CONTENTS

DIRECTORS' RESPONSIBILITY

FOR THE YEAR ENDED 31 DECEMBER

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 statements of financial position at 31 December 2010; the statements of comprehensive income; the statements of changes in equity and statements of cashflows for the year then ended; the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes; and the directors' report in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the AC 500 standards as issued by the Accounting Practices Board, and the requirements of the South African Companies Act, 1973, as amended.

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

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

The directors have made an assessment of the group's 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 2011 and are signed on its behalf by:

Dr RJ Khoza
Chairman

MWT Brown
Chief Executive

Sandown
25 February 2011

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 all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

GS Nienaber
Company Secretary

Sandown
25 February 2011

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NEDBANK GROUP LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying group annual financial statements and annual financial statements of Nedbank Group Limited, which comprise the directors' report, the consolidated and separate statements of financial position as at 31 December 2010, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and consolidated and separate statements of cashflows for the year then ended, a summary of significant accounting policies and other explanatory notes, and the Remuneration Report as set out on pages 220 to 403 and the sections indicated as audited in the Risk and Balance Sheet Management Review set out on pages 146 to 195.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, AC 500 standards as issued by the Accounting Practices Board and in the manner required by the Companies Act of South Africa, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Nedbank Group Limited as at 31 December 2010, 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, A Jaffer, E Magondo, CM Read, Y Suleman (Chairman of the Board), A Thunström, JM Vice
* British

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

Sandown
25 February 2011

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per D Shipp
Partner

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

National Executive:
GG Gelink (Chief Executive), AE Swiegers (Chief Operating Officer), GM Pinnock (Audit), DL Kennedy (Risk Advisory), NB Kader (Tax and Legal Services), L Geeringh (Consulting), L Bam (Corporate Finance), JK Mazzocco (Human Resources), CR Beukman (Finance), TJ Brown (Clients), NT Mtoba (Chairman of the Board), MJ Comber (Deputy Chairman of the Board)

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

AUDIT COMMITTEE REPORT

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

COMPOSITION OF THE COMMITTEE

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

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

- CJW Ball (Chairman)
- TCP Chikane
- NP Mnxasana
- MI Wyman
- PJ Moleketi (resigned 1 March 2010)
- Prof B de L Figaji (appointed 18 February 2011)

Biographical details of the current members of the committee are set out on pages 40 to 43. Members' fees are included in the table of directors' remuneration on pages 235 and 236.

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

INTERNAL AUDIT

Internal audit is an independent assurance function, forming part of the third line of defence as set out in the Enterprisewide Risk Management Framework (ERMF) on page 146 of the integrated report. The Chief Internal Auditor has a functional reporting line to the committee chairperson and an operational reporting line to the Chief Executive. Further details on the internal audit function are contained in the Enterprise Governance and Compliance Report on pages 196 to 201.

EXTERNAL AUDIT

The group's external auditors are Deloitte & Touche and KPMG Inc. Fees paid to the auditors are disclosed in note 15 to the annual financial statements on page 308. Further details are contained in the Enterprise Governance and Compliance Report on pages 196 and 201.

KEY FUNCTIONS AND RESPONSIBILITIES OF THE COMMITTEE

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

- assist the board of directors in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied within the group in the day-to-day management of its business;
- facilitate and promote communication between the board, management, the external auditors and the Chief Internal Auditor;
- introduce such measures as in the committee's opinion may serve to enhance the credibility and objectivity of financial statements and reports prepared with reference to the affairs of the group;
- nominate for appointment as auditors of the company registered auditors, who, in the opinion of the committee, are independent of the group;
- determine the fees to be paid to the auditors and the auditors' terms of engagement;
- ensure that the appointment of the auditors complies with the Companies Act and any other legislation relating to the appointment of auditors;
- determine the nature and extent of any non-audit services to the group;
- receive and deal appropriately with any complaints (whether from within or outside the group) relating either to the accounting practices and internal audit of the group or to the contents or auditing of its financial statements, or any other related matters thereto; and
- perform such further functions as may be prescribed.

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

EFFECTIVENESS OF INTERNAL CONTROL

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

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

The functions of the three lines of defence, as well as the principal responsibilities that extend across the group, are set out in the Risk and Balance Sheet Management review on pages 146 and 195.

Specific responsibilities of the committee include the following:

INTERNAL CONTROL

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

FINANCIAL CONTROL, ACCOUNTING AND REPORTING

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

INTERNAL AUDIT

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

EXTERNAL AUDIT

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

REGULATORY REPORTING

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

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

- the internal controls of the group have been effective in all material aspects throughout the year under review;
- these controls have ensured that the group's assets have been safeguarded;
- proper accounting records have been maintained;
- resources have been utilised efficiently; and
- the skills, independence, audit plan, reporting and overall performance of the external auditors are acceptable and it recommends their reappointment in 2011.

CORPORATE LAWS AMENDMENT ACT REQUIREMENTS

In terms of the Companies Act, 61 of 1973 (as amended), the committee is responsible, as set out above, for all subsidiary companies without their own audit committees, which responsibilities include:

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

APPROPRIATENESS OF THE EXPERTISE AND EXPERIENCE OF THE CHIEF FINANCIAL OFFICER

In terms of the JSE Listings Requirements the audit committee had, at its meeting held on 20 January 2011, satisfied itself as to the appropriateness of the expertise and experience of the Chief Financial Officer.

ANNUAL FINANCIAL STATEMENTS

The committee has:

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

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

CJW Ball
Group Audit Committee Chairman

25 February 2011

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER

NATURE OF BUSINESS

Nedbank 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 ('the JSE'), with a secondary listing on the Namibian Stock Exchange.

INTEGRATED REPORT

Full details of the financial results are set out on pages 224 to 403 of these annual financial statements. The board of directors acknowledges its responsibility to ensure the integrity of the integrated report. The board has accordingly applied its mind to the integrated report and in the opinion of the board the integrated report addresses all material issues, and presents fairly the integrated performance of the organisation and its impacts. The integrated report has been prepared in line with best practice pursuant to the recommendations of the King III Code (principle 9.1).

YEAR UNDER REVIEW

The year under review is fully covered in the Chairman's Report, Chief Executive's Report, operational reviews, Chief Operating Officer's Report and the Financial Report, which are set out on pages 36 to 91.

SHARE CAPITAL

Details of the authorised and issued share capital, together with details of shares issued and options granted during the year, appear in note 38 to the annual financial statements.

OWNERSHIP

The holding company of Nedbank Group is Old Mutual Life Assurance Company (SA) Limited and associates, which holds 51,37% 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 90 and 91.

DIVIDENDS

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

DIRECTORS

Biographical details of the current directors appear on pages 40 to 43. Details of directors' remuneration and shareholdings appear on pages 232 to 243.

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

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

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

JK Netshitenzhe was appointed by the board of directors during 2010 and TA Boardman retired as Chief Executive and, as approved by the board of directors, remained a non-executive director. In terms of the articles of association their appointments terminate at the close of the annual general meeting. They are available for election and separate resolutions to seek their election as directors will be submitted for approval at the annual general meeting to be held on 6 May 2011.

In terms of Nedbank Group policy non-executive directors and independent non-executive directors of Nedbank Group who have served on the board for a period longer than nine years are now required to retire from the board. At 31 December 2010 none of the directors on the Nedbank Group Board have been in office for a period longer than nine years.

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

Name	Position as director	Date appointed as director	Date resigned/retired as director (where applicable)
CJW Ball	Senior independent director	1 November 2002	
TA Boardman	Non-executive director	1 November 2002	
MWT Brown	Chief Executive	17 June 2004	
TCP Chikane	Independent non-executive director	1 November 2006	
A de VC Knott-Craig	Independent non-executive director	1 January 2009	
GW Dempster	Chief Operating Officer and executive director	5 August 2009	
MA Enus-Brey	Non-executive director	16 August 2005	
B de L Figaji	Independent non-executive director	25 November 2002	
RM Head (British)	Non-executive director	1 January 2005	19 February 2010
DI Hope (New Zealand)	Non-executive director	1 December 2009	
RJ Khoza	Chairman and non-executive director	16 August 2005	
WE Lucas-Bull	Independent non-executive director	1 August 2009	
NP Mnxasana	Independent non-executive director	1 October 2008	
PJ Moleketi	Independent non-executive director	1 August 2009	1 March 2010
RK Morathi	Chief Financial Officer and executive director	1 September 2009	
JK Netshitenzhe	Independent non-executive director	5 August 2010	
JVF Roberts (British)	Non-executive director	1 December 2009	
GT Serobe	Non-executive director	16 August 2005	
MI Wyman (British)	Independent non-executive director	1 August 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 2010 are set out in the Remuneration Report on page 237.

AUDIT COMMITTEE

The Audit Committee Report appears on pages 217 to 219.

COMPANY SECRETARY AND REGISTERED OFFICE

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

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

PROPERTY AND EQUIPMENT

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

CONTRACTS AND MATTERS IN WHICH DIRECTORS AND OFFICERS OF THE COMPANY HAVE AN INTEREST

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

In 2005 the Wiphold Consortium and the Brimstone Consortium were chosen as active black business partners to assist in growing and repositioning the Nedbank Group business and driving its internal transformation. Aka Capital (Pty) Limited (Aka Capital) fulfils the role of business development partner. Consequently, performance agreements were entered into between Nedbank Group and the aforementioned parties, which govern, inter alia, the setting of the performance criteria, their evaluation and the resultant performance fees in respect of the black business partners. Dr RJ Khoza is a director and 27% shareholder of Aka Capital. Mrs GT Serobe is founder, executive director and 10% shareholder of Women Investment Portfolio Holdings Limited (WIPHOLD) and Chief Executive of Wipcapital (Pty) Limited, a wholly owned subsidiary of WIPHOLD. Mr MA Enus-Brey is Chief Executive and an 8,95% shareholder of Brimstone Investment Corporation Limited and a director of various Brimstone subsidiary companies.

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

DIRECTORS' SERVICE CONTRACTS

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

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

INSURANCE

The group has placed cover in the London traditional insurance market of up to R1,85 billion for losses in excess of R50 million. Group captive insurers provide cover for losses that may occur below the R50 million level, retaining R100 million. Selected insurance covers are placed with the Old Mutual Group.

SUBSIDIARY COMPANIES

Details of principal subsidiary companies are reflected on pages 390 to 392 of the annual financial statements.

SPECIAL RESOLUTIONS BY SUBSIDIARIES

On 17 February 2010 a special resolution was registered for Nedbank (Malawi) Limited for the issue of shares to comply with capital requirements.

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

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

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

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

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

On 26 July 2010 a special resolution was registered for Nedbank Namibia Limited adopting updated articles of association aligned with those of Nedbank Group and incorporating certain corporate governance practices.

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

On 3 December 2010 a special resolution was registered for Nedgroup Beta Solutions (Pty) Limited amending its articles of association in order to align these with the JSE Listings Requirements.

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

ACQUISITION OF SHARES

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.

On 6 January 2011 Nedbank Group exercised call options that were granted to it by the AKA-Nedbank Eyethu Trust, the Nedbank Eyethu Corporate Scheme Trust and the Nedbank Eyethu Non-executive Directors' Trust to repurchase Nedbank Group ordinary shares. The total cost of the repurchase of the shares was R10,5 million [inclusive of Securities transfer tax (STT) costs and costs of the call option].

Members will be requested to renew the general authority enabling the company or a subsidiary of the company to repurchase shares.

EVENTS AFTER THE REPORTING PERIOD

In January 2011, in terms of the relevant trust deeds, the Nedbank Non-executive Directors' Scheme, Nedbank Eyethu Corporate Scheme and AKA-Nedbank Eyethu Scheme (AKA Trust) commenced the process of distribution of shares to the beneficiaries in terms of various black economic empowerment schemes.

