECTIVE	MAKING IT HAPPEN IN 2010	2010 SELF-ASSESSMENT
Build an enabling high-performance culture	The 2010 Barrett Survey results showed 'commitment' as a group value for the first time. The entropy score remained at the same good level it was in 2009 (13%). Six culture matches were recorded – indicative of an aligned and well-performing culture.	Achieved.
Improve staff satisfaction	Staff morale remains positive despite the tough operating environment. The Nedbank Group 2010 Staff Survey scores declined slightly from those of 2009, but still remain at high levels. Focus group meetings were held with middle managers, which have resulted in the cascading of initiatives to provide greater insight into leadership attributes.	Small decline, but overall levels remain high.
Embed talent management	Robust succession plans were completed and signed off for key jobs and cluster executive roles. The individual profiles for successors have been enhanced. Staff attrition declined to well below the industry average.	Achieved.
Enable human resources (HR) capability and excellence	The HR 2010 and Beyond programme continued to progress well with the primary focus on understanding the efficiencies achievable and implementing the requirements for upskilling of the HR community to deliver sustainable excellence.	Achieved.
Learn and grow	Nedbank Group achieved its skills development target, allocating 71% of skills development spend to previously disadvantaged groups. The group spent R244 million on training in 2010, which is 3,8% of basic payroll, with 2,8% of basic payroll having been spent on black staff, adjusted for gender recognition. The Nedbank Integrated Learning Framework was also piloted in 2010.	Achieved.
Accelerate transformation	<p>Nedbank Group continued to focus on initiatives aimed at promoting understanding and tolerance, and fostering good relations among employees, including specific initiatives for women and people with disabilities.</p> <p>The group achieved 90% or more on six of the nine focus areas listed in its employment equity targets.</p> <p>The African senior and middle management targets were not achieved in 2010, while Imperial Bank continued to impact negatively on the overall levels within the junior management category.</p> <p>A major challenge is the establishment of a robust talent pipeline for senior management and executive-level transformation and the appointment of Africans at middle and senior management levels.</p> <p>The rising cost of attracting and retaining talent within designated groups remains a challenge to the achievement of transformation targets.</p> <p>27% of total training spend (R40 million) was on strategic programmes supporting transformation.</p>	Initial targets not achieved but overall improvement on 2009.



## CLIENTS

Deep Green aspiration: To become a great place to bank.

OBJECTIVE	MAKING IT HAPPEN IN 2010	2010 SELF-ASSESSMENT
Rebuild Nedbank Retail	<p>Market share remained relatively consistent across the board in 2010, with emphasis on risk-based pricing. Imperial Bank's Motor Finance Corporation (MFC), which is now integrated into Nedbank Retail, continued to benefit from its focus on the used-vehicle market by growing its share of vehicle lending, thereby helping to cure Nedbank Retail suboptimal vehicle and asset finance business market share.</p> <p>The following market share changes occurred for key products:</p> <ul style="list-style-type: none"> <li>• Home loans declined from 17% to 16,7% in line with the group's portfolio tilt strategy that emphasises areas with strong economic profit;</li> <li>• Vehicle and asset finance, including MFC, increased from 29,1% to 31,8%; and</li> <li>• Nedbank personal loans decreased slightly from 14,4% to 14,2%, while maintaining the second largest market share of the big four banks.</li> </ul> <p>Share of the deposit market was a strong 22% at year-end.</p> <p>Nedbank Retail was able to attract some 96 000 new primary clients, 7,4% more than in the previous year, with a total client base of 4,5 million (during 2010 the group underwent a review of the active client base and excluded accounts that have been dormant for long periods from the overall client base).</p> <p>The number of Mzansi clients increased by 27% to 1 017 million after restating the base for the closure of dormant Mzansi accounts.</p> <p>In partnership with Vodacom, Nedbank launched the M-PESA mobile banking solution in South Africa. M-PESA is an affordable and easy-to-use entry-level offering that is a complementary product to Mzansi.</p> <p>Simplified frontend functionality on the 'Siyakha' branch platform is in pilot and will be rolled out during 2011 across all client-facing channels.</p>	Achieved
Ramp up Nedbank Wealth	<p>Nedbank Wealth achieved a significant earnings increase pursuant to good growth from the Insurance Division, excellent asset management performance and progress against the strategy implemented after the former Old Mutual joint venture buyout.</p> <p><b>New products and innovation</b></p> <p>Insurance:</p> <ul style="list-style-type: none"> <li>• Warranty, topup, tyre and rim in MFC (short term)</li> <li>• Credit guarantee in Nedbank Namibia (short term)</li> <li>• Fully underwritten product <i>360life</i> and the wellness programme <i>become</i> (life)</li> <li>• Credit life sales into MFC clients (life)</li> </ul> <p>Asset Management:</p> <ul style="list-style-type: none"> <li>• Best of Breed international</li> </ul> <p>Wealth Management:</p> <ul style="list-style-type: none"> <li>• Best of Breed Asset Management International</li> <li>• International Trust: Qualifying Recognised Overseas Pension Schemes</li> </ul> <p><b>Nedbank Wealth accolades</b></p> <ul style="list-style-type: none"> <li>• Fairbairn Private Bank received the award of Best International Bank and Wealth Manager at the International Fund and Product Awards 2010 for the offshore financial services industry.</li> <li>• Nedgroup Investments was: <ul style="list-style-type: none"> <li>– placed second in the PlexCrown Survey;</li> <li>– won the Morningstar Best Large Fund House Award;</li> <li>– placed second in the Raging Bull Awards for Best Domestic Management Company; and</li> <li>– received individual recognition for a number of funds.</li> </ul> </li> </ul>	Achieved.

## CLIENTS

Deep Green aspiration: To become a great place to bank.

OBJECTIVE	MAKING IT HAPPEN IN 2010	2010 SELF-ASSESSMENT
Retain leadership position in wholesale banking	<p>The group maintained strong market share of other private sector loans (excluding foreign currency loans).</p> <p>Maintained the largest property finance market share among banks in South Africa, while maintaining a high-quality portfolio.</p> <p><b>Accolades received</b></p> <ul style="list-style-type: none"> <li>• <i>Global Trade Review</i> Best Deal award for FirstCape Vineyards.</li> <li>• <i>Euromoney Project Finance</i> Deal of the Year award for Bakwena in the Transport and Public-private Partnership category.</li> <li>• Three Dealmakers awards, including second place in mergers and acquisitions activity (Investment Advisers and Sponsors categories).</li> <li>• Fourth-ranked mining project finance lead arranger in the world in Ernst &amp; Young Mining Eye Report.</li> <li>• Debt origination team ranked third in the SA Corporate Bond Underwriter League tables.</li> </ul>	Achieved.
Leader in business banking for South Africa	<p>Nedbank Business Banking's client management capabilities were rated fifth highest out of 900 global companies surveyed globally as part of the Customer Management Assessment Tool (CMAT™) research process. Nedbank Business Banking achieved the best ever score for a full business-to-business company.</p> <p>Client satisfaction statistics are improving significantly and client loyalty is at an all-time high.</p> <p>People metrics improved significantly, despite the challenging financial and economic circumstances.</p> <p>Worldclass risk management for the sixth successive year as evidenced by a credit loss ratio of 40 basis points and reduction in allocated capital of R1,1 billion.</p>	Achieved.
Grow primary-client status and transactional income streams	<p>Nedbank Retail grew its number of primary clients by some 96 000, which is 7,4% more than in 2009.</p> <p>Nedbank Business Banking net primary-banked client acquisition improved 35% year-on-year.</p> <p>Nedbank Corporate primary clients increased by a net 20.</p>	Achieved.
Improve service levels to worldclass standards	<p>Improved score in the Ask Afrika Orange Index.</p> <p>During 2010, Nedbank Retail once again improved its client management capability, by achieving a CMAT™ score of 49 which is within the top decile of the CMAT™ business database comprising over 760 companies worldwide.</p> <p>Nedbank Retail also showed a material improvement on its key client experience scores as measured in an independent banking industry study.</p> <p>Good progress was made in Nedbank Corporate in improving most scores in the 2010 StarTrack Client Survey. Ranked first in five of the seven most important aspects of client needs.</p> <p>A total of <b>49 972</b> client complaints were received via the Client Complaint Tracker System.</p>	Achieved.
Expand distribution footprint	<p>In 2010 significant investment was made to expand the group's distribution footprint with an additional 409 ATMs, 17 branches, 13 Personal Loans branches and 70 kiosks as well as 69 outlets in retailers.</p>	Achieved.

## CLIENTS

Deep Green aspiration: To become a great place to bank.