On 6 January 2011 the company acquired Nedbank Group ordinary shares from the Nedbank Non-executive Directors' Trust (621 898 shares), the Nedbank Corporate Scheme Trust (8 006 209 shares) and the AKA Trust (1 321 260 shares). The total cost of the repurchase of the shares was R10,5 million (inclusive of STT costs and costs of the call option). A total of 5,1 million shares will be distributed to the beneficiaries.

In the Corporate Scheme Trust and the Non-executive Directors' Trust there were unallocated shares. In terms of the trust deeds these shares should be allocated to various community trusts. The process of allocation of the 867 509 Nedbank Group shares to the respective community trusts has not been finalised. As no further services are to be rendered by the community trust, a charge will be recognised in the 2011 financial year for the distribution of the shares. The anticipated cost to be recognised in profit and loss as a result is R114 million.

Apart from the costs mentioned above, the effect of the winding-up of the respective trusts and the distribution of shares to the beneficiaries would have decreased diluted earnings and diluted headline earnings per share by 3,7% (based on headline earnings per share of R4,7 million) and net asset value per share by 1,3% per share.

OTHER EVENTS

The directors are not aware of any other material post-balance-sheet events that have occurred between the balance sheet date and 25 February 2011.

REMUNERATION REPORT

STATEMENT FROM THE CHAIRMAN OF THE GROUP REMUNERATION COMMITTEE

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

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

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

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

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

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

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

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

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

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

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

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

The committee will continue to ensure that remuneration in Nedbank Group remains appropriately competitive, provides an incentive for individual and team performances, aids the retention of staff and supports the implementation of the overall business strategy within the approved risk appetite.

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

Some key matters for consideration in 2011 are:

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

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

Prof Brian de Lacy Figaji
25 February 2011

GROUP REMUNERATION COMMITTEE MEMBERSHIP AND CHARTER

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

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

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

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

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

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

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

As in previous years, a self-assessment of the committee was conducted in July 2010 to evaluate the committee's effectiveness against the objectives of the committee's charter and to highlight and therefore focus on areas where its performance could be enhanced. High-level feedback confirmed the following:

- Committee performs its responsibilities according to its charter and often exceeds the objectives that have been set.
- There is good interaction between the board and the committee.
- Committee meetings are productive and well-facilitated, with appropriately robust discussions and debate.
- The remuneration of executives is well-researched, with good benchmark information against industry standards.

ADVICE TO THE COMMITTEE

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

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

The committee is informed of market-related remuneration information based on a number of independent remuneration surveys in which the group participates. These include PWC Remchannel, the Global Remuneration Solutions Top Executive Remuneration Survey, the LMO Executive Remuneration Survey and a number of smaller niche remuneration surveys. Specialists within the Group Remuneration Services Department collate and analyse the information sourced from external service providers.

EDUCATION OF COMMITTEE MEMBERS

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

REMUNERATION GOVERNANCE

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

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

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

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

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

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

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

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

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

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

REMUNERATION PHILOSOPHY

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

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

The group's market position is to pay for performance, while ensuring that there is a distribution of remuneration around the market median when performance is on par with predetermined financial and non-financial targets. To this end all staffmembers have balanced scorecards in place, which is a key input into determining individual remuneration.

The key principles underpinning the remuneration policy are:

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

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

See page 237 for the complete remuneration policy. The policy is supported by all committee decisions, scheme rules, approved practices and operational procedures.

COMPONENTS OF TOTAL REMUNERATION

GUARANTEED PACKAGE

All staffmembers of Nedbank Group are remunerated on a total-cost-to-company basis ('the guaranteed package'), which includes a basic salary, 13th cheque (if selected), allowances and contributions to benefit funds, except for staffmembers employed in some non-SA countries where the practice is still to pay a basic salary plus benefits.

Contributions from the guaranteed package (GP) can be made to the Nedgroup Medical Aid Scheme, a postretirement medical aid fund, a retirement fund (compulsory), a disability fund and a death benefit scheme. A car allowance/company car contribution may be structured into the package where the employee is required to travel on group business, subject to the requirements of the relevant tax authorities.

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

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

RETIREMENT SCHEMES

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

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

SIGNON BONUSES

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

SHORT-TERM INCENTIVE SCHEMES

Short-term incentives (STIs) are intended to encourage particular behaviours and obtain desired results within the agreed risk appetite framework. In the Nedbank Group environment the STI scheme is also referred to as the annual performance bonus. Nedbank Group's STI schemes are structured to support collaborative work across different clusters. The committee has agreed a set of principles and all group and cluster incentive schemes are designed according to those principles.

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

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

In the income-generating clusters incentive pools are structured with a weighting linked to the group, cluster and, where appropriate, divisional performance. The five income-generating clusters within Nedbank (Capital, Corporate, Business Banking, Retail and Wealth) are measured against a combination of performance targets namely EP, headline earnings and non-financial targets. As in previous years, the committee continues to institute a control limit whereby there may be no more than a 10% variance between the group topdown performance calculation and the independent bottomup cluster performance calculations.

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

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

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

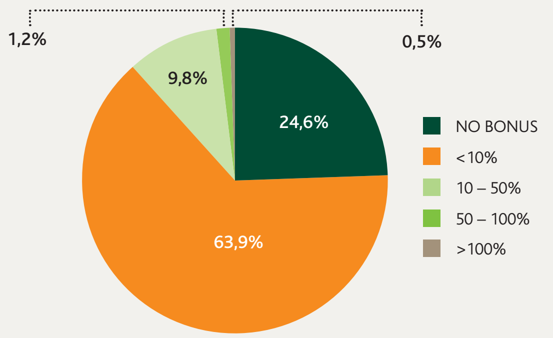
	FY2009	**FY2010**	Year-on-year % change
Headline earnings	4 277	**4 900**	+15%
EP	57	**(289)**	n/a
STI	833	**981**	+18%

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

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

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

DISTRIBUTION OF THE STI/GP RATIO



STI DEFERRAL SCHEME

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

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

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

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

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

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

For all deferral options, the deferred amount will be forfeited should the employee resign before the end of the release of forfeiture obligations as well as in cases where, in the sole opinion of the board, material irregularities in or misrepresentation of financial results come to light during the deferral period. The board will have absolute discretion as to the nature of any action to be taken against the individual, or grouping of individuals, who may be affected by the transgression. The deferral policy will be reviewed annually.

DEFERRED SHORT-TERM INCENTIVE

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

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

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

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

LONG-TERM INCENTIVES

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

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

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

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

1994 Nedcor Group Employee Incentive Scheme

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

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

2005 Nedbank Employee Share Scheme

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

The Option Scheme

No allocations were made during 2010.

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

Restricted Share Scheme

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

- *On-appointment Restricted Share Plan (RSP) allocations for internal and external appointments*
  On-appointment restricted share allocations are offered at the discretion of the committee to new senior managers and also to staffmembers who have been appointed to more senior positions and have been recommended for an allocation by the Group Exco. The committee amended its policy in 2011 so that on-appointment allocations take place biannually, up to 10 trading days after the announcement of the annual and interim financial results. The vesting period for on-appointment allocations is three years from the date of allocation, subject to the achievement of corporate performance targets (for performance shares only).
- *Annual RSP allocations*
  Annual restricted share allocations apply to qualifying staffmembers in terms of criteria approved by the committee. The committee amended its policy in 2011 so that allocations take place annually up to 10 trading days after the announcement of the annual financial results.

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

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

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

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

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

Corporate performance targets

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

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

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

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

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

Share price relative to Fini 15

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

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

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

Matched Share Scheme

The Matched Share Scheme is used both for the compulsory deferral of certain STI payments as well as the voluntary deferral of a certain amount of the STI granted. Staffmembers have an opportunity to allocate up to 50% of their after-tax STI towards the acquisition of Nedbank Group shares or to deposit Nedbank Group shares to the equivalent value into the trust that administers this scheme. The incentive to do so is a matching of this investment to the equivalent value on a one-for-one basis. The scheme's obligation to deliver or procure the delivery of the matched shares rests on two conditions, namely that:

- staffmembers are still in the service of the group on the vesting date (three years after acquisition) for 50% of the matched shares; and
- the group has met an agreed performance target over a three-year period for the remaining 50% of the matched shares.

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

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

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

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

Phantom Cash-settled Restricted Share Plan

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

Nedbank Africa subsidiary schemes

No allocations were made in 2010.

NEDBANK EYETHU EMPLOYEE SCHEMES

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

- the Black Executive Trust;
- the Black Management Scheme;
- the Broad-based Scheme; and
- the Evergreen Trust.

Share and share option allocations have been made to new and internally appointed staffmembers since the inception of the schemes, in accordance with the scheme rules and the respective trust deeds.

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

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

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

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

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

NEDBANK AFRICA EMPOWERMENT SCHEMES

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

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

EMPLOYEE DIRECTORSHIPS

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

EXECUTIVE DIRECTORS

INCREASES IN GUARANTEED PACKAGE

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

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

RETIREMENT SCHEMES

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

SERVICE CONTRACTS

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

TERMINATION ARRANGEMENTS

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

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

SHORT-TERM INCENTIVE SCHEMES TARGETS

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

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

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

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

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

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

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

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

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

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

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

TOTAL REMUNERATION

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

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

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

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

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

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

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

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

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

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

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

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

See pages 240 to 243 for the full LTI holdings of the executive directors.

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

Table 2: Executive directors' remuneration – year to 31 December 2009

Name	Basic salary and other benefits* (R000)	Defined-contribution retirement fund (R000)	Guaranteed remuneration (R000)	Performance bonus for FY2010 (R000)	Total (R000)	2009 – 2008 % change
TA Boardman	4 697	354	5 051	9 500**	14 551	40
MWT Brown	2 984	417	3 401	4 250***	7 651	31+++
GW Dempster+	1 239	219	1 458	1 667****	3 125	–
RK Morathi++	761	106	867	1 000	1 867	–
Total	**9 681**	**1 096**	**10 777**	**16 417**	**27 194**	**–**

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

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

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

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

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

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

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

REMUNERATION ADJUSTMENTS

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

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

TOP THREE EARNERS

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

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

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

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

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

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

See pages 244 to 247 for the full LTI holdings of the top three earners.

NON-EXECUTIVE DIRECTORS

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

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

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

REMUNERATION

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

Board and board committee meeting attendance is recorded in the Enterprise Governance and Compliance Report on pages 202 and 203.

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

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

1 *Includes fees for board, subsidiary board and committee memberships (including Imperial Bank) for the years 2009 and 2010.*

2 *Includes fees for board and committee memberships (including Mutual & Federal) for the years 2009 and 2010.*

3 *Includes fees for board and committee memberships (and additional services to Mutual & Federal) for the year 2009.*

4 *Fees for RM Head, JVF Roberts, R Harris and DI Hope are paid to Old Mutual (SA) Limited for 2009 and 2010.*

5 *Includes fees for board and committee memberships [including Old Mutual Life Company (South Africa)] for the year 2009.*

a *In November 2009 GT Serobe terminated her service from the Group Risk and Capital Management Committee.*

b *DI Hope was appointed on the Group Remuneration Committee and Group Finance and Oversight Committee.*

c *In March 2010 TA Boardman was appointed as a member of the Group IT Committee and Group Credit Committee.*

d *In March 2010 PJ Moleketi resigned as a member of the Group IT Committee, Group Audit Committee and Group Transformation and Sustainability Committee.*

e *In October 2010 JK Netshitenzhe was appointed as a member of the Group Risk And Capital Management Committee.*

NON-EXECUTIVE DIRECTORS' FEES

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

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

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

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

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

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

Committee chairmen (other than the Chairman of the Nedbank Group Directors' Affairs Committee) receive double the member fees. Fees payable to the non-executive directors and the Nedbank Group Chairman are reviewed annually and adjustments are considered by an independent subcommittee of the Group Remuneration Committee. The above increases are effective from 1 July 2011, subject to shareholders' approval at the 6 May 2011 annual general meeting.