OBJECTIVE	MAKING IT HAPPEN IN 2010	2010 SELF-ASSESSMENT
Improve positioning in the public sector	<p>Nedbank Group participated in the majority of public sector business tenders during 2010 and was appointed primary banker by six public sector entities.</p> <p>The business retained its share of public sector liabilities and exceeded the targets for non-interest revenue (NIR) and asset growth.</p> <p>Feedback from various levels of government has indicated that Nedbank Group is now well-recognised as a reliable partner to the public sector.</p>	Achieved.
Selectively expand into Africa and leverage the Ecobank Nedbank Alliance	<p>The group continued to build on the initial foundations of the Ecobank Nedbank Alliance with a number of major achievements during 2010.</p> <p>Various banking initiatives were implemented that align with the vision of providing clients with a one-bank experience across the African continent. This included the enabling of Ecobank regional cards on Nedbank ATMs in South Africa.</p> <p>Revenue is being generated as a result of an effective client engagement approach supported by streamlined operational processing.</p> <p>Client activity in sub-Saharan Africa increased significantly during 2010 and is reflected in the increased pipeline, transactional revenue and account openings that have been recorded across the business clusters.</p> <p>The Ecobank Nedbank Alliance was recognised as the Most Innovative Bank in Africa at the <i>African Banker Awards</i> ceremony held in Washington during the 2010 annual World Bank and International Monetary Fund meetings.</p>	Achieved.

## SHAREHOLDERS

Deep Green aspiration: To become a great place to invest.

OBJECTIVE	2010	2009	2010 SELF-ASSESSMENT	MEDIUM- TO LONG-TERM TARGETS*
Return on equity (excluding goodwill)	13,4%	13,4%	In line with expectations.	5% above monthly weighted-average cost of ordinary shareholders' equity (cost of equity).
Efficiency ratio	55,7%	53,5%	Not achieved.	< 50%.
Growth in diluted headline earnings per share	8,7%	(29,8%)	Improved, exceeding 2010 forecast expectations.	At least CPIX + gross domestic product (GDP) growth + 5%.
Credit loss ratio	1,36%	1,52%	Improved but at a slower rate than expected for 2010.	Between 0,60% and 1,00% of average advances.
NIR/expense ratio	79,6%	78,8%	Improved in line with 2010 expectations.	> 85%.
Core Tier 1 ratio**	10,1%	9,9%	Exceeded.	7,5% to 9,0%.
Tier 1 ratio**	11,7%	11,5%	Exceeded.	8,5% to 10,0%.
Total ratio**	15,0%	14,9%	Exceeded.	11,5% to 13,0%.
Economic capital	Yes	Yes	Achieved.	Capitalised to 99,93% confidence interval on economic capital basis (target debt rating A including 10% buffer).
Dividend cover policy	2,3	2,3	Achieved.	Range of 2,25 to 2,75 times.

\* Unchanged from 2010 targets.

\*\* Capital adequacy ratios.

## REGULATORS

Deep Green aspiration: To be worldclass at managing risk.

OBJECTIVE	MAKING IT HAPPEN IN 2010	2010 SELF-ASSESSMENT
Manage risk as an enabler	<p>Received continued acknowledgement for a worldclass risk management process with ongoing focus on enhancement of risk practices and processes.</p> <p>Maintained a strong risk culture underpinned by sound risk governance and endorsed by the Enterprisewide Risk Management Framework.</p> <p>Received approval of the Advanced Management Approach for operational risk and Internal Measurement Approach for market risk by the South African Reserve Bank.</p> <p>Bolstered scarce resources to manage quantitative risks (credit, operational and market risk) with new skilled appointments.</p> <p>Instituted new controls to coordinate risk management of credit and market risks.</p> <p>Managed risk (and opportunity) to ensure Nedbank Group's preparedness for the FIFA 2010 World Cup.</p> <p>Maintained sound regulatory relationships and received good feedback from regulators and government stakeholders. Particular emphasis placed on strengthening the relationship between the board and Executive Committee.</p> <p>Managed the group within its risk appetite.</p> <p>Actively participated in the finalisation of section 136(2) of the new Companies Act.</p> <p>Group Forensics and Risk Services remained worldclass, with significant reductions in robberies and ATM bombings. Improved physical security and bolstering of forensic skills.</p> <p>Managed social and environmental risk (including climate change).</p>	Achieved.
Optimise capital and liquidity	<p>Liquidity risk managed well during the sovereign debt crisis.</p> <p>Capital adequacy ratios maintained above their target ranges.</p> <p>Average long-term funding ratio for the fourth quarter improved from 20,1% in 2009 to 24,0% in 2010.</p>	Achieved.



2010 Nedbank Cup Final at Soccer City.

Nedbank staff erect a solar cooker at a school as part of the Eco-School Programme.





## COMMUNITIES

**Deep Green aspirations: To be recognised for being highly involved in the community, to become a bank for all South Africans, to lead in transformation, to have the most respected and aspirational brand and to lead as a corporate citizen.**

OBJECTIVE	MAKING IT HAPPEN IN 2010	2010 SELF-ASSESSMENT
Build the Nedbank brand and become a bank for all in South Africa	<p>A significant brand revitalisation project was initiated and completed in 2010, with key outputs being a sharpened, focused and more distinctive Nedbank brand story, and a framework and improved processes for building the Nedbank brand on a sustainable integrated basis across the bank's diverse target markets.</p> <p>The health and equity of the brand continued to show strong and consistent improvement in all key brand metrics as measured in externally sourced brand-tracking studies.</p> <p>Mass market advertising and group sponsorships played the most visible and impactful role in supporting the group's brand building goals. In its third year the Nedbank Cup soccer knockout tournament once again had notable impact and made an important contribution to improving brand saliency and positively influencing market perceptions. The Cup final was a sellout and attracted the largest TV audience in the history of the event.</p> <p>The Nedbank Golf Challenge celebrated its 30th anniversary, with very positive media, public and client reaction.</p> <p>Nedbank Group's positioning as the green bank and leader in environmental care was significantly enhanced and projected during the year by a number of high-profile and high-impact initiatives. A major highlight was the achievement of carbon-neutral status in August.</p> <p>The World Wide Fund for Nature Nedbank Green Trust marked the 20th anniversary of its partnership with Nedbank Group. Over R100 million has been invested in climate change and many conservation projects.</p> <p>Offerings such as Nedbank Savvy, M-PESA and Personal Loans are already attracting new clients, in keeping with Nedbank Group's aspirational 'bank for all' positioning.</p>	Achieved.
Become South Africa's green and caring bank	<p>Nedbank Group is included in the following indices/ratings:</p> <ul style="list-style-type: none"> <li>• South African Carbon Disclosure Leadership Index: 2010 – recognised as a leader in the Performance category and placed third in the Disclosure category.</li> <li>• Dow Jones World Sustainability Index (one of 23 banks worldwide and three SA companies).</li> <li>• JSE Social Responsibility Index.</li> <li>• Ranked in the top third on the Global 1000 Sustainable Performance Leaders Index (third-highest SA company).</li> <li>• Green building 4-star rating for the second phase of the group's headoffice.</li> </ul> <p>Nedbank Group won various sustainability awards:</p> <ul style="list-style-type: none"> <li>• Emerging Markets Sustainable Bank of the Year for Middle East and Africa: 2007, 2008 and 2010.</li> <li>• 2009 Sustainability Report was rated as excellent in the Ernst &amp; Young Excellence in Sustainability Reporting Awards.</li> <li>• Climate Change Leadership Awards: Winner Corporate Services Sector.</li> <li>• Runner-up in the 'Best Employee Community Involvement Programme in the Mail &amp; Guardian 2010 Invest in the Future and the Southern Africa Trust Awards.</li> </ul> <p>The Nedbank Affinities programme saw:</p> <ul style="list-style-type: none"> <li>• growth of 23,3% in clients registered with the programme; and</li> <li>• year-on-year growth of 13,8% in donations to the affinity partners.</li> </ul>	Achieved.
Accelerate transformation	<p>Nedbank Group managed to maintain a level 2 rating in respect of the broad-based black economic empowerment Codes of the Department of Trade and Industry and was ranked as South Africa's third most empowered corporate and number one bank and financial services group by the <i>Financial Mail</i> Empowerdex Survey for the past two years.</p>	Achieved.



## STAKEHOLDER ENGAGEMENT

EFFECTIVE STAKEHOLDER ENGAGEMENT REMAINS CENTRAL TO THE EFFECTIVENESS OF NEDBANK GROUP'S COLLABORATIVE APPROACH TO ECONOMIC, ENVIRONMENTAL, SOCIAL AND CULTURAL SUSTAINABILITY.

In addition to enhancing risk management, effective engagement with the group's stakeholders presents it with numerous opportunities, both to drive performance and to extend its positive influence.

In keeping with the group's aspiration to 'lead through collaboration', such stakeholder engagement extends far beyond mere rules-driven disclosure or regulatory requirements. Rather, Nedbank Group considers stakeholder engagement a strategic imperative and seeks continually to evolve and innovate in terms of the way in

which it builds inclusive, mutually beneficial relationships based on transparency, respect and idea sharing.

So, while stakeholder engagement within Nedbank Group may be decentralised and take many different forms, the ultimate aim is the same: to work with those who have an interest in the group's business to ensure sustainable performance and beneficial outcomes for all stakeholders.

Details of Nedbank Group's stakeholder engagement during 2010 can be found in the Sustainable Development Performance section of this report on page 96.



*Nedbank's stakeholders include shareholders, clients, communities, government, big and small business, regulators, media, unions and employees.*





# STRATEGIC FOCUS AREAS FOR 2011

## BECOME CLIENT-DRIVEN

The group will continue to become more competitive by putting the client at the centre of everything it does. It will refine its segmentation strategies and further develop and deliver differentiated offerings based on unique client value propositions.

Clients' experience with Nedbank Group will be enhanced through worldclass service, streamlined processes and investment in channels and footprint to enhance access and convenience.

The wholesale clusters will continue to work collaboratively to provide a seamless service for corporate clients. Nedbank Retail is focused on delivering a choice of positive, client-centred banking experiences through a new differentiated strategy that will effectively synthesise product, channel and client insights. This is to create opportunities for clients to enjoy enhanced capabilities in terms of managing their portfolio and for Nedbank Group to avoid duplicated administration.

## MANAGE FOR VALUE

Portfolio tilt highlights the fact that the group will continue to enhance the economics of businesses with a negative economic profit and, in particular, retail secured lending. Advances growth will be based on focusing on asset growth that leads to positive economic profit – not overall advances market share. The group will focus on growing its deposit franchise and exploit opportunities as they arise, including potential acquisitions.

## STEP CHANGE IN NON-INTEREST REVENUE GROWTH

Nedbank Group will continue to focus on gaining primary clients in all its businesses and improving cross-sell ratios and collaboration between frontline businesses. The group's journey of becoming the public sector bank of choice will be advanced, and unlocking the potential of the recent acquisitions (buyout of the Old Mutual joint ventures in 2009 and Imperial Bank in 2010) will remain focus areas. Innovation will continue to be a key enabler in growing non-interest revenue (NIR).

The medium- to long-term target to achieve a ratio of NIR to operating expenses of more than 85% will continue to drive these initiatives. The plan is to achieve this by 2013.

## MANAGE RISK AS AN ENabler

Nedbank Group will work towards further embedding the groupwide risk plan and worldclass practices, managing the business within its risk appetite parameters, managing advance impairments, focusing on collections and striving for credit loss ratios within the target ranges. Furthermore, it will implement the groupwide business intelligence thrust and data management strategy, which is aimed at enabling superior business intelligence to facilitate better decisionmaking that links into other strategic focus areas such as managing for value and managing risk.

## ENHANCE PRODUCTIVITY AND EXECUTION

Smart cost management across the bank will be maintained while investing for the future. The group will improve innovation and execution, streamline project prioritisation and delivery, and make it easier for its clients to do business. In addition, the group will look to rationalise, simplify and consolidate duplicated cross-organisational processes, systems and functions to unlock cost savings and efficiencies that will aid the funding of its systems upgrade plan to enhance client systems through an 'optimise to invest' programme.

## BUILD A UNIQUE CULTURE FOR COMPETITIVE ADVANTAGE

A differentiated corporate culture will build sustainable long-term competitive advantage and will help to attract and retain talented staff. The various management and leadership development programmes are key enablers. Nedbank Group's goal is to be the employer of choice, recognising that market competition for talent continues to increase. Continued focus remains on making Nedbank Group a great place to work and being able to attract, develop and retain the best people.

Part of this differentiated corporate culture is the acceleration of transformation and embracing diversity. Key focus areas of transformation are meeting our employment equity targets, while simultaneously evolving behaviours and culture.

## ACCELERATE TRANSFORMATION

Transformation remains a business imperative for sustainability in the SA context and will continue to provide business benefit in years to come. It also remains a core element of Nedbank Group's strategy. The group recognises that it needs to deliver on its stretch Department of Trade and Industry targets as it maintains a leading position in transformation. Transformation involves more than meeting numeric targets, and Nedbank Group embraces diversity in all aspects of its business to ensure Nedbank remains relevant in a transforming society.

## LEAD AS A GREEN AND CARING BANK

Nedbank Group will continue to embrace its role as a leading large corporate in the private sector to create a sustainable environment for all South Africans. It strives further to integrate sustainability issues throughout its own operations, while increasing its focus on socioeconomic development and environmental and social risk management. By entering into collaborative partnerships Nedbank Group intends extending its reach to make a real difference on both social and environmental fronts.



# KEY STRATEGIC OBJECTIVES FOR 2011 AND BEYOND

## STAFF

- Accelerate transformation to improve the overall transformation of the group, enhance the score on the Department of Trade and Industry (dti) Codes and maintain the status of being the most transformed bank in South Africa.
- Reduce staff turnover rates particularly pertaining to African, coloured, Indian and female staff. Staff turnover across all demographics to be less than the industry norm.
- Embed talent management, thereby enhancing the employment value proposition and raising the 'stay factor' in engagement.
- Ensure that employees learn and grow to enable superior service delivery to clients and facilitate career advancement.
- Reduce group entropy (energy wasted on unproductive activities) further and increase additional matches between current and ideal corporate culture values.
- Further embed, expand and develop an integrated culture.
- Review group values and associated behaviour to build a high-performing culture and support enablement of the group's strategy.
- Align total-reward strategy to support talent and transformation focus areas.
- Enable human resources capability and excellence, and deliver on the HR 2010 Programme.

## CLIENTS

- Transform retail banking to be more client-focused, become the leader in business banking and the public sector bank of choice, and maintain position as a top-two wholesale bank.
- Grow the group's primary-client base and transactional income streams.
- Continue to deliver distinctive client service to wholesale banking clients and rebuild the service experience within retail banking in accordance with client needs.
- Deliver on insurance, asset management and wealth management strategies.
- Deliver on strategies and synergies from the Imperial Bank acquisition.
- Selectively expand into Africa and leverage the Ecobank Nedbank Alliance.
- Continue building the Nedbank brand to be relevant for all banking clients in South Africa and Africa.

## SHAREHOLDER VALUE CREATION

- Manage the group prudently but profitably through continued economic uncertainty.
- Optimise the group portfolio through active portfolio management towards strategically important higher-economic-profit businesses:
  - Continue to focus on liability growth and innovation for the group's strong depositor franchise.
  - Focus on quality, appropriately priced loans, accounting for risk and increased cost of funding.
  - Fix the economics of negative-economic-profit businesses.
  - Grow non-interest revenue income streams, with a focus on transactional income.
  - Cross-sell into the existing client base.
  - Enhance productivity, efficiency and execution, and continue smart cost management.
  - Invest for the future on a sustainable basis.

## REGULATORS

- Continue with proactive engagement.
- Respond timeously to regulators' concerns and queries.
- Remain totally transparent to regulators.
- Maintain good relationships with all regulators.

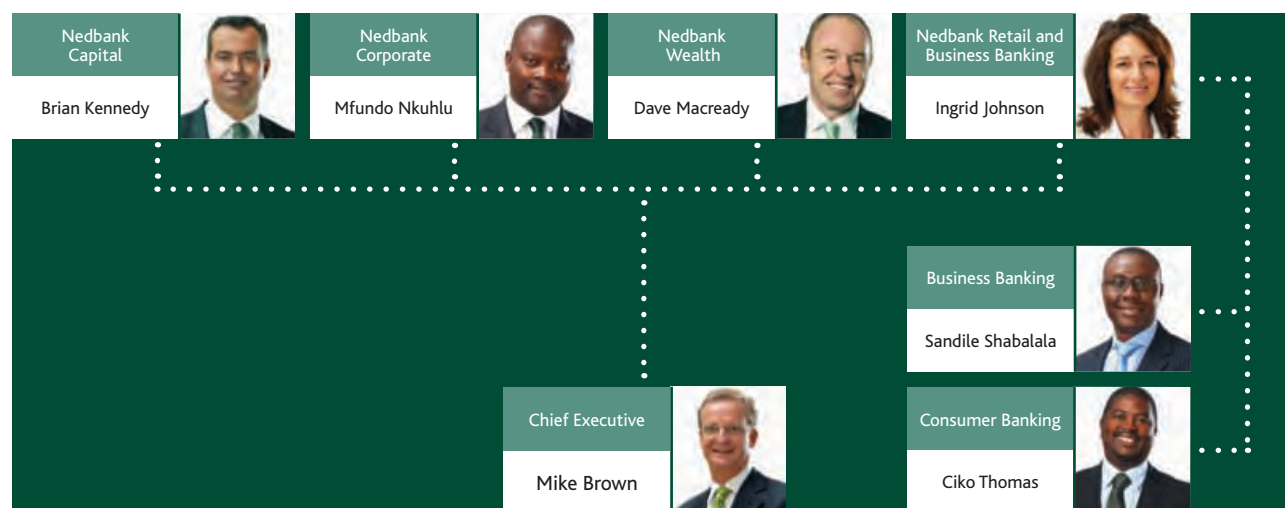
## COMMUNITIES

- Continue to lead as a corporate citizen in an effort to ensure that Nedbank Group remains South Africa's leading green and caring bank, thereby building a sustainable business that is relevant in South Africa.
- Continue with a step change focus to integrate sustainability initiatives and considerations more fully and holistically in all business activities, thereby maximising the synergies between economic, environmental, social and cultural sustainability.
- Continue with carbon awareness, measurement and reduction and maintain the group's carbon-neutral status as part of its climate change leadership journey.
- Address climate adaptation issues, taking water scarcity and quality considerations into account.
- Deliver on transformation targets (level 2 dti Codes) and become a truly SA bank.