NEDBANK EYETHU NON-EXECUTIVE DIRECTORS' TRUST

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

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

DIRECTORS' INTERESTS

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

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

* *Appointed to the board during 2010.*

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

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

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

At 31 December 2010 the directors' interests in the non-redeemable non-cumulative preference shares of R0,001 each in Nedbank Limited were as follows:

	Beneficial direct		Beneficial indirect	
Number of shares	**2010**	2009	**2010**	2009
CJW Ball	**144 300**	144 300		
TA Boardman			**85 000**	85 000
MWT Brown				
TCP Chikane				
GW Dempster				
B de L Figaji				
MA Enus-Brey				
DI Hope				
RJ Khoza				
A de VC Knott-Craig				
WE Lucas-Bull				
NP Mnxasana				
RK Morathi				
JK Netshitenzhe*				
JVF Roberts				
GT Serobe				
MI Wyman				
Total	**144 300**	144 300	**85 000**	85 000

* *Appointed to the board during 2010.*

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

REMUNERATION POLICY

The policy is quoted below:

'OBJECTIVE AND PHILOSOPHY

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

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

The group's market position is to pay for performance, while ensuring that there is a distribution of remuneration around the market median when performance is on par with predetermined financial and non-financial targets. To this end, all staffmembers have balanced scorecards in place, which is a key input into determining individual remuneration.

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

SCOPE

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

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

TERMINOLOGY

Interpretation

For the purposes of this policy:

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

REMUNERATION PRINCIPLES

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

Total remuneration: all permanent staff (including executive directors)

Guaranteed package (GP)

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

Job evaluation and market benchmarking:

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

Employee benefits

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

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

Short-term incentive schemes (STIs):

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

Long-term incentive schemes (LTIs):

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

Ownership schemes:

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

Total remuneration: non-executive directors

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

ROLES AND RESPONSIBILITIES

The Nedbank Group Board (the board)

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

Group Remuneration Committee (the RemCo)

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

Group Risk and Capital Management Committee (the GRCMC)

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

Group Executive Committee (the Group Exco)

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

Group Rewards Department

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

Management

Management is required to:

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

Line Human Resources

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

EXECUTIVE DIRECTORS' SHARE OPTION HOLDING

	Opening balance at December 2009				
Name	Number of options	Date of issue	Issue price (R)	Vested	Expiry date
TA Boardman	120 000	28/02/2006	110,98	120 000	28/02/2011
	72 765*	27/02/2007	144,30		27/02/2012
	192 765			120 000	
MWT Brown	20 000	11/05/2004	60,01	20 000*	11/05/2010
	80 000	10/08/2004	55,75	80 000*	10/08/2010***
	20 000	30/06/2005	76,79	20 000	30/06/2010
	70 000	28/02/2006	110,98	70 000	28/02/2011
	40 000*	27/02/2007	144,30		28/02/2012
	230 000			190 000	
GW Dempster	50 000	30/06/2005	76,79	50 000	30/06/2010
	45 000	28/02/2006	110,98	45 000	28/02/2011
	40 000*	27/02/2007	144,30		28/02/2012
	135 000			95 000	

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

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

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

** *No share options were issued in 2008 as a result of the introduction of the RSP.*

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

EXECUTIVE DIRECTORS' RESTRICTED SHAREHOLDING

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

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

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

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

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

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

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

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

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

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

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

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

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

EXECUTIVE DIRECTORS' EYETHU SHARE OPTION HOLDING

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

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

EXECUTIVE DIRECTORS' EYETHU RESTRICTED SHAREHOLDING

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

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

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

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

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

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

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

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

TOP THREE EARNERS' SHARE OPTION HOLDING

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

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

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

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

** *No share options were issued in 2008 as a result of the introduction of the RSP.*

TOP THREE EARNERS' RESTRICTED SHAREHOLDING

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

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

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

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

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

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

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

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

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

TOP THREE EARNERS' EYETHU SHARE OPTION HOLDING

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

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

TOP THREE EARNERS' EYETHU RESTRICTED SHAREHOLDING

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

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

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

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

+ Employee participant in the Compulsory Bonus Share Scheme.

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

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

NEDBANK GROUP
EMPLOYEE INCENTIVE SCHEMES

FOR THE YEAR ENDED 31 DECEMBER

	2010	2009
Movements		
Instruments outstanding at the beginning of the year	**18 732 388**	18 918 278
Granted	**4 581 240**	5 274 418
Exercised	**(5 200 338)**	(3 819 227)
Expired	**(5 328 228)**	(333 979)
Surrendered	**(1 114 433)**	(1 307 102)
Instruments outstanding at the of year	**11 670 629**	18 732 388
Analysis		
Non-performance based options – 1994 scheme	**43 500**	628 280
Performance-based options – 2005 scheme	**7 547 282**	11 180 686
Non-performance-based options – 2005 scheme	**3 430 400**	6 340 374
Performance-based options – matched shares 2005 scheme	**324 724**	291 524
Non-performance-based options – matched shares 2005 scheme	**324 723**	291 524
	11 670 629	18 732 388
Summary by scheme		
Nedcor Group Employee Incentive Scheme (1994)	**43 500**	628 280
Nedbank Group Options Scheme (2005)	**10 977 682**	17 521 060
Nedbank Group Matched Share Scheme (2005)	**649 447**	583 048
Instruments outstanding at the end of the year	**11 670 629**	18 732 388

NEDCOR GROUP EMPLOYEE INCENTIVE SCHEME (1994)

The following options granted had not been exercised at 31 December 2010:

Option expiry date	Number of shares	Issue price R
20-Apr-11	43 500	74,40
Total	43 500	

NEDBANK GROUP (2005) SHARE OPTION, MATCHED AND RESTRICTED SHARE SCHEME

Share options and restricted shares:

The following instruments granted had not been exercised at 31 December 2010:

Instrument expiry date	Number of shares	Issue price R
31-Dec-10	159 507[P]	*
31-Dec-10	92 208	*
28-Feb-11	556 279	110,98
04-Mar-11	1 735 427[P]	*
10-Aug-11	137 800	107,03
12-Aug-11	156 125[P]	*
01-Jan-11	6 000	144,30
01-Jan-11	8 900	134,30
04-Mar-12	3 449 325[P]	*
12-Aug-12	582 315	*
03-Mar-13	1 946 531[P]	*
04-Mar-13	1 946 531	*
06-Aug-13	100 367[P]	*
07-Aug-13	100 367	*
Total	10 977 682	

[P] *Performance-based instruments.*

* *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- and time-based 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 conditions) exists at 31 December 2010:

Instrument expiry date	Number of shares
01-Apr-11	252 140
01-Apr-12	178 906
01-Apr-13	218 401
Total	649 447

CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	Notes	**2010 Rm**	2009 Rm
Interest and similar income	12	**44 377**	50 537
Interest expense and similar charges	13	**27 769**	34 231
Net interest income		**16 608**	16 306
Impairments charge on loans and advances	27.1	**6 188**	6 634
Income from lending activities		**10 420**	9 672
Non-interest revenue	14	**13 215**	11 906
Operating income		**23 635**	21 578
Total operating expenses		**16 598**	15 100
Operating expenses	15	**16 450**	14 974
BEE transaction expenses	15.1	**148**	126
Indirect taxation	16	**447**	438
Profit from operations before non-trading and capital items		**6 590**	6 040
Non-trading and capital items	17	**(91)**	624
Profit from operations		**6 499**	6 664
Share of profits of associates and joint ventures	30.1	**1**	55
Profit before direct taxation		**6 500**	6 719
Direct taxation	18.1	**1 364**	1 307
Profit for the year		**5 136**	5 412
Other comprehensive loss net of taxation		**(77)**	(228)
Exchange differences on translating foreign operations		**(246)**	(335)
Fair-value adjustments on available-for-sale assets		**(3)**	21
Gains on property revaluations		**172**	86
Total comprehensive income for the year		**5 059**	5 184
Profit attributable to:			
Equity holders of the parent		**4 811**	4 826
Non-controlling interest – ordinary shareholders		**59**	242
– preference shareholders		**266**	344
		5 136	5 412
Total comprehensive income attributable to:			
Equity holders of the parent		**4 734**	4 603
Non-controlling interest – ordinary shareholders		**59**	237
– preference shareholders		**266**	344
Total comprehensive income for the year		**5 059**	5 184
Basic earnings per share (cents)	19.1	**1 084**	1 140
Diluted earnings per share (cents)	19.1	**1 050**	1 109

CONSOLIDATED
STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

	Notes	**2010 Rm**	2009 Rm
ASSETS			
Cash and cash equivalents	21	**8 650**	7 867
Other short-term securities	22	**27 044**	18 550
Derivative financial instruments	23	**13 882**	12 710
Government and other securities	25	**31 824**	35 983
Loans and advances	26	**475 273**	450 301
Other assets	28	**10 014**	5 455
Clients' indebtedness for acceptances		**1 953**	2 031
Current taxation receivable		**483**	602
Investment securities	29	**11 918**	11 025
Non-current assets held for sale	31	**5**	12
Investments in associate companies and joint ventures	30	**936**	924
Deferred taxation asset	32	**284**	282
Investment property	33	**199**	211
Property and equipment	34	**5 612**	4 967
Long-term employee benefit assets	35	**2 052**	1 860
Mandatory reserve deposits with central bank	21	**11 095**	10 508
Intangible assets	36	**7 494**	7 415
Total assets		**608 718**	570 703
EQUITY AND LIABILITIES			
Ordinary share capital	38.1	**449**	436
Ordinary share premium		**15 522**	13 728
Reserves		**28 130**	25 485
Total equity attributable to equity holders of the parent		**44 101**	39 649
Non-controlling interest attributable to:			
– ordinary shareholders		**153**	1 849
– preference shareholders	38.2	**3 560**	3 486
Total equity		**47 814**	44 984
Derivative financial instruments	23	**12 052**	11 551
Amounts owed to depositors	39	**490 440**	469 355
Provisions and other liabilities	40	**18 245**	11 252
Liabilities under acceptances		**1 953**	2 031
Current taxation liabilities		**191**	315
Deferred taxation liabilities	32	**1 804**	1 945
Long-term employee benefit liabilities	35	**1 414**	1 304
Investment contract liabilities	41	**7 309**	6 749
Insurance contract liabilities	42	**1 392**	1 133
Long-term debt instruments	43	**26 104**	20 084
Total liabilities		**560 904**	525 719
Total equity and liabilities		**608 718**	570 703
Guarantees on behalf of clients	44	**29 614**	28 161

CONSOLIDATED CURRENCY-ADJUSTED **STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER

Millions	2010 ZAR	2009 ZAR
Interest and similar income	**44 377**	50 537
Interest expense and similar charges	**27 769**	34 231
Net interest income	**16 608**	16 306
Impairments charge on loans and advances	**6 188**	6 634
Income from lending activities	**10 420**	9 672
Non-interest revenue	**13 215**	11 906
Operating income	**23 635**	21 578
Total operating expenses	**16 598**	15 100
Operating expenses	**16 450**	14 974
BEE transaction expenses	**148**	126
Indirect taxation	**447**	438
Profit from operations before non-trading and capital items	**6 590**	6 040
Non-trading and capital items	**(91)**	624
Profit from operations	**6 499**	6 664
Share of profits of associates and joint ventures	**1**	55
Profit before direct taxation	**6 500**	6 719
Direct taxation	**1 364**	1 307
Profit for the year	**5 136**	5 412
Non-controlling interest attributable to ordinary shareholders	**59**	242
Non-controlling interest attributable to preference shareholders	**266**	344
Profit attributable to equity holders of the parent	**4 811**	4 826
Less: non-trading and capital items	**(89)**	549
Non-trading and capital items	**(91)**	624
Tax on non-trading and capital items	**2**	(75)
Headline earnings	**4 900**	4 277
Average exchange rate at 31 December for R1	**1**	1

The statement of comprehensive income reported in SA rand has been translated into other currencies at the average exchange rates for the year. See note 48.