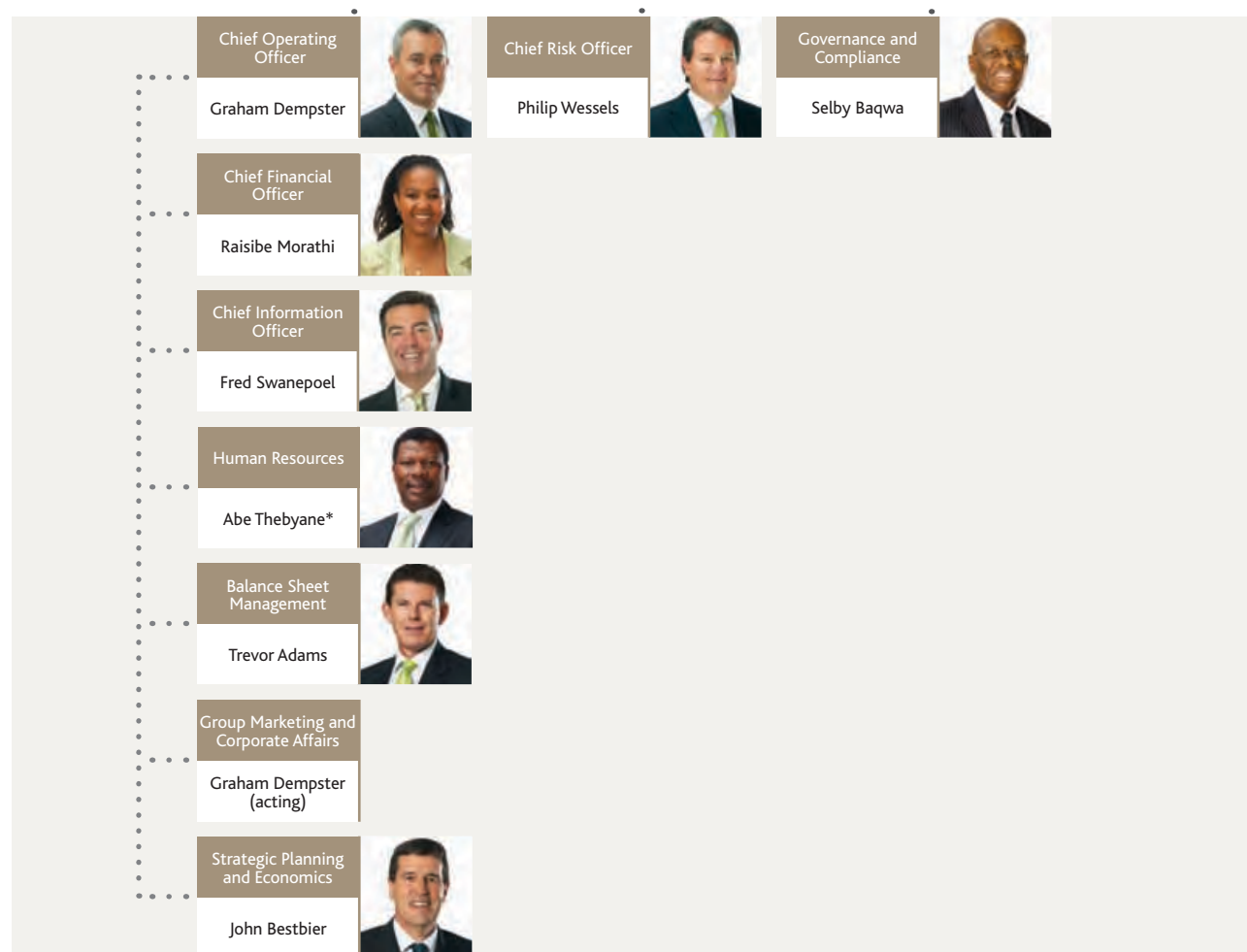


# GROUP EXECUTIVE COMMITTEE

## CLIENT-FACING CLUSTERS



## CENTRAL CLUSTERS

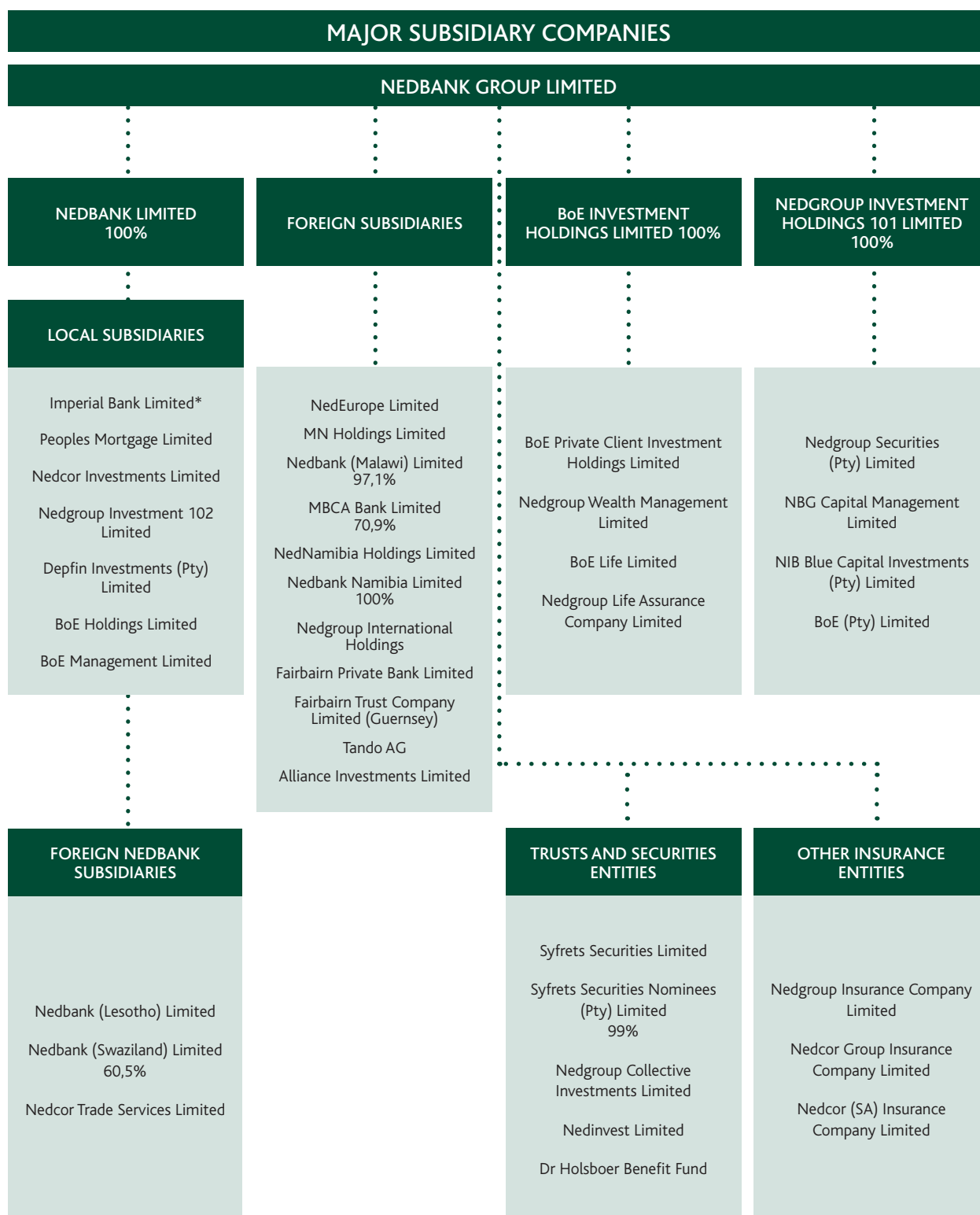


\* Appointed 1 February 2011.

Note: The Group Executive Committee's CVs are included on page 44.

# COMPANY STRUCTURE

AT 31 DECEMBER 2010



\* From 1 October 2010 the banking licence of Imperial Bank Limited was cancelled in terms of section 54 of the Banks Act and the company remains as a shelf company after the assets and liabilities were transferred to Nedbank Limited.

Note: All subsidiaries are wholly owned unless otherwise stated.

# BUSINESS PROFILE

NEDBANK CAPITAL			NEDBANK CORPORATE	
CONTRIBUTION TO GROUP EARNINGS	2010	2009	2010	2009
Headline earnings (Rm)	1 202	1 452	1 496	1 722
Economic profit	477	832	421	758
Total advances (Rbn)	62,3	55,3	157,7	146,0
Total assets (Rbn)	215,2	198,3	170,3	157,7
Credit loss ratio (%)	1,27	0,36	0,20	0,25
Return on equity (%)	23,5	31,0	19,7	23,7
Employees	699	695	3 611	3 822
KEY BRANDS	NEDBANK   CAPITAL		NEDBANK CORPORATE	
BUSINESS PROFILE	<p>Provides comprehensive investment banking solutions to institutional and corporate clients. Has offices in South Africa and London and a representative office in Angola.</p> <p>The cluster comprises:</p> <ul style="list-style-type: none"> <li>• Investment Banking.</li> <li>• Global Markets.</li> <li>• Treasury.</li> </ul>		<p>Provides full-service corporate banking to large corporates with an annual turnover in excess of R400 million, including commercial, industrial, retail and residential property finance solutions, and Nedbank Africa, comprising operations servicing both retail and corporate market segments in Lesotho, Malawi, Namibia, Swaziland and Zimbabwe.</p> <p>The cluster comprises:</p> <ul style="list-style-type: none"> <li>• Corporate Banking.</li> <li>• Property Finance.</li> <li>• Nedbank Africa.</li> <li>• Transactional Banking.</li> <li>• Corporate Shared Services.</li> </ul>	
REVIEW OF 2010	<ul style="list-style-type: none"> <li>• Managed the financial crisis well.</li> <li>• Lending and investment criteria and cost management remained prudent.</li> <li>• Portfolio effect of multiple businesses maintained through the crisis.</li> <li>• Implemented Wallstreet system.</li> </ul>		<ul style="list-style-type: none"> <li>• Business showed resilience by achieving good results with improvement in the core financial metrics.</li> <li>• Managing for value and selective lending principles were adopted by all client-facing businesses within the extremely challenging business environment.</li> <li>• Impairments were well managed in a difficult environment.</li> <li>• Grew non-interest revenue (NIR) through gaining 20 large primary clients.</li> <li>• Commenced with client migration onto the enhanced electronic transactional banking platform.</li> <li>• Successfully effected management and leadership team transition.</li> <li>• Enhanced traction on public sector business.</li> <li>• Successfully achieved all Financial Sector Charter objectives with particular focus on affordable housing.</li> <li>• Integrated Imperial Bank Property Finance Division into Nedbank.</li> </ul>	