2010 USD	2009 USD	**2010 GBP**	2009 GBP	**2010 EUR**	2009 EUR
6 066	6 080	**3 936**	3 907	**4 593**	4 387
3 796	4 118	**2 463**	2 646	**2 874**	2 971
2 270	1 962	**1 473**	1 261	**1 719**	1 416
846	798	**549**	513	**640**	576
1 424	1 164	**924**	748	**1 079**	840
1 806	1 432	**1 172**	920	**1 368**	1 033
3 230	2 596	**2 096**	1 668	**2 447**	1 873
2 269	1 816	**1 472**	1 166	**1 718**	1 311
2 249	1 801	**1 459**	1 156	**1 703**	1 300
20	15	**13**	10	**15**	11
61	53	**40**	34	**46**	38
900	727	**584**	468	**683**	524
(12)	75	**(8)**	48	**(9)**	54
888	802	**576**	516	**674**	578
	7		4		5
888	809	**576**	520	**674**	583
186	158	**120**	101	**142**	114
702	651	**456**	419	**532**	469
8	29	**5**	19	**6**	21
36	41	**24**	27	**28**	30
658	581	**427**	373	**498**	418
(12)	66	**(8)**	42	**(9)**	47
(12)	75	**(8)**	48	**(9)**	54
	(9)		(6)		(7)
670	515	**435**	331	**507**	371
0,1367	0,1203	**0,0887**	0,0773	**0,1035**	0,0868

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

AT 31 DECEMBER

Millions	2010 ZAR	2009 ZAR
ASSETS		
Cash and cash equivalents	**8 650**	7 867
Other short-term securities	**27 044**	18 550
Derivative financial instruments	**13 882**	12 710
Government and other securities	**31 824**	35 983
Loans and advances	**475 273**	450 301
Other assets	**10 014**	5 455
Clients' indebtedness for acceptances	**1 953**	2 031
Current taxation receivable	**483**	602
Investment securities	**11 918**	11 025
Non-current assets held for sale	**5**	12
Investments in associate companies and joint ventures	**936**	924
Deferred taxation asset	**284**	282
Investment property	**199**	211
Property and equipment	**5 612**	4 967
Long-term employee benefit assets	**2 052**	1 860
Mandatory reserve deposits with central bank	**11 095**	10 508
Intangible assets	**7 494**	7 415
Total assets	**608 718**	570 703
EQUITY AND LIABILITIES		
Ordinary share capital	**449**	436
Ordinary share premium	**15 522**	13 728
Reserves	**28 130**	25 485
Total equity attributable to equity holders of the parent	**44 101**	39 649
Non-controlling interest attributable to:		
– ordinary shareholders	**153**	1 849
– preference shareholders	**3 560**	3 486
Total equity	**47 814**	44 984
Derivative financial instruments	**12 052**	11 551
Amounts owed to depositors	**490 440**	469 355
Provisions and other liabilities	**18 245**	11 252
Liabilities under acceptances	**1 953**	2 031
Current taxation liabilities	**191**	315
Deferred taxation liabilities	**1 804**	1 945
Long-term employee benefit liabilities	**1 414**	1 304
Investment contract liabilities	**7 309**	6 749
Insurance contract liabilities	**1 392**	1 133
Long-term debt instruments	**26 104**	20 084
Total liabilities	**560 904**	525 719
Total equity and liabilities	**608 718**	570 703
Guarantees on behalf of clients	**29 614**	28 161
Exchange rate at 31 December for R1	**1**	1

The statement of financial position reported in SA rand has been translated into other currencies at the closing exchange rate at 31 December. See note 48.

2010 USD	2009 USD	**2010 GBP**	2009 GBP	**2010 EUR**	2009 EUR
1 300	1 065	**838**	661	**973**	740
4 065	2 514	**2 621**	1 558	**3 042**	1 746
2 086	1 722	**1 345**	1 068	**1 562**	1 196
4 783	4 876	**3 084**	3 022	**3 580**	3 386
71 434	61 016	**46 054**	37 825	**53 468**	42 373
1 504	739	**970**	458	**1 128**	513
294	275	**189**	171	**220**	191
73	82	**47**	50	**54**	57
1 791	1 494	**1 155**	926	**1 341**	1 037
1	2		1	**1**	1
141	125	**91**	78	**105**	87
43	38	**28**	24	**32**	27
30	29	**19**	18	**22**	20
843	673	**544**	417	**631**	466
308	252	**199**	156	**231**	175
1 668	1 424	**1 075**	883	**1 248**	989
1 126	1 004	**726**	623	**843**	699
91 490	77 330	**58 985**	47 939	**68 481**	53 703
67	59	**44**	37	**51**	41
2 333	1 860	**1 504**	1 153	**1 746**	1 292
4 228	3 453	**2 726**	2 141	**3 164**	2 398
6 628	5 372	**4 274**	3 331	**4 961**	3 731
23	251	**15**	155	**17**	174
535	472	**345**	293	**401**	328
7 186	6 095	**4 634**	3 779	**5 379**	4 233
1 811	1 565	**1 168**	970	**1 356**	1 087
73 713	63 598	**47 524**	39 426	**55 175**	44 166
2 742	1 525	**1 767**	945	**2 052**	1 059
294	275	**189**	171	**220**	191
29	43	**19**	26	**21**	30
271	264	**175**	163	**203**	183
213	177	**137**	111	**159**	123
1 099	914	**708**	566	**822**	635
209	153	**135**	95	**157**	106
3 923	2 721	**2 529**	1 687	**2 937**	1 890
84 304	71 235	**54 351**	44 160	**63 102**	49 470
91 490	77 330	**58 985**	47 939	**68 481**	53 703
4 451	3 816	**2 870**	2 366	**3 332**	2 650
0,1503	0,1355	**0,0969**	0,0840	**0,1125**	0,0941

CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

				Reserves	
Rm	Number of ordinary shares	Ordinary share capital	Ordinary share premium	Foreign currency translation reserve *	Property revaluation reserve **
Balance at 31 December 2008	409 707 740	410	11 370	545	951
Shares issued in terms of employee incentive schemes	8 848 120	9	825		
Shares issued in terms of capitalisation award	7 928 235	8	649		
Shares issued in terms of BEE transaction	2 488 048	2	294		
Shares delisted in terms of BEE transaction	(2 388 143)	(2)			
Shares acquired/cancelled by group entities and BEE trusts	(3 706 182)	(4)	(570)		
Shares issued in terms of acquisition transactions	12 855 359	13	1 160		
Preference share dividends paid					
Ordinary non-controlling shareholders' share of preference dividends paid					
Dividends to shareholders					
Total comprehensive income for the year				(321)	86
Net income/(expense) recognised directly in equity		–	–	–	(35)
Transfer to/(from) reserves					(35)
Share-based payments reserve movement					
Regulatory risk reserve provision					
Preference shares acquired by group entities					
Acquisition of subsidiary					
Buyout of non-controlling interests					
Other movements					
Balance at 31 December 2009	**435 733 177**	**436**	**13 728**	**224**	**1 002**
Shares issued in terms of employee incentive schemes	**8 823 158**	**9**	**1 111**		
Shares issued in terms of capitalisation award	**7 397 653**	**7**	**937**		
Shares issued in terms of BEE transaction	**1 225 560**	**2**	**217**		
Shares delisted in terms of BEE transaction	**(1 225 560)**	**(2)**			
Shares acquired/cancelled by group entities and BEE trusts	**(3 389 877)**	**(3)**	**(471)**		
Dilution of shareholding in subsidiary					
Preference shares issued					
Preference share dividends paid					
Dividends to shareholders					
Total comprehensive income for the year				**(246)**	**172**
Net income/(expense) recognised directly in equity		**–**	**–**	**2**	**(28)**
Transfer to/(from) reserves				**2**	**(28)**
Share-based payments reserve movement					
Regulatory risk reserve provision					
Liquidation of subsidiaries					
Additional capitalisation of subsidiaries					
Buyout of non-controlling interests					
Other movements					
Balance at 31 December 2010	**448 564 111**	**449**	**15 522**	**(20)**	**1 146**

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

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

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

Reserves							
Share-based payments reserve ***	Other non-distributable reserves ****	Available-for-sale reserve *****	Other distributable reserves ******	Total equity attributable to equity holders of the parent	Non-controlling interest attributable to ordinary shareholders	Non-controlling interest attributable to preference shareholders	Total equity
949	175	64	20 449	34 913	1 881	3 279	40 073
				834			834
				657			657
				296			296
				(2)			(2)
				(574)			(574)
				1 173		361	1 534
				–		(353)	(353)
				–	(9)	9	–
			(2 253)	(2 253)	(5)		(2 258)
		12	4 826	4 603	237	344	5 184
(74)	(2)	–	113	2	(255)	(154)	(407)
(102)	2		135	–			–
28				28			28
	(4)			(4)			(4)
				–		(154)	(154)
				–	26		26
			(17)	(17)	(281)		(298)
			(5)	(5)			(5)
875	**173**	**76**	**23 135**	**39 649**	**1 849**	**3 486**	**44 984**
				1 120			**1 120**
				944			**944**
				219			**219**
				(2)			**(2)**
				(474)			**(474)**
			(13)	**(13)**	**13**		**–**
				–		**92**	**92**
			(5)	**(5)**		**(281)**	**(286)**
			(2 042)	**(2 042)**	**(8)**		**(2 050)**
		(3)	**4 811**	**4 734**	**59**	**266**	**5 059**
74	**(49)**	**25**	**(53)**	**(29)**	**(1 760)**	**(3)**	**(1 792)**
4	**(46)**	**25**	**43**	**–**			**–**
70				**70**			**70**
	(3)			**(3)**			**(3)**
			(4)	**(4)**			**(4)**
				–	**2**		**2**
			(91)	**(91)**	**(1 762)**	**(3)**	**(1 856)**
			(1)	**(1)**			**(1)**
949	**124**	**98**	**25 833**	**44 101**	**153**	**3 560**	**47 814**

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

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

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

CONSOLIDATED
STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER

	Notes	**2010 Rm**	2009 Rm
Cash generated by operations	49.1	**15 288**	14 915
Cash received from clients	49.2	**57 327**	62 380
Cash paid to clients, employees and suppliers	49.3	**(43 093)**	(48 220)
Dividends received on investments		**254**	50
Recoveries on loans previously written off		**763**	457
Effects of exchange rate changes on opening cash and cash equivalents (excluding foreign borrowings)		**37**	248
Change in funds for operating activities		**(12 891)**	(14 603)
Increase in operating assets	49.4	**(42 172)**	(6 009)
Increase/(Decrease) in operating liabilities	49.5	**29 281**	(8 594)
Net cash from operating activities before taxation		**2 397**	312
Taxation paid	49.6	**(2 093)**	(2 318)
Cashflows from/(utilised by) operating activities		**304**	(2 006)
Cashflows utilised by investing activities		**(4 438)**	(3 171)
Acquisition of property and equipment, computer software and development costs and investment property		**(2 004)**	(2 568)
Disposal of property and equipment, computer software and development costs and investment property		**372**	278
Disposal of investment banking assets		**11**	14
Acquisition of associate companies		**(149)**	(84)
Disposal of associate companies		**138**	151
Acquisition of other investments		**(2 415)**	(3 311)
Disposal of other investments		**1 462**	2 301
Acquisition of investments in subsidiary companies net of cash	49.7	**(1 853)**	48
Cashflows from financing activities		**5 504**	4 878
Net proceeds from issue of ordinary shares		**1 807**	1 458
Issue of long-term debt instruments		**6 513**	6 193
Redemption of long-term debt instruments		**(493)**	(170)
Dividends paid to ordinary shareholders	49.8	**(2 042)**	(2 253)
Preference share dividends paid		**(281)**	(350)
Net increase/(decrease) in cash and cash equivalents		**1 370**	(299)
Cash and cash equivalents at the beginning of the year*		**18 375**	18 674
Cash and cash equivalents at the end of the year*	21	**19 745**	18 375

** Including mandatory reserve deposits with central banks.*

SEGMENTAL REPORTING

FOR THE YEAR ENDED 31 DECEMBER

The group's identification of its segments and the measurement of segment results are based on the group's internal management reporting as used for day-to-day decisionmaking and as reviewed by the chief operating decisionmaker, which in Nedbank Group Limited's case is the Group Executive Committee. The segments have been identified according to the nature of their respective products and services and their related target markets.