## OVERVIEW

GROUP  
REPORTSOPERATIONAL  
OVERVIEWSUSTAINABLE  
DEVELOPMENT  
PERFORMANCERISK, GOVERNANCE  
AND COMPLIANCE

## NEDBANK BUSINESS BANKING

## NEDBANK RETAIL

## NEDBANK WEALTH

2010

2009

2010

2009

2010

2009

825

1 121

760

(27)

592

502

382

563

(1 583)

(2 217)

388

339

50,8

50,1

187,3

179,9

16,9

19,1

79,8

80,3

193,4

186,0

33,9

33,9

0,40

0,52

2,67

3,17

0,15

0,47

26,4

26,6

4,6

(0,2)

41,0

40,9

2 390

2 229

15 473

15 140

1 896

1 762



NEDBANK



NEDBANK

NEDBANK  
WEALTH

Provides commercial banking solutions to small- to medium-sized businesses with an annual turnover of between R7,5 million and R400 million.

The cluster comprises:

- Four geographically decentralised client-facing business units.
- A strategic business unit, including Specialised Finance, Debtor Management and Client Value Propositions.
- Specialist services, including Investment Management, Transactional Banking Sales, Finance and Business Intelligence/Client Value Management.

Serves the financial needs of individuals and small businesses with up to R7,5 million in annual turnover. Provides transactional, card, lending and investment products and services. The Nedbank Retail Cluster also services merchants and large corporates in respect of card-acquiring services.

The cluster comprises:

- Secured Lending, including mortgages and motor finance.
- Retail Relationship Banking, which combines private banking and small-business services and offers products in a client-centric value proposition.
- Consumer Banking, which consists of channels, personal loans, deposits, transactional banking, client value management and mass tailored offerings based on client insights.
- Card Issuing and Acquiring.

Comprises three divisions, namely Insurance, Asset Management and Wealth Management, with offices in South Africa and London and on the Isle of Man, Jersey and Guernsey.

The cluster comprises:

- Insurance includes short-term insurance, life insurance and insurance broking.
- Asset Management offers a range of local and international 'best of breed' unit trusts, private client asset management and multimanagerment solutions.
- Wealth Management includes private banking and fiduciary services locally and internationally as well as stockbroking and financial planning.

- Established risk management practices ensured credit loss ratio was maintained within target range for six successive years, despite tough economic environment.
- R1,1 billion in capital freed up as a result of good risk practices leading to model and data refinements.
- Step change introduced in new client acquisition and cross-sell, given central oversight and regional focus on execution.
- Client-centric, relationship-based approach became a differentiator.
- Client management capabilities rated highest ever globally for fully business-to-business company.
- Retained high staff satisfaction levels and saw further improvement in strong organisational culture.
- Talent academy launched to build annual pipeline of sales and credit staff.
- Internal campaigns launched to create greater service awareness and ownership.

- Continued to focus on becoming a bank for all in South Africa.
- Rebuilt and strengthened the Retail executive team.
- Integrated Imperial Bank in a business-led, people-centred way (market share continued to increase to make Nedbank second largest in retail motor finance).
- Successfully launched M-PESA, a mobile money offering, in partnership with Vodacom.
- Strong collections focus continued to address the impairment challenges in home loans.
- Good outperformance experienced from personal loans and card through the cycle.
- Inculcated strategic risk management practices to optimise returns in the medium term within desired target risk appetite.

- Reorganised the structure of Nedbank Wealth to achieve greater client centricity.
- Recorded strong NIR growth and contribution to the group.
- Launched 360life underwritten life insurance supported by a wellness programme called *become*.
- Strong growth experienced in annual premium equivalent and value of new business.
- Expanded the insurance product range.
- Invested in technology and innovation.
- Integrated four segmented asset management operations.
- Delivered strong growth in local assets under management and improved flows from the launch of Best of Breed internationally.
- Reached alignment between BoE Private Clients and Fairbairn Private Bank in the process of building a single high-net-worth wealth management business.
- BoE Philanthropy team shortlisted for the STEP awards held in the United Kingdom.
- Fairbairn Private Bank maintained its independent credit rating at A3/P-2.
- Advice-based sales grew strongly – up 13,9% on 2009 in Financial Planning.
- Integrated the International Trust operations.
- Launched the Qualifying Recognised Overseas Pension Fund offering in Trust International.



	NEDBANK CAPITAL	NEDBANK CORPORATE
<b>KEY CHALLENGES IN 2010</b>	<ul style="list-style-type: none"> <li>• Deal flow slowed and more active origination required.</li> <li>• Retention of income-generating professionals.</li> <li>• High impairment levels on shareholder loans in private equity portfolio.</li> </ul>	<ul style="list-style-type: none"> <li>• Unique and challenging 2010 business environment spawned by the global financial and economic crisis.</li> <li>• Local recessionary environment impacting negatively on client business activities.</li> </ul>
<b>LOOKING AHEAD TO 2011</b>	<ul style="list-style-type: none"> <li>• Expectation of some local economic recovery.</li> <li>• Expectation of easing volatility in markets.</li> <li>• Focus on clients and client relationship management.</li> <li>• Greater focus on selected sectors.</li> </ul>	<ul style="list-style-type: none"> <li>• Continued challenging environment with modest advances growth.</li> <li>• Continued pressure on property-related returns.</li> <li>• Slowing government infrastructure programme rollout driven by lower revenue collection and high deficit levels.</li> <li>• Full rollout of transactional banking platforms to Corporate client base.</li> </ul>



## OVERVIEW

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## BUSINESS PROFILE

## NEDBANK BUSINESS BANKING

## NEDBANK RETAIL

## NEDBANK WEALTH

<ul style="list-style-type: none"> <li>• Economic recovery remaining slower than expected.</li> <li>• Companies remaining cautious with respect to expansions.</li> <li>• Number of liquidations indicating there is still significant stress in the system.</li> <li>• Earnings cyclical due to high current account liability balances.</li> <li>• Significant endowment-related interest rate risk.</li> </ul>	<ul style="list-style-type: none"> <li>• Continued high consumer indebtedness and slow property market.</li> <li>• Debt counselling process still an industry concern despite improvements.</li> <li>• Rebuilding the client base, and being relevant through their life stages will take many years given past strategic choices.</li> <li>• Poor risk, mispriced 07/08 vintages influencing future home loan impairments (&gt;50%).</li> </ul>	<ul style="list-style-type: none"> <li>• Impact of the new home loans strategy on insurance income.</li> <li>• Negative interest income effects of prolonged low UK and SA interest rates.</li> <li>• Strengthening of the SA rand.</li> <li>• Lower stockbroking volumes.</li> <li>• Restructuring of the international asset management operation away from hedge fund of funds to long-only best of breed.</li> <li>• Impact of UK austerity measures.</li> </ul>
<ul style="list-style-type: none"> <li>• Fragile economic recovery impacting on client demand, and 35-year low interest rates keeping 2011 earnings under pressure.</li> <li>• Continued focus on acquisition of primary-banked clients, building on the momentum created in 2010.</li> <li>• Cross-sell of card acquiring and servicing of business owner and employees on an integrated basis.</li> <li>• Enhancing central client analytics and client relationship management capabilities to drive sales force effectiveness.</li> <li>• Building a culture of innovation.</li> <li>• Enhanced collaboration.</li> </ul>	<ul style="list-style-type: none"> <li>• Consumer indebtedness remaining high and economic recovery fragile, causing defaulted clients to take longer to cure.</li> <li>• Impairments remaining well above the preferred risk appetite and proposed new target ranges taking time to deliver.</li> <li>• Continuing emphasis on risk management improvement, with collections requiring a client view.</li> <li>• Cohesive execution of the 12 step change initiatives underpinning the new Retail strategy for a sustainable turnaround.</li> </ul>	<p>Cluster performance will remain subject to exchange rate volatility, interest rate and stock market movements as well as credit extension within the retail sector.</p> <p>Prospects for 2011 include:</p> <ul style="list-style-type: none"> <li>• Reduction in home loans on the back of the new home loans strategy, which could impact on short-term insurance earnings.</li> <li>• Decreasing policy lapse rates.</li> <li>• Improving affordability as financial pressure on consumers eases.</li> <li>• Normalised stockbroking volumes and moderate growth on JSE Limited.</li> <li>• Negative impact of UK austerity programme.</li> <li>• Prolonged low interest rates in both SA and the UK continuing to impact earnings negatively.</li> </ul>