NEDBANK CAPITAL

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

NEDBANK CORPORATE

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

NEDBANK RETAIL

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

NEDBANK BUSINESS BANKING

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

NEDBANK WEALTH

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

SHARED SERVICES

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

CENTRAL MANAGEMENT

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

	Nedbank Group		Nedbank Capital	
	2010	2009	**2010**	2009
STATEMENT OF FINANCIAL POSITION (Rm)				
Cash and cash equivalents	**19 745**	18 375	**2 732**	2 875
Other short-term securities	**27 044**	18 550	**20 792**	12 233
Derivative financial instruments	**13 882**	12 710	**13 790**	12 471
Government and other securities	**31 824**	35 983	**12 083**	12 519
Loans and advances	**475 273**	450 301	**62 328**	55 315
Other assets	**40 950**	34 784	**7 578**	3 393
Intergroup assets	**–**	–	**95 886**	99 454
Total assets	**608 718**	570 703	**215 189**	198 260
Equity and liabilities				
Allocated capital	**47 814**	44 984	**5 116**	4 678
Derivative financial instruments	**12 052**	11 551	**12 006**	11 404
Amounts owed to depositors	**490 440**	469 355	**184 201**	175 041
Other liabilities	**32 308**	24 729	**13 200**	6 398
Long-term debt instruments	**26 104**	20 084	**666**	739
Intergroup liabilities	**–**	–		
Total equity and liabilities	**608 718**	570 703	**215 189**	198 260
STATEMENT OF COMPREHENSIVE INCOME (Rm)				
Net interest income	**16 608**	16 306	**1 201**	1 260
Impairments charge on loans and advances	**6 188**	6 634	**535**	141
Income from lending activities	**10 420**	9 672	**666**	1 119
Non-interest revenue	**13 215**	11 906	**2 264**	2 236
Operating income	**23 635**	21 578	**2 930**	3 355
Total operating expenses	**16 598**	15 100	**1 561**	1 606
Operating expenses	**16 450**	14 974	**1 506**	1 571
BEE transaction expenses	**148**	126	**55**	35
Indirect taxation	**447**	438	**23**	23
Profit/(Loss) from operations	**6 590**	6 040	**1 346**	1 726
Share of profits of associates and joint ventures	**1**	55		
Profit/(Loss) before direct taxation	**6 591**	6 095	**1 346**	1 726
Direct taxation	**1 366**	1 232	**139**	277
Profit/(Loss) after direct taxation	**5 225**	4 863	**1 207**	1 449
Profit attributable to non-controlling interest:				
– ordinary shareholders	**59**	242	**5**	(3)
– preference shareholders	**266**	344		
Headline earnings	**4 900**	4 277	**1 202**	1 452
SELECTED RATIOS*				
Average interest-earning banking assets (Rm)	**495 930**	481 378	**156 864**	140 788
Return on assets (%)**	**0,8**	0,8	**0,6**	0,8
Return on equity(%)**	**11,8**	11,8	**23,5**	31,0
Net interest income to average interest-earning banking assets (%)	**3,35**	3,39	**0,77**	0,89
Non-interest revenue to total income (%)	**44,3**	42,2	**65,3**	64,0
Non-interest revenue to total operating expenses (%)	**79,6**	78,9	**145,0**	139,2
Credit loss ratio – banking advances (%)**	**1,36**	1,52	**1,27**	0,36
Efficiency ratio (%)	**55,7**	53,5	**45,1**	45,9
Efficiency ratio (excluding BEE transaction expense) (%)	**55,2**	53,2	**43,5**	44,9
Effective taxation rate (%)	**20,7**	20,2	**10,4**	16,0
Contribution to group economic profit	**(289)**	57	**477**	832
Number of employees	**27 525**	27 037	**699**	695

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

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

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

Depreciation costs of R583 million (2009: R632 million) and amortisation costs of R560 million (2009: R497 million) for property, equipment, computer software, capitalised development and other intangible assets are charged on an activity-justified transfer pricing methodology by the segment owning the assets to the segment utilising the benefits thereof.

	Nedbank Corporate 2010	Nedbank Corporate 2009	Total Nedbank Retail and Nedbank Business Banking 2010	Total Nedbank Retail and Nedbank Business Banking 2009
STATEMENT OF FINANCIAL POSITION (Rm)				
Cash and cash equivalents	**1 868**	1 807	**1 494**	1 430
Other short-term securities	**1 357**	949	**(1)**	–
Derivative financial instruments	**(65)**	79	**–**	–
Government and other securities	**4 314**	4 060	**–**	–
Loans and advances	**157 703**	146 035	**238 099**	230 000
Other assets	**5 097**	4 811	**5 263**	5 465
Intergroup assets			**28 364**	29 321
Total assets	**170 274**	157 741	**273 219**	266 216
Equity and liabilities				
Allocated capital	**7 603**	7 280	**19 683**	20 742
Derivative financial instruments	**20**	94	**–**	3
Amounts owed to depositors	**131 194**	119 831	**162 973**	161 662
Other liabilities	**3 570**	2 434	**3 357**	3 244
Long-term debt instruments	**2**	2	**1 760**	2 019
Intergroup liabilities	**27 885**	28 100	**85 446**	78 546
Total equity and liabilities	**170 274**	157 741	**273 219**	266 216
STATEMENT OF COMPREHENSIVE INCOME (Rm)				
Net interest income	**3 306**	3 326	**11 611**	11 598
Impairments charge on loans and advances	**307**	369	**5 320**	6 042
Income from lending activities	**2 999**	2 957	**6 291**	5 556
Non-interest revenue	**1 566**	1 518	**7 353**	6 358
Operating income	**4 565**	4 475	**13 644**	11 914
Total operating expenses	**2 496**	2 132	**11 110**	10 202
Operating expenses	**2 455**	2 106	**11 090**	10 160
BEE transaction expenses	**41**	26	**20**	42
Indirect taxation	**41**	28	**232**	229
Profit/(Loss) from operations	**2 028**	2 315	**2 302**	1 483
Share of profits of associates and joint ventures	**1**	(1)	**–**	–
Profit/(Loss) before direct taxation	**2 029**	2 314	**2 302**	1 483
Direct taxation	**504**	574	**717**	389
Profit/(Loss) after direct taxation	**1 525**	1 740	**1 585**	1 094
Profit attributable to non-controlling interest:				
– ordinary shareholders	**29**	18	**–**	–
– preference shareholders			**–**	–
Headline earnings/(loss)	**1 496**	1 722	**1 585**	1 094
SELECTED RATIOS*				
Average interest-earning banking assets (Rm)	**158 943**	150 871	**264 010**	256 396
Return on assets (%)**	**0,9**	1,1	**0,6**	0,4
Return on equity (%)**	**19,7**	23,7	**8,1**	5,3
Net interest income to average interest-earning banking assets (%)	**2,08**	2,20	**4,40**	4,52
Non-interest revenue to total income (%)	**32,1**	31,3	**38,80**	35,40
Non-interest revenue to total operating expenses (%)	**62,8**	71,2	**66,20**	62,30
Credit loss ratio – banking advances (%)**	**0,20**	0,25	**2,18**	2,56
Efficiency ratio (%)	**51,2**	44,0	**58,6**	56,8
Efficiency ratio (excluding BEE transaction expense) (%)	**50,4**	43,5	**58,5**	56,6
Effective taxation rate (%)	**24,8**	24,8	**31,2**	26,2
Contribution to group economic profit	**421**	758	**(1 201)**	(1 654)
Number of employees	**3 611**	3 822	**17 863**	17 369

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

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

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

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

Depreciation costs of R583 million (2009: R632 million) and amortisation costs of R560 million (2009: R497 million) for property, equipment, computer software, capitalised development and other intangible assets are charged on an activity-justified transfer pricing methodology by the segment owning the assets to the segment utilising the benefits thereof.

GEOGRAPHICAL SEGMENTAL REPORTING

FOR THE YEAR ENDED 31 DECEMBER

	Nedbank Group		South Africa	
STATEMENT OF FINANCIAL POSITION (Rm)	**2010**	2009	**2010**	2009
ASSETS				
Cash and cash equivalents	**19 745**	18 375	**16 488**	14 536
Other short-term securities	**27 044**	18 550	**20 488**	13 847
Derivative financial instruments	**13 882**	12 710	**13 349**	12 402
Government and other securities	**31 824**	35 983	**29 532**	33 929
Loans and advances	**475 273**	450 301	**453 187**	425 133
Other assets	**40 950**	34 784	**37 848**	31 617
Intergroup assets	**–**	–	**(6 676)**	(9 950)
Total assets	**608 718**	570 703	**564 216**	521 514
EQUITY AND LIABILITIES				
Total equity	**47 814**	44 984	**42 350**	40 115
Derivative financial instruments	**12 052**	11 551	**11 506**	11 226
Amounts owed to depositors	**490 440**	469 355	**462 379**	435 956
Provisions and other liabilities	**32 308**	24 729	**31 469**	23 676
Long-term debt instruments	**26 104**	20 084	**26 102**	20 082
Intergroup liabilities	**–**	–	**(9 590)**	(9 541)
Total equity and liabilities	**608 718**	570 703	**564 216**	521 514

STATEMENT OF COMPREHENSIVE INCOME (Rm)				
Net interest income	**16 608**	16 306	**15 702**	15 440
Impairments charge on loans and advances	**6 188**	6 634	**6 372**	6 360
Income from lending activities	**10 420**	9 672	**9 330**	9 080
Non-interest revenue	**13 215**	11 906	**12 248**	10 787
Operating income	**23 635**	21 578	**21 578**	19 867
Total operating expenses	**16 598**	15 100	**15 499**	14 066
Operating expenses	**16 450**	14 974	**15 354**	13 947
BEE transaction expenses	**148**	126	**145**	119
Indirect taxation	**447**	438	**431**	423
Profit from operations	**6 590**	6 040	**5 648**	5 378
Share of profits of associates and joint ventures	**1**	55		55
Profit before direct taxation	**6 591**	6 095	**5 648**	5 433
Direct taxation	**1 366**	1 232	**1 191**	1 080
Profit after direct taxation	**5 225**	4 863	**4 457**	4 353
Profit attributable to non-controlling interest:				
– ordinary shareholders	**59**	242	**29**	209
– preference shareholders	**266**	344	**266**	344
Headline earnings	**4 900**	4 277	**4 162**	3 800

Rest of Africa		Rest of world	
2010	2009	**2010**	2009
1 285	1 224	**1 972**	2 615
1 357	949	**5 199**	3 754
28	79	**505**	229
50	95	**2 242**	1 959
8 843	7 820	**13 243**	17 348
771	691	**2 331**	2 476
2 266	1 639	**4 410**	8 311
14 600	12 497	**29 902**	36 692
1 665	1 446	**3 799**	3 423
20	76	**526**	249
11 419	9 995	**16 642**	23 404
521	378	**318**	675
2	2		
973	600	**8 617**	8 941
14 600	12 497	**29 902**	36 692
606	519	**300**	347
33	34	**(217)**	240
573	485	**517**	107
461	375	**506**	744
1 034	860	**1 023**	851
657	524	**442**	510
654	517	**442**	510
3	7		
12	11	**4**	4
365	325	**577**	337
1			
366	325	**577**	337
104	94	**71**	58
262	231	**506**	279
30	18		15
232	213	**506**	264

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER

1 PRINCIPAL ACCOUNTING POLICIES

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

1.1 Basis of preparation

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

The group and company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the AC 500 standards as issued by the Accounting Practices Board, and the requirements of the South African Companies Act, 1973, as amended.