# OPERATIONAL STATISTICS

## NEDBANK RETAIL

Classification of clients	Number of clients	Number of internet banking clients	Number of branches	Nedbank in retailers	Private bank suites	Roving sales
<b>2010</b>	<b>4 832 306</b>	<b>498 006</b>	<b>452</b>	<b>144</b>	<b>18</b>	<b>71</b>
<b>2009</b>	4 166 104 <sup>+</sup>	439 609	438	75	18	72
	Number of personal loans kiosks	Number of personal loans branches	POS devices* enabled for cashback	Number of ATMs	Number of SSTs**	Number of permanent employees
<b>2010</b>	<b>320</b>	<b>43</b>	<b>6 419</b>	<b>2 283</b>	<b>384</b>	<b>15 473</b>
<b>2009</b>	250	30	3 027	1 874	379	15 140

## NEDBANK CORPORATE

Classification of clients	Number of clients	Number of electronic banking clients/ profiles	Number of ATMs Africa	Number of locations/ branches	Number of permanent employees
<b>2010</b>					
Corporate Banking (turnover > R400m)	546	2 224		5	278
Property Finance	5 212			7	450
Africa	219 942	18 880	83	46	1 404
Other					1 479
<b>Total</b>	<b>225 700</b>	<b>21 104</b>	<b>83</b>	<b>58</b>	<b>3 611</b>
<b>2009</b>					
Corporate Banking (turnover > R400m)	526	2 791		5	294
Property Finance	5 983			7	537
Africa	192 097	16 500	74	47	1 443
Other					1 548
<b>Total</b>	<b>198 606</b>	<b>19 291</b>	<b>74</b>	<b>59</b>	<b>3 822</b>

## NEDBANK BUSINESS BANKING

Classification of clients	Number of clients***	Number of electronic banking clients/ profiles	Number of locations****	Number of permanent employees
<b>2010</b>	<b>21 842</b>	<b>18 950</b>	<b>63</b>	<b>2 390</b>
<b>2009</b>	22 657	19 056	67	2 229

<sup>+</sup> Restated.

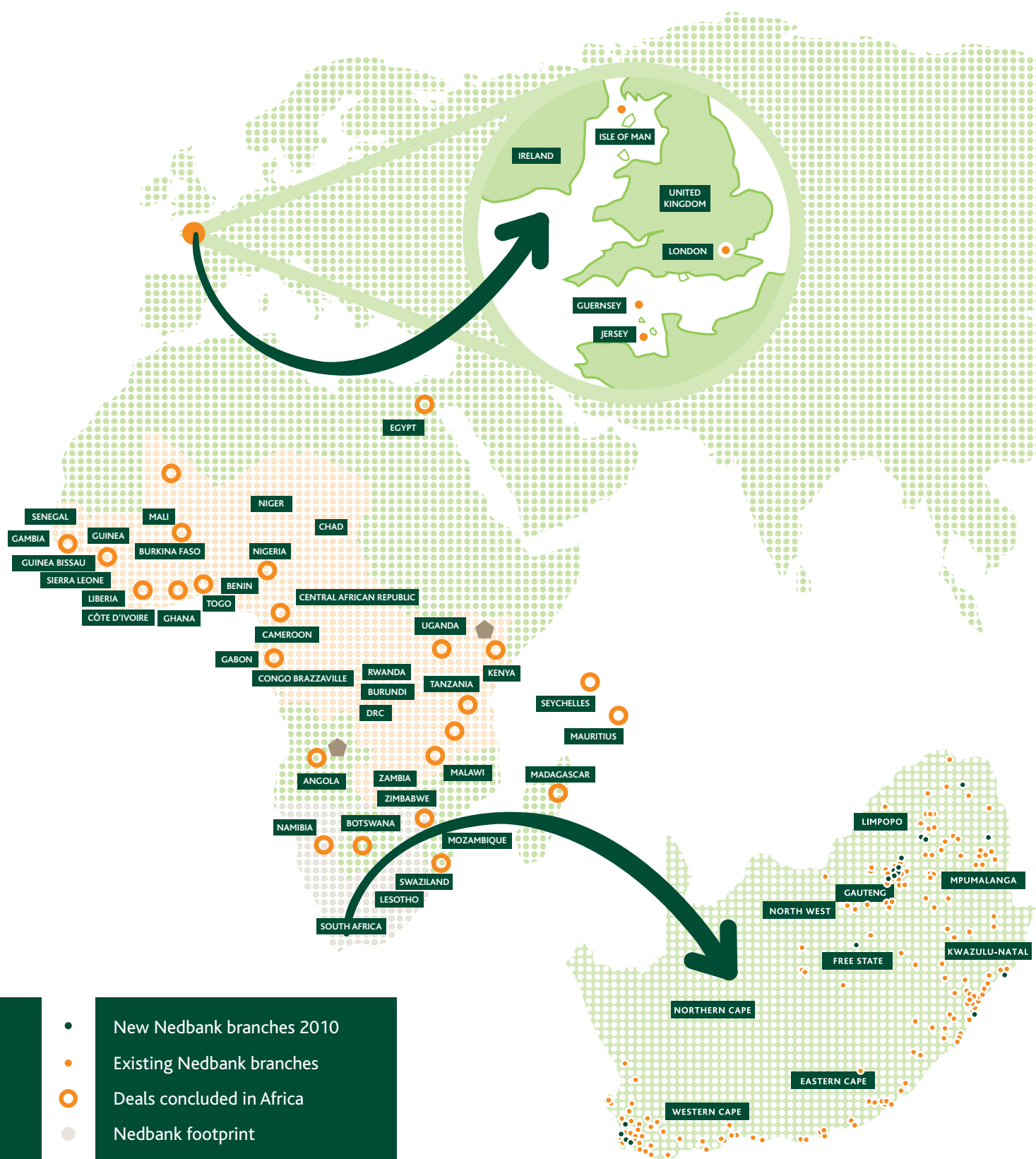
\* Point-of-sale devices.

\*\* Self-service terminals.

\*\*\* Based on number of client risk groups.

\*\*\*\* 2010 locations were restated to reflect locations with permanent presence only. Clients in various other locations are serviced by roaming teams.

# OPERATIONAL FOOTPRINT





# NEDBANK GROUP LIMITED SEVEN-YEAR ECONOMIC, ENVIRONMENTAL, SOCIAL AND CULTURAL REVIEW – STATISTICS AND RATIOS

			Six-year CAGR* %						
SHARE STATISTICS			2010	2009	2008	2007	2006	2005	2004
ECONOMIC									
Earnings per share									
Headline	cents	14, 8	1 104	1 010	1 422	1 485	1 110	797	483
Diluted headline	cents	14,2	1 069	983	1 401	1 429	1 076	791	482
Basic	cents	17,0	1 084	1 140	1 581	1 511	1 135	966	423
Diluted basic	cents	16,4	1 050	1 109	1 558	1 454	1 099	958	422
Dividends/Distributions									
Declared per share	cents	26,0	480	440	620	660	493	290	120
Paid/capitalised per share	cents	33,2	442	520	660	594	394	181	79
Dividend/Distribution cover		(8,8)	2,30	2,30	2,29	2,25	2,25	2,75	4,00
Net asset value per share	cents	15,3	9 831	9 100	8 522	7 513	6 363	5 597	4 654
Tangible net asset value per share	cents	15,9	8 160	7 398	7 179	6 207	5 106	4 351	3 361
Shares									
Gross number in issue	m		515	499	469	459	451	443	394
Treasury shares	m		(66)	(63)	(59)	(57)	(56)	(41)	##
Net number in issue	m		449	436	410	402	395	402	394
Weighted average number	m		444	423	405	399	400	397	361
Fully diluted weighted average	m		458	435	412	414	412	400	362
SHARE PRICE AND RELATED STATISTICS									
ECONOMIC									
Nedbank Group traded price									
Closing	cents		13 035	12 405	9 550	13 600	13 350	10 000	7 780
High	cents		15 000	12 900	13 975	15 810	13 950	10 280	7 999
Low	cents		11 725	6 492	7 498	12 325	9 790	6 700	5 240
JSE Banks Index – closing			40 985	36 675	30 566	35 876	36 121	29 234	22 975
JSE All-share Index – closing			32 119	27 666	21 509	28 958	24 915	18 097	12 657
Market capitalisation	Rbn		67,1	61,9	44,8	62,5	60,2	44,3	30,7
Number of shares traded	m		265,2	272,7	305,4	232,2	191,7	168,1	245,8
Number traded to weighted average number of shares	%		59,7	64,5	75,4	58,2	48,0	42,3	68,1
Value of shares traded	Rm		35 379	27 512	31 237	31 954	22 219	13 709	15 345
Value traded to market capitalisation	%		52,7	44,5	69,8	51,1	36,9	31,0	50,0
Price/Earnings ratio	historical		12	12	7	9	12	13	16
Price to book	times		1,3	1,4	1,1	1,8	2,1	1,8	1,7
Dividend yield	%		3,7	3,5	6,5	4,9	3,7	2,9	1,5
Earnings yield	%		8,5	8,1	14,9	10,9	8,3	8,0	6,2
Closing price/Tangible net asset value	times		1,6	1,7	1,3	2,2	2,6	2,3	2,3
PERFORMANCE RATIOS									
ECONOMIC									
Net interest income to interest-earning banking assets	%		3,35	3,39	3,66	3,94	3,94	3,55	3,18
Non-interest revenue to total income	%		44,3	42,2	39,9	42,5	46,3	49,8	53,1
Credit loss ratio – banking advances**	%		1,36	1,52	1,17	0,62	0,52	0,49	0,55
Non-interest revenue to total operating expenses	%		79,6	78,8	78,1	77,4	79,7	76,9	74,0
Efficiency ratio									
Including black economic empowerment (BEE) transaction expense**	%		55,7	53,5	51,1	54,9	58,2	64,8	71,8
Excluding BEE transaction expense**	%		55,2	53,1	50,4	54,2	57,5	62,5	71,8
Expenses to average assets	%		2,81	2,65	2,60	2,95	3,06	3,24	3,41
Effective taxation rate	%		20,7	20,2	21,6	26,3	27,8	23,4	24,2
Return on total assets**	%		0,82	0,76	1,09	1,30	1,14	0,93	0,54
Return on risk-weighted assets	%		1,51	1,31	1,62	1,76	1,60	1,40	0,82
Return on equity (excluding goodwill)**	%		13,4	13,4	20,1	24,8	22,1	18,9	14,4
Return on equity**	%		11,8	11,8	17,7	21,4	18,6	15,5	11,0