The financial statements are presented in SA rand, the functional currency of Nedbank 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 the carrying amount and the fair value less costs to sell;
- employee benefit liabilities, valued using the projected-unit credit method; and
- the following assets and liabilities, which are stated at their fair value:
  - financial assets and financial liabilities classified as at fair value through profit or loss;
  - financial assets classified as available for sale; and
  - investment properties and owner-occupied properties.

1.2 Group accounting

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

Subsidiary undertakings and special-purpose entities

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

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

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

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

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

Associates

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

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

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

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

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

Joint ventures

Joint ventures are those entities over which the group has joint control in terms of a contractual agreement. Jointly controlled entities are incorporated into the group financial statements using the equity method of accounting. The carrying amount of such investments is reduced to recognise any impairment in the value of individual investments, by applying the impairment methodology described in 1.11.

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

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

Company

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

Investments held by venture capital divisions

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

Acquisitions and disposals of stakes in group companies

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

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

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

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

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

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

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

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

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

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

This accounting policy has been adopted for all transactions subsequent to 1 January 2009. The accounting treatment for prior-period transactions has not been restated.

1 PRINCIPAL ACCOUNTING POLICIES ... continued

1.2 Group accounting ... continued

Goodwill

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

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

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

1.3 Foreign currency translation

Foreign currency transactions

Individual entities within the group may use a different functional currency than that of the group, being the currency of the primary economic environment in which the respective entities operate. Transactions in foreign currencies are translated into the functional currency of the individual entities in the group at the date of the transaction by applying the spot exchange rate ruling at the transaction date to the foreign currency amounts.

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

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

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

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

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

Investments in foreign operations

Nedbank Group Limited's presentation currency is SA rand.

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

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

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

1.4 Financial instruments

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

The group does not currently apply hedge accounting. This accounting policy should be read in conjunction with the group's categorised statement of financial position, the group's risk management policies and note 6.1: Valuation of financial instruments.

Initial recognition

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

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

Initial measurement

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

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

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

Categories of financial instruments

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

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

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

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

  – the fair value through profit or loss designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on assets and liabilities on different bases;

  – the instrument forms part of a group of financial instruments that is managed and its performance is evaluated on a fair-value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel, using a fair-value basis; or

  – a contract contains one or more embedded derivatives that require separation from the host contract or a derivative that significantly modifies the cashflows of the host contract.

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

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

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

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

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

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

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

Embedded derivatives

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

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

The host contract is accounted for:

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

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

1 PRINCIPAL ACCOUNTING POLICIES ... continued

1.4 Financial instruments ... continued

Measurement basis of financial instruments

There are two bases of measurement:

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

  The effective-interest-rate method is a method of calculating the amortised cost of a financial instrument and of allocating the interest income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial instrument. When calculating the effective interest rate, cashflows are estimated considering all contractual terms of the financial instrument, but future credit losses are not considered. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.
- Fair value
  The fair value of a financial instrument is defined as the price at which an asset or liability could be exchanged in a current transaction between knowledgeable, willing parties, other than in a forced or liquidation sale.

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

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

  For a detailed discussion of the fair value of financial instruments refer to Note 6.1: Valuation of financial instruments on pages 284 to 289 of the annual financial statements.

Impairment of financial assets

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

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

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

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

  If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss for the period.
- Maximum credit risk
  Credit risk arises principally from loans and advances to clients, investment securities derivatives and irrevocable commitments to provide facilities. The maximum credit risk is typically the gross carrying amount, net of any amounts offset and impairment losses.

The maximum credit exposure for loan commitments is the full amount of the commitment if the loan cannot be settled net in cash or using another financial asset.

Derecognition

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

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

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

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

Securitisations

The group securitises various consumer and commercial financial assets, generally resulting in the sale of these assets to SPEs, which in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of senior or subordinated tranches, interest-only strips or other residual interests (retained interests). Retained interests are primarily recorded in available-for-sale investment securities and carried at fair value.

Gains or losses on securitisation depend in part on the carrying amount of the transferred financial assets, allocated between the financial assets derecognised and the retained interests based on their relative fair values at the date of transfer. Gains or losses on securitisation are recorded in other operating income for the period.

Offsetting financial instruments and related income

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

Collateral

Financial and non-financial assets are held as collateral in respect of recognised financial assets. Such collateral, except cash collateral, is not recognised by the group, as the group does not retain the risks and rewards of ownership, and is obliged to return such collateral to counterparties on settlement of the related obligations. Should a counterparty be unable to settle its obligations, the group takes possession of collateral or calls on other credit enhancements as full or part settlement of such amounts. These assets are recognised when the applicable recognition criteria under IFRS are met, and the group's accounting policies are applied from the date of recognition.

Cash collateral is recognised when the group receives the cash and is reported as amounts received from depositors. Collateral is also given to counterparties under certain financial arrangements, but such assets are not derecognised where the group retains the risks and rewards of ownership. Such assets are at risk to the extent that the group is unable to fulfil its obligations to counterparties.

For a detailed discussion on collateral see note 46: Collateral on page 363 of the annual financial statements.

Sale and repurchase agreements and lending of securities

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

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

Acceptances

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

Financial guarantee contracts

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

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

1.5 Taxation

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

Current taxation

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

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

1 PRINCIPAL ACCOUNTING POLICIES ... continued

1.5 Taxation ... continued

Deferred taxation

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

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

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred taxation 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 taxation 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 taxation assets are recognised for STC credits received based on the expected utilisation of these credits by group companies in the declaration of future dividends.

Deferred taxation assets and liabilities are not discounted.

1.6 Goodwill and intangible assets

Goodwill and goodwill impairment

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

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

Impairment testing procedures

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

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

Impairment losses relating to goodwill are not reversed and all impairment losses are recognised in capital and non-trading items for the period.

Computer software and capitalised development costs

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

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

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

Contractual client relationships

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

1.7 Employee benefits

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

Defined-benefit plans

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

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

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

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

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

Defined-contribution plans

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

Postemployment benefit plans

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

Short-term employee benefits

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

1.8 Property and equipment

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

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

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

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

Depreciation

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

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

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

The maximum initial estimated useful lives are as follows:

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

Derecognition

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

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

1 PRINCIPAL ACCOUNTING POLICIES ... continued

1.9 Investment properties

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

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

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

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

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

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

1.10 Non-current assets held for sale and discontinued operations

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

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

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

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

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

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

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

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

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

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

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

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

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

1.12 Other provisions

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

Reimbursements

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

- Onerous contracts
  A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting the obligations under the contract.
- Restructuring
  A provision for restructuring is recognised when the group has a detailed formal plan for restructuring and has raised a valid expectation, among those parties directly affected, that the plan will be carried out, either by having begun implementation or by publicly announcing the plan's main features. Restructuring provisions include only those costs that arise directly from restructuring that is not associated with the ongoing activities of the group.

Future operating costs or losses are not provided for.

1.13 Share-based payments

Equity-settled share-based payment transactions with employees

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

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

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

Measurement of fair value of equity instruments granted

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

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

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

1.14 Share capital

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

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

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

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

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

1.15 Treasury shares

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

1 PRINCIPAL ACCOUNTING POLICIES ... continued

1.16 Investment contracts

Investment contract liabilities

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

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

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

Revenue on investment management contracts

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

Contribution income relating to investment contracts

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

Benefits relating to investment contracts

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

1.17 Insurance contracts

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

Policy liabilities

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

Linked products

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

1.18 Leases

The group as lessee

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

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

The group as lessor

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

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

Recognition of lease of land

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

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

1.19 Borrowing costs

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

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

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

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

1.20 Government grants

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

1.21 Customer loyalty

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

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

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

1.22 Revenue and expenditure

Interest income and expense

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

Non-interest revenue

- Fees and commissions
  The group earns fees and commissions from a range of services it provides to clients and these are accounted for as follows:
  - Income earned on the execution of a significant act is recognised when the significant act has been performed.
  - Income earned from the provision of services is recognised as the service is rendered by reference to the stage of completion of the service.
  - Income that forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in interest income.
- Dividend income
  Dividend income is recognised when the right to receive payment is established on the ex dividend date for equity instruments and is included in dividend income under non-interest revenue.
- Net trading income
  Net trading income comprises all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading, together with the related interest, expense, costs and dividends. Interest earned while holding trading securities and interest incurred on trading liabilities are reported within non-interest revenue.
- Income from investment contracts
  Refer to 1.16 for non-interest revenue arising on investment management contracts.
- Other
  Exchange and securities trading income, from investments and net gains on the sale of investment banking assets, is recognised in profit or loss when the amount of revenue from the transaction or service can be measured reliably, it is probable that the economic benefits of the transaction or service will flow to the group and the costs associated with the transaction or service can be measured reliably.

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

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

1.23 Segmental reporting

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

The group's identification of its segments and the measurement of segment results are based on the group's internal reporting to management. The segments have been identified according to the nature of their respective products and services and their related target markets, the detail of which can be found in the Operational Segmental Report on pages 259 to 263 of the integrated report.

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

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

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

1.24 Cash and cash equivalents

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

2 STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations issued but not yet effective

New standards

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

- IFRS 9 Financial Instruments
  The IASB has issued IFRS 9 Financial Instruments, which is the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement, in its entirety. The project has three main phases:
  - Phase I: Classification and measurement of financial instruments;
  - Phase II: Amortised cost and impairment of financial assets; and
  - Phase III: Hedge accounting.

  IFRS 9, as currently issued, includes requirements for the classification and measurement of financial assets and liabilities, derecognition requirements and additional disclosure requirements. The main requirements include the following:
  - Financial assets are to be classified and measured based on the business model for managing the financial asset and the cashflow characteristics of the financial asset. There are two measurement approaches, namely fair value and amortised cost. The financial asset is carried at amortised cost if it is the business model of the entity to hold that asset for the purpose of collecting contractual cashflows and if those cashflows comprise principal repayments and interest. All other financial assets are carried at fair value.
  - A financial asset that would otherwise be at amortised cost may only be designated as at fair value through profit or loss if such a designation reduces an accounting mismatch.
  - The classification and measurement of financial liabilities include requirements similar to those contained in the existing standard IAS 39 Financial Instruments: Recognition and Measurement.
  - For financial liabilities designated as at fair value through profit or loss a further requirement is that all changes in the fair value of financial liabilities attributable to credit risk be transferred to other comprehensive income with no recycling through profit or loss on disposal.
  - The requirements for derecognition are similar to those contained in the existing standard IAS 39 Financial Instruments: Recognition and Measurement, with certain additional disclosure requirements. Management does not anticipate these requirements to have a significant impact on the group's financial statements.

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

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

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

Revised standards

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

- IFRS 7 Financial Instruments: Disclosures
  The following amendments were made to this standard during the year:
  - Clarification of certain qualitative and quantitative disclosures relating to the nature and extent of risks. The amendment is effective for the group for the year commencing 1 January 2011.
  - Additional disclosure requirements relating to the transfer of financial assets. This amendment is effective for the group for the year commencing 1 January 2012.

  These amendments address disclosure in the annual financial statements and will therefore not affect the financial position of the group.
- IFRS 3 Business Combinations
  The amendment clarifies the measurement of non-controlling interests and provides additional guidance on unreplaced and voluntarily replaced share-based payment awards.

  The amendment is effective for the group for the year commencing 1 January 2011 and is not expected to have a significant impact on the group.
- IAS 12 Income Taxes
  The amendment provides a practical approach for measuring deferred taxation liabilities and deferred taxation assets when investment property is measured using the fair-value model in IAS 40 Investment Property.

  The amendment is effective for the group for the year commencing on or after 1 January 2012 and is not expected to have a significant impact on the group.
- IAS 24 Related-party Disclosures
  The amendment provides exemptions from certain disclosure requirements in respect of government-related entities and clarifies the definition of a related party. The amendment is effective for the group for the year commencing 1 January 2011.

  This amendment addresses disclosure in the annual financial statements and will therefore not affect the financial position of the group. Furthermore, the revisions to the disclosures are not expected to have a significant effect on the group.
- Annual improvement project
  As part of its third annual improvement project the IASB has issued its 2010 edition of annual improvements. The annual improvement project aims to clarify and improve the accounting standards.

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

  There are no significant changes in the improvement of the current year that will affect the group and the improvement is effective for the group commencing 1 January 2011.

Interpretations

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

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

that the issue of equity instruments to extinguish an obligation constitutes consideration paid.

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

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

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

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

2.2 Standards and interpretations adopted in the current year

Revised standards

The following revisions to IFRS have been adopted by the group:

- Amendments to IFRS 2 Group-settled Arrangements
  The amendment provides additional guidance on the accounting for share-based payment transactions among group entities. The most significant change is that the entity receiving the goods or services will recognise the transaction as an equity-settled share-based payment transaction only if the awards granted are its own equity instruments or if it has no obligation to settle the transaction. In all other circumstances the entity will measure the transaction as a cash-settled share-based payment.

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

  The adoption of the amendments to the standard did not have an effect on the group's financial statements.
- Amendments to IAS 32 Classification of Rights Issues
  The amendment states that rights, options and warrants – otherwise meeting the definition of equity instruments in IAS 32.11 – issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency are classified as equity instruments, provided the offer is made pro rata to all existing owners of the same class of the entity's own non-derivative equity instruments.

  The amendment was early-adopted and did not have a significant effect on the group's financial statements.
- Amendments to IFRIC 14 Prepayment of a Minimum Funding Requirement
  The interpretation was amended to remedy an unintended consequence of IFRIC 14, where entities are, in some circumstances, not permitted to recognise prepayments of minimum funding contributions as an asset.

  The amendment was early-adopted and did not have a significant effect on the group's financial statements.
- Annual improvement project
  As part of its second annual improvement project, the IASB issued its 2009 edition of annual improvements. The annual improvement project aimed to clarify and improve the accounting standards.

  These improvements included those involving terminology or editorial changes with minimal effect on recognition and measurement.

  No significant changes were made to the group financial statements for the revisions that were effective for the year commencing 1 January 2010.

3 KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION

The group's accounting policies are set out on pages 266 to 277. Certain of these policies, as well as estimates made by management, are considered to be important to an understanding of the group's financial condition since they require management to make difficult, complex or subjective judgements and estimates, some of which may relate to matters that are inherently uncertain. The following accounting policies include estimates that are particularly sensitive in terms of judgements and the extent to which estimates are used. Other accounting policies involve significant amounts of judgements and estimates, but the total amounts involved are not significant to the financial statements. Management has discussed the accounting policies and critical accounting estimates with the board and Audit Committee.

3.1 Allowances for loan impairment and other credit risk provisions

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

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

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

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

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

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

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

3.2 Fair value of financial instruments

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

Other non-derivative financial assets may be designated as available for sale. Available-for-sale financial investments are initially recognised at fair value and are subsequently held at fair value. Gains and losses arising from changes in fair value of such assets are included as a separate component of equity.

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between knowledgeable, willing parties, other than in a forced or liquidation sale. Financial instruments entered into as trading transactions, together with any associated hedging, are measured at fair value and the 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.

Details of the processes, procedures and assumptions used in the determination of fair value are discussed in note 6.1 to the financial statements, as set out on pages 284 to 289.

3.3 Derecognition, securitisations and special-purpose entities

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

The group sponsors the formation of SPEs primarily for the purpose of allowing clients to hold investments, for asset securitisation transactions, for asset financing and for buying or selling credit protection. The group consolidates SPEs it controls in terms of IFRS guidance. Where it is difficult to determine whether the group controls an SPE, the group makes judgements, in terms of IFRS guidance, about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the SPE in question. In arriving at judgements, these factors are considered both jointly and separately. Further information in respect of those securitisations, consolidated into the group financial statements, can be found in note 47 to the financial statements on page 364.

3.4 Goodwill

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

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

The most significant amount of goodwill relates to Nedbank Limited. The goodwill impairment testing performed in 2010 indicated that none of the goodwill was impaired in the year under review. Management believes that reasonable changes in key assumptions used to determine the recoverable amount of Nedbank Limited's goodwill would not result in impairment.

Further information in respect of goodwill recognised in the statement of financial position can be found in note 36 to the financial statements on pages 351 and 352.

3.5 Intangible assets

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

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

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

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

- Evaluation of whether or not a cost is directly or indirectly attributable to an intangible asset and whether or not a cost is necessary for completing a development.

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

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

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

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

3.6 Employee benefits

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

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

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

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

The group's IAS 19 pension surplus across all pension and postretirement schemes at 31 December 2010 was a surplus of R980 million (2009: R1 184 million). This comprises net recognised assets of R874 million (2009: R733 million) and unrecognised actuarial gains of R106 million (2009: R451 million). The group's IAS 19 pension asset in respect of the main SA scheme at 31 December 2010 was R853 million (2009: R710 million surplus).

If the group had increased/decreased the assumption relating to the discount rate by 1% in respect of the significant postretirement and pension funds, the result would have been an increase/decrease of R44 million (2009: R15 million) in the net funded position of the relevant funds. If the group had increased/decreased the assumption relating to the expected return on plan assets by 1% in respect of the significant postretirement and pension funds, the result would have been an increase/decrease of R47 million (2009: R44 million) of the net pension cost.

The group's IAS 19 postretirement medical aid obligation across all schemes at 31 December 2010 was a deficit of R419 million (2009: R302 million). This comprises recognised liabilities of R320 million (2009: R250 million) and unrecognised actuarial losses of R99 million (2009: R52 million).

If the group had increased/decreased the assumption relating to the medical cost trend rate by 1% in respect of the postretirement medical aid schemes, the result would have been an increase/decrease of R176 million and R144 million respectively (2009 an increase/decrease of R156 million and R129 million respectively) in the net unfunded position of the relevant funds. It would have increased/decreased the postretirement medical aid expense by R26 million and R21 million respectively (2009 an increase/decrease of R21 million and R16 million respectively).

Further information on employee benefit obligations, including assumptions, is set out in note 35 to the financial statements on pages 344 to 350.

3.7 Income taxes

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

3.8 Financial risk management

The group's risk management policies and procedures are disclosed in the Risk and Balance Sheet Management Review of the integrated report on pages 146 to 195. These risk management procedures include, but are not limited to, credit risk, securitisation risk, liquidity risk, interest rate risk in the banking book and market risk.

4 CAPITAL MANAGEMENT

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

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

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

Capital, reserves and long-term debt instruments

The group's Capital Management Framework, policies and processes include all group capital and reserves as per the group statement of changes in total shareholders' equity on pages 256 and 257 as well as the long-term debt instruments per note 43 on page 360.

Further details on the ERMF, capital management and regulatory requirements are disclosed in the Risk and Balance Sheet Management Review on pages 146 to195, which is unaudited.

5 CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CATEGORIES OF FINANCIAL INSTRUMENTS

			At fair value through profit or loss						
2010	Notes	Total Rm	Held for trading Rm	* Designated Rm	Available-for-sale financial assets Rm	Held-to-maturity investments Rm	Loans and receivables Rm	Financial liabilities at amortised cost Rm	Non-financial assets and liabilities Rm
ASSETS									
Cash and cash equivalents	21	8 650					8 650		
Other short-term securities	22	27 044	10 316	12 528	3 639	561			
Derivative financial instruments	23	13 882	13 882						
Government and other securities	25	31 824	288	17 305	827	10 113	3 291		
Loans and advances	26	475 273	19 679	43 088			412 506		
Other assets	28	10 014	5 203	902			3 909		
Clients' indebtedness for acceptances		1 953							1 953
Current taxation receivable		483							483
Investment securities	29	11 918	314	11 171	433				
Non-current assets held for sale	31	5							5
Investments in associate companies and joint ventures	30	936		912					24
Deferred taxation asset	32	284							284
Investment property	33	199							199
Property and equipment	34	5 612							5 612
Long-term employee benefit assets	35	2 052							2 052
Mandatory reserve deposits with central banks	21	11 095					11 095		
Intangible assets	36	7 494							7 494
Total assets		608 718	49 682	85 906	4 899	10 674	439 451	–	18 106
EQUITY AND LIABILITIES									
Ordinary share capital	38.1	449							449
Ordinary share premium		15 522							15 522
Reserves		28 130							28 130
Total equity attributable to equity holders of the parent		44 101	–	–	–	–	–	–	44 101
Non-controlling interest attributable to:									
– ordinary shareholders		153							153
– preference shareholders	38.2	3 560							3 560
Total equity		47 814	–	–	–	–	–	–	47 814
Derivative financial instruments	23	12 052	12 052						
Amounts owed to depositors	39	490 440	35 815	90 144				364 481	
Provisions and other liabilities	40	18 245	11 795					6 450	
Liabilities under acceptances		1 953							1 953
Current taxation liabilities		191							191
Deferred taxation liabilities	32	1 804							1 804
Long-term employee benefit liabilities	35	1 414							1 414
Investment contract liabilities	41	7 309		7 309					
Insurance contract liabilities	42	1 392		1 392					
Long-term debt instruments	43	26 104		7 774				18 330	
Total liabilities		560 904	59 662	106 619	–	–	–	389 261	5 362
Total equity and liabilities		608 718	59 662	106 619	–	–	–	389 261	53 176