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			Six-year CAGR* %	2010	2009	2008	2007	2006	2005	2004
<b>ASSETS AND RELATED RATIOS</b>										
<b>ECONOMIC</b>										
Advances										
Performing advances	Rm	13,1		459 734	433 054	424 791	370 125	306 004	249 318	220 202
Defaulted/Impaired loans and advances***	Rm			26 765	27 045	17 301	9 909	7 743	4 304	7 490
Gross advances	Rm	13,5		486 499	460 099	442 092	380 034	313 747	253 622	227 692
Impairment of advances	Rm			(11 226)	(9 798)	(7 859)	(6 078)	(5 184)	(5 214)	(6 684)
Net advances	Rm			475 273	450 301	434 233	373 956	308 563	248 408	221 008
Non-performing assets to gross advances	%			5,5	5,9	3,9	2,6	2,5	1,7	3,3
Impairment of advances to gross advances	%			2,3	2,1	1,8	1,6	1,7	2,1	2,9
Assets										
Total assets on statement of financial position	Rm	10,9		608 718	570 703	567 023	488 856	424 912	352 258	327 840
Assets under management†	Rm			102 570	87 204	84 381	85 438	86 212	63 925	60 369
Total assets administered by the group	Rm	10,6		711 288	657 907	651 404	574 294	511 124	416 183	388 209
<b>CAPITAL AND RELATED RATIOS</b>										
<b>ECONOMIC</b>										
Total equity attributable to equity holders of the parent	Rm	15,7		44 101	39 649	34 913	30 193	25 116	22 490	18 337
Regulatory capital****										
Tier 1	Rm			36 861	36 627	33 967	26 611	22 932	21 151	17 274
Total qualifying capital	Rm			47 372	47 538	44 120	37 421	32 683	29 099	25 663
Risk-weighted assets****	Rm			323 437	326 466	355 235	334 876	276 914	225 756	212 459
Group capital adequacy ratio****										
Core Tier 1	%			10,1	9,9	8,2	7,2			
Tier 1	%			11,7	11,5	9,6	8,2	8,3	9,4	8,1
Total	%			15,0	14,9	12,4	11,4	11,8	12,9	12,1
<b>ENVIRONMENTAL</b>										
Electricity consumption**	kWh			83 341 027	95 546 670	98 710 927	100 580 577			
Water consumption**	kl			263 876	276 481*	373 935	445 459			
Waste reduction: Landfill**	tonnes			497	552	674	774			
Total recycled materials**	tonnes			500	455	419	396			
Paper consumption***	tonnes			1 917	1 932	1 928	2 019			
Total carbon emissions	tonnes			213 428	213 081	135 469	129 946			
<b>SOCIAL</b>										
Corporate social investment (CSI) spend	Rm			70,2	68,3	38,0	37,1	36,2	40,5	
Socioeconomic development spend	Rm			79,9	72,6	66,9	45,3			
Overall BEE spend ratio	%			85,1	83,4	62,0	48,1	46,0	34,9	
<b>CULTURAL</b>										
Number of employees				27 525	27 037	27 570	26 522	24 034	22 188	21 103
Revenue per employee	R'000			859	798	801	846	788	713	665
Expenses per employee	R'000			603	558	498	509	495	497	518
Headline earnings per employee	R'000			178	158	209	223	185	143	83
Training and skills development spend	% of payroll			3,6	4,3	4,1	2,0	2,7	2,3	
Compliance to Occupational Health and Safety (OHS) Programme	%			Above 95	Above 95	93,6	91,2	94,3	Above 95	

Refer to page 417 for definitions of terms used.

\* Compound annual growth rate.

\*\* 2010 and 2009 are calculated using a daily-average denominator. 2008 and prior are calculated using a simple-average denominator.

\*\*\* The amounts for 2007 to 2010 represent defaulted advances, while those for 2004 to 2006 represent impaired advances.

\*\*\*\* Ratios and balances for 2007 to 2010 were calculated according to Basel II principles, while ratios and balances for prior years were calculated according to Basel I principles.

† Restated for 2009 and 2008.

\*\* Campus sites only.

\*\*\* Previously reported only campus site usage. Reporting now includes total consumption across the group. 2010 number also includes Imperial staffmembers.

\* 2009 figure was 310 210 kl. This has been restated to remove the water used during the construction of the Phase 2 building.

\*\* Less than R1 million.

# NEDBANK GROUP LIMITED SEVEN-YEAR FINANCIAL REVIEW – STATEMENT OF COMPREHENSIVE INCOME

Rm	Six-year CAGR* %	2010	2009	2008	2007	2006	2005	2004
Interest and similar income	11,7	44 377	50 537	57 986	42 001	28 521	23 234	22 789
Interest expense and similar charges	10,0	27 769	34 231	41 816	27 855	17 558	14 705	15 644
<b>Net interest income</b>	15,1	16 608	16 306	16 170	14 146	10 963	8 529	7 145
Impairments charge on loans and advances	31,1	6 188	6 634	4 822	2 164	1 483	1 189	1 217
<b>Income from lending activities</b>	9,9	10 420	9 672	11 348	11 982	9 480	7 340	5 928
Non-interest revenue	8,5	13 215	11 906	10 729	10 446	9 468	8 469	8 099
<b>Operating income</b>	9,1	23 635	21 578	22 077	22 428	18 948	15 809	14 027
<b>Total operating expenses</b>	7,2	16 598	15 100	13 741	13 489	11 886	11 017	10 939
Operating expenses	8,1	16 450	14 974	13 547	13 341	11 740	10 469	10 314
Merger and recovery programme expenses							155	625
Black economic empowerment transaction expenses		148	126	194	148	146	393	
Indirect taxation	(0,8)	447	438	374	305	345	223	470
<b>Profit from operations before non-trading and capital items</b>	16,6	6 590	6 040	7 962	8 634	6 717	4 569	2 618
Non-trading and capital items		(91)	624	756	111	124	701	(254)
<b>Profit from operations</b>	18,4	6 499	6 664	8 718	8 745	6 841	5 270	2 364
Share of profits of associates and joint ventures	(56,5)	1	55	154	239	153	167	147
<b>Profit before direct taxation</b>	17,2	6 500	6 719	8 872	8 984	6 994	5 437	2 511
Direct taxation	13,8	1 364	1 307	1 868	2 343	1 933	1 140	629
<b>Profit for the year</b>	18,2	5 136	5 412	7 004	6 641	5 061	4 297	1 882
<b>Profit attributable to:</b>								
Equity holders of the parent	21,1	4 811	4 826	6 410	6 025	4 533	3 836	1 528
Non-controlling interest – ordinary shareholders	(11,8)	59	242	257	344	309	233	125
– preference shareholders	2,5	266	344	337	272	219	228	229
	18,2	5 136	5 412	7 004	6 641	5 061	4 297	1 882
<b>Headline earnings</b>	18,8	4 900	4 277	5 765	5 921	4 435	3 167	1 743

\* Compound annual growth rate.

# NEDBANK GROUP LIMITED SEVEN-YEAR FINANCIAL REVIEW – STATEMENT OF FINANCIAL POSITION

Rm	Six-year CAGR* %	2010	2009	2008	2007	2006	2005	2004
<b>ASSETS</b>								
Cash and cash equivalents	11,0	8 650	7 867	8 609	10 344	12 267	11 142	4 630
Other short-term securities	8,8	27 044	18 550	18 589	25 793	25 756	17 014	16 310
Derivative financial instruments	(10,6)	13 882	12 710	22 321	9 047	15 273	16 176	27 276
Government and other securities	3,3	31 824	35 983	42 138	29 637	22 196	22 658	26 224
Loans and advances	13,6	475 273	450 301	434 233	373 956	308 563	248 408	221 008
Other assets	5,9	10 014	5 455	6 084	9 313	12 468	11 601	7 101
Clients' indebtedness for acceptances	4,4	1 953	2 031	3 024	2 251	2 577	1 291	1 509
Current taxation receivable	16,2	483	602	346	59	161	134	196
Investment securities	10,5	11 918	11 025	8 455	8 318	7 155	6 875	6 561
Non-current assets held for sale	(31,4)	5	12	10	31	490	385	48
Investments in associate companies and joint ventures	(1,4)	936	924	1 167	978	907	657	1 019
Deferred taxation asset	(22,0)	284	282	200	25	120	680	1 258
Investment property	2,3	199	211	213	171	158	163	174
Property and equipment	12,1	5 612	4 967	4 327	3 929	3 377	3 095	2 828
Long-term employee benefit assets	9,6	2 052	1 860	1 741	1 393	1 444	1 225	1 183
Mandatory reserve deposits with central bank	12,7	11 095	10 508	10 065	8 364	7 039	5 747	5 420
Intangible assets	6,6	7 494	7 415	5 501	5 247	4 961	5 007	5 095
<b>Total assets</b>	10,9	<b>608 718</b>	570 703	567 023	488 856	424 912	352 258	327 840
<b>EQUITY AND LIABILITIES</b>								
Ordinary share capital	2,2	449	436	410	402	395	402	394
Ordinary share premium	7,8	15 522	13 728	11 370	10 721	9 727	10 465	9 892
Reserves	23,2	28 130	25 485	23 133	19 070	14 994	11 623	8 051
<b>Total equity attributable to equity holders of the parent</b>	15,7	<b>44 101</b>	39 649	34 913	30 193	25 116	22 490	18 337
Non-controlling interest attributable to:								
– ordinary shareholders	(22,0)	153	1 849	1 881	1 511	1 202	1 049	680
– preference shareholders	4,3	3 560	3 486	3 279	3 421	3 070	2 770	2 770
<b>Total equity</b>	14,0	<b>47 814</b>	44 984	40 073	35 125	29 388	26 309	21 787
Derivative financial instruments	(13,0)	12 052	11 551	23 737	11 432	12 904	17 055	27 781
Amounts owed to depositors	11,8	490 440	469 355	466 890	384 541	324 685	261 311	250 747
Provisions and other liabilities	5,6	18 245	11 252	9 829	34 225	37 847	32 357	13 153
Liabilities under acceptances	4,4	1 953	2 031	3 024	2 251	2 577	1 291	1 509
Current taxation liabilities	(0,2)	191	315	235	337	434	466	193
Other liabilities held for sale						417		
Deferred taxation liabilities	7,9	1 804	1 945	2 100	1 616	1 649	959	1 143
Long-term employee benefit liabilities	4,1	1 414	1 304	1 231	1 157	1 215	1 071	1 109
Investment contract liabilities	15,3	7 309	6 749	5 843	5 846	5 278	4 166	3 109
Insurance contract liabilities		1 392	1 133					
Long-term debt instruments	23,6	26 104	20 084	14 061	12 326	8 518	7 273	7 309
<b>Total liabilities</b>	10,6	<b>560 904</b>	525 719	526 950	453 731	395 524	325 949	306 053
<b>Total equity and liabilities</b>	10,9	<b>608 718</b>	570 703	567 023	488 856	424 912	352 258	327 840
<b>Guarantees on behalf of clients</b>	18,4	<b>29 614</b>	28 161	25 226	20 579	15 250	11 064	10 770

\* Compound annual growth rate.



## ECONOMIC REVIEW

THE ECONOMIC RECOVERY GATHERED PACE IN 2010, HELPED BY THE INJECTION PROVIDED BY THE HOSTING OF THE 2010 FIFA WORLD CUP, LOW INTEREST RATES AND BETTER PERFORMANCE BY KEY TRADING PARTNERS. EXTRAORDINARILY LOW INTEREST RATES AND LIQUIDITY PROVISION BY CENTRAL BANKS IN MAJOR ECONOMIES LED TO SIGNIFICANT CAPITAL INFLOWS ON THE BALANCE OF PAYMENTS, BOOSTING EQUITY PRICES AND PUSHING SHORT- AND LONG-TERM INTEREST RATES DOWN.

The production side of the economy bounced back strongly after the massive contractions experienced in 2009. However, a strong rand and structural issues in certain industries restricted improvements, with momentum slowing in the second half of the year.

### International overview

The global economic climate improved in 2010, with growth in both the emerging and the developed world surprising on the upside. Chinese economic strength helped demand for commodities and capital goods, shoring up growth in other emerging economies as well as in key industrialised countries. The main contribution from developed economies was the provision of liquidity and low interest rates. This provided plentiful and cheap capital to more quickly growing economies and pushed up asset prices. However, poor employment growth for this stage of the cycle, weak credit growth and fiscal troubles in peripheral Europe and elsewhere suggested that underlying problems remain in developed countries. In contrast, in many emerging economies credit and asset bubbles as well as inflationary fears started to emerge.

### Local overview

The effects of these international developments on South Africa were mixed. Exports were helped by improved demand and rising prices, leading to a significant narrowing in the current account of the balance of payments. Capital inflows accelerated, with foreign purchases of securities rising to record levels. This strengthened the rand to three-year highs and helped push inflation into the lower end of the South African Reserve Bank's 3% to 6% target range. Interest rates therefore declined, with prime falling to a 36-year low of 9%. Unfortunately, the firmer currency also put pressure on more marginal producers, particularly in import-replacing sectors.

Sufficient spare capacity and uncertainty over the strength and sustainability of the local and global upswings kept spending and future plans in check in the private sector.



Debate on environmental issues intensified during the year, with looming energy shortfalls and concerns over deteriorating water quality and supply underlying the need for increased and appropriate spending on infrastructure as well as more responsible usage. South Africa is hosting the United Nations COP-17 (Conference of the Parties) on climate change this year, which will increase the local focus on the nature of growth and its sustainability over the medium to long term.

### Banking sector overview

The macroconditions for the banking sector improved. Insolvencies started easing in the second half of 2009 and this trend intensified in 2010. In contrast, liquidations peaked in mid-2010 only. Impairments typically respond with a lag to these indicators and official statistics suggest that, at the aggregate level, modest improvements started towards the middle of 2010. Credit extension also began recovering in the early part of the year after contracting in 2009. However, by year-end the rise was still muted despite low interest rates and improving spending patterns. Increased regulatory requirements and policy uncertainty, the recent negative default history in certain categories of loans and still highly indebted households all contributed to the sub-par patterns.

### Outlook

The economic upswing should strengthen in 2011 as the effect of improving global demand, low interest rates and better confidence feeds into consumer spending and capital formation. However, South Africa is a small, open economy and much will depend on whether the world can avoid further dislocation in financial markets and whether growth will settle into a more normal pattern.

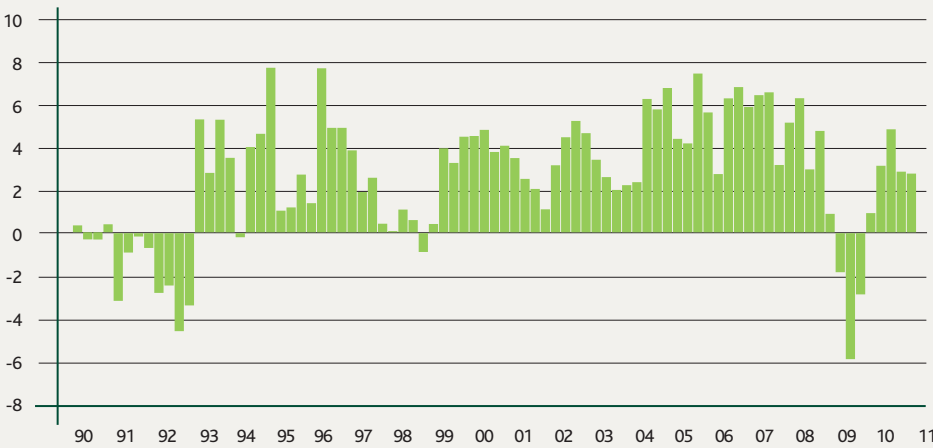
The key dangers are that fiscal consolidation in the developed world proves too contractionary, rising commodity prices hurt consumers and trigger aggressive monetary tightening, and that asset and credit bubbles in key emerging markets implode as liquidity is withdrawn.

Locally, improvements in infrastructure provision and a more conducive regulatory and policy environment would help to reduce the medium-term constraints on economic growth.



Domestic spending trends diverged in 2010. Consumer spending strengthened as above-inflation wage increases, attractive prices and lower debt service costs improved the purchasing power of households. However, employment only started to recover late in the year, making this recovery less broad-based, with spending on durable and semi-durables outpacing that on services and non-durables. In contrast, fixed investment spending continued to contract despite a flurry of activity ahead of the 2010 FIFA World Cup and continued expansion in the energy and transport sectors.

GDP+: QUARTER-ON-QUARTER % CHANGE (SEASONALLY ADJUSTED ANNUAL RATE)



\* Gross domestic product.

INSOLVENCIES: THREE-MONTH MOVING AVERAGE