2009	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
ASSETS									
Cash and cash equivalents	21	7 867					7 867		
Other short-term securities	22	18 550	10 316	5 214	2 042	978			
Derivative financial instruments	23	12 710	12 710						
Government and other securities	25	35 983	568	16 029	804	13 444	5 138		
Loans and advances	26	450 301	13 858	37 598			398 845		
Other assets	28	5 455	832	667			3 956		
Clients' indebtedness for acceptances		2 031							2 031
Current taxation receivable		602							602
Investment securities	29	11 025	273	10 451	301				
Non-current assets held for sale	31	12							12
Investments in associate companies and joint ventures	30	924		908					16
Deferred taxation asset	32	282							282
Investment property	33	211							211
Property and equipment	34	4 967							4 967
Long-term employee benefit assets	35	1 860							1 860
Mandatory reserve deposits with central banks	21	10 508					10 508		
Intangible assets	36	7 415							7 415
Total assets		570 703	38 557	70 867	3 147	14 422	426 314	–	17 396
EQUITY AND LIABILITIES									
Ordinary share capital	38.1	436							436
Ordinary share premium		13 728							13 728
Reserves		25 485							25 485
Total equity attributable to equity holders of the parent		39 649	–	–	–	–	–	–	39 649
Non-controlling interest attributable to:									
– ordinary shareholders		1 849							1 849
– preference shareholders	38.2	3 486							3 486
Total equity		44 984	–	–	–	–	–	–	44 984
Derivative financial instruments	23	11 551	11 551						
Amounts owed to depositors	39	469 355	30 037	74 993				364 325	
Provisions and other liabilities	40	11 252	4 895					6 357	
Liabilities under acceptances		2 031							2 031
Current taxation liabilities		315							315
Deferred taxation liabilities	32	1 945							1 945
Long-term employee benefit liabilities	35	1 304							1 304
Investment contract liabilities	41	6 749		6 749					
Insurance contract liabilities	42	1 133		1 133					
Long-term debt instruments	43	20 084		7 811				12 273	
Total liabilities		525 719	46 483	90 686	–	–	–	382 955	5 595
Total equity and liabilities		570 703	46 483	90 686	–	–	–	382 955	50 579

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

6 FAIR-VALUE MEASUREMENT

6.1 Valuation of financial instruments

Background

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

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

Control environment

- Validation and approval

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

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

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

  The review of the modeling process includes approval of model revisions, vetting of model inputs, review of model results and more specifically the verification of risk calculations. All valuation techniques are validated and reviewed by qualified senior staff and are calibrated and back-tested for validity by using prices from any observable current market transaction in the same instrument (ie without modification or repackaging) or based on any observable market data. The group obtains market data consistently in the same market where the instrument was originated or purchased.

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

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

- Stress testing and sensitivity measures

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

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

For further discussion in respect of stress testing and sensitivity measures refer to note 6.6 of the annual financial statements on page 298.

Valuation methodologies

- Quoted price

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

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

  The existence of published price quotations in an active market is the best evidence of fair value and, when they exist, they are used to measure the financial asset or financial liability. A market is considered to be active if transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

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

- Valuation technique

  If the market for a financial instrument is not active, the group establishes fair value by using a valuation technique. These valuation techniques may include:

  – using recent arm's length market transactions between knowledgeable, willing parties;

  – reference to the current fair value of another instrument that is substantially of the same nature;

  – reference to the value of the net asset of the underlying business;

  – earnings multiples;

  – discounted-cashflow analysis; and

  – various option pricing models.

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

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

  Fair value is therefore estimated on the basis of the results of a valuation technique that makes maximum use of market inputs and relies as little as possible on entity-specific inputs. A valuation technique would be expected to arrive at a realistic estimate of the fair value if:

  – it reasonably reflects how the market could be expected to price the instrument; and

  – the inputs to the valuation technique reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

  Therefore, a valuation technique:

  – will incorporate all relevant factors that market participants would consider in determining a price; and

  – is consistent with accepted economic methodologies for pricing financial instruments.

6 FAIR-VALUE MEASUREMENT ... continued

6.1 Valuation of financial instruments ... continued

Valuation methodologies ... continued

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

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

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

Observable markets

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

A determination of what constitutes 'observable market data' will necessitate significant judgement. It is the group's belief that 'observable market data' comprises, in the following hierarchical order:

- prices or quotes from exchange or listed markets in which there are sufficient liquidity and activity;
- proxy observable market data that is proven to be highly correlated and has a logical, economic relationship with the instrument that is being valued; and
- other direct and indirect market inputs that are observable in the marketplace.

Data is considered by the group to be 'observable' if the data is:

- verifiable;
- readily available;
- regularly distributed;
- from multiple independent sources;
- transparent; and
- not proprietary.

Data is considered by the group to be 'market-based' if the data is:

- reliable;
- based on consensus within reasonable narrow, observable ranges;
- provided by sources that are actively involved in the relevant market; and
- supported by actual market transactions.

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

Inputs to valuation techniques

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

- Discount rate: Where discounted-cashflow techniques are used, estimated future cashflows are based on management's best estimates and the discount rate used is a market rate at the reporting date for an instrument with similar terms and conditions.

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

Valuation adjustments

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

- Own credit on financial liabilities: The carrying amount of financial liabilities held at fair value is adjusted to reflect the effect of changes in the group's own credit spreads. As a result, the carrying value of issued bonds and subordinated-debt instruments that have been designated as at fair value through profit or loss is adjusted by reference to the movement in the appropriate spreads. The resulting gain or loss is recognised in profit and loss in the statement of other comprehensive income.
- Counterparty credit spreads: Adjustments are made to market prices when the creditworthiness of the counterparty differs from that of the assumed counterparty in the market price (or parameter).

Valuation techniques by instrument

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

6 FAIR-VALUE MEASUREMENT ... continued

6.1 Valuation of financial instruments ... continued

Valuation techniques by instrument ... continued

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

- Derivative financial instruments

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

- Loans and advances

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

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

- Investment securities

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

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

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

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

- Other assets

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

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

- Amounts owed to depositors

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

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

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

Fair value is considered reliably measurable if:

– the variability in the range of reasonable fair-value estimates is not significant for that instrument; or

– the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

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

- Long-term debt instruments
  The fair value of long-term debt instruments is determined by reference to published market values on the relevant exchange.

- Complex instruments
  These instruments are valued by using internally developed models that are specific to the instrument and that have been calibrated to market prices. In less active markets data is obtained from less frequent market transactions, broker quotes and through extrapolation and interpolation techniques. Where observable prices or inputs are not available, other relevant sources of information such as historical data, fundamental analysis of the economics of the transaction and proxy information from similar transactions are used. These models are continually reviewed and assessed to ensure that the best available data is being utilised in the determination of fair value.

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

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

6 FAIR-VALUE MEASUREMENT ... continued

6.2 Fair-value hierarchy

6.2.1 Financial assets

Rm	Note	Total financial assets	Total financial assets recognised at amortised cost	Total financial assets recognised at fair value
2010		**590 612**	**450 125**	**140 487**
Cash and cash equivalents	21	**19 745**	**19 745**	**–**
Other short-term securities	22	**27 044**	**561**	**26 483**
Derivative financial instruments	23	**13 882**		**13 882**
Government and other securities	25	**31 824**	**13 404**	**18 420**
Loans and advances	26	**475 273**	**412 506**	**62 767**
Other assets	28	**10 014**	**3 909**	**6 105**
Investments in associate companies and joint ventures	30	**912**		**912**
Investment securities	29	**11 918**		**11 918**
2009		553 307	440 736	112 571
Cash and cash equivalents	21	18 375	18 375	–
Other short-term securities	22	18 550	978	17 572
Derivative financial instruments	23	12 710		12 710
Government and other securities	25	35 983	18 582	17 401
Loans and advances	26	450 301	398 845	51 456
Other assets	28	5 455	3 956	1 499
Investments in associate companies and joint ventures	30	908		908
Investment securities	29	11 025		11 025

Summary of fair-value hierarchies

Rm	Total financial assets recognised at fair value 2010	2009
Other short-term securities	**26 483**	17 572
Derivative financial instruments	**13 882**	12 710
Government and other securities	**18 420**	17 401
Loans and advances	**62 767**	51 456
Other assets	**6 105**	1 499
Investments in associate companies and joint ventures	**912**	908
Investment securities	**11 918**	11 025
	140 487	112 571

Reconciliation to statement of financial position

Rm	Note	2010	2009
Total financial assets	5	**590 612**	553 307
Total non-financial assets	5	**18 106**	17 396
Total assets		**608 718**	570 703

Held for trading			Designated at fair value through profit or loss			Available for sale		
Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
5 176	**44 109**	**397**	**16 213**	**67 496**	**2 197**	**4 097**	**802**	**–**
1 168	**9 148**		**1 506**	**11 022**		**3 639**		
9	**13 873**							
(1 204)	**1 445**	**47**	**13 914**	**3 391**		**432**	**395**	
	19 643	**36**	**23**	**43 065**				
5 203			**260**	**642**				
					912			
		314	**510**	**9 376**	**1 285**	**26**	**407**	
1 597	36 534	426	14 886	53 155	2 826	2 242	607	298
496	9 820		576	4 638		2 042		
26	12 668	16						
(132)	645	55	13 606	2 423		197	607	
375	13 401	82		37 598				
832			221	446				
					908			
		273	483	8 050	1 918	3		298

Total financial assets classified at level 1		Total financial assets classified at level 2		Total financial assets classified at level 3	
2010	2009	**2010**	2009	**2010**	2009
6 313	3 114	**20 170**	14 458		
9	26	**13 873**	12 668		16
13 142	13 671	**5 231**	3 675	**47**	55
23	375	**62 708**	50 999	**36**	82
5 463	1 053	**642**	446		
				912	908
536	486	**9 783**	8 050	**1 599**	2 489
25 486	18 725	**112 407**	90 296	**2 594**	3 550

6 FAIR-VALUE MEASUREMENT ... continued

6.2 Fair-value hierarchy ... continued

6.2.2 Financial liabilities

Rm	Note	Total financial liabilities	Total financial liabilities recognised at amortised cost	Total financial liabilities recognised at fair value
2010		**555 542**	**389 261**	**166 281**
Derivative financial instruments	23	**12 052**		**12 052**
Amounts owed to depositors	39	**490 440**	**364 481**	**125 959**
Provisions and other liabilities	40	**18 245**	**6 450**	**11 795**
Investment contract liabilities	41/42	**8 701**		**8 701**
Long-term debt instruments	43	**26 104**	**18 330**	**7 774**
2009		520 124	382 955	137 169
Derivative financial instruments	23	11 551		11 551
Amounts owed to depositors	39	469 355	364 325	105 030
Provisions and other liabilities	40	11 252	6 357	4 895
Investment contract liabilities	41/42	7 882		7 882
Long-term debt instruments	43	20 084	12 273	7 811

Summary of fair-value hierarchies:

Rm	Total financial liabilities recognised at fair value 2010	2009
Derivative financial instruments	**12 052**	11 551
Amounts owed to depositors	**125 959**	105 030
Provisions and other liabilities	**11 795**	4 895
Investment contract liabilities	**8 701**	7 882
Long-term debt instruments	**7 774**	7 811
	166 281	137 169

Reconciliation to statement of financial position

Rm	Note	2010	2009
Total financial liabilities	5	**555 542**	520 124
Total equity and non-financial liabilities	5	**53 176**	50 579
Total equity and liabilities		**608 718**	570 703

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

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

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

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

6.3 Details of changes in valuation techniques

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

6.4 Significant transfers between level 1 and level 2

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

Held for trading			Designated at fair value through profit or loss		
Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
11 564	**48 088**	**10**	**7 774**	**98 845**	**–**
23	**12 019**	**10**			
	35 815			**90 144**	
11 541	**254**				
				8 701	
			7 774		
4 870	41 560	53	7 811	82 875	–
8	11 490	53			
217	29 820			74 993	
4 645	250				
				7 882	
			7 811		

Total financial liabilities classified at level 1		Total financial liabilities classified at level 2		Total financial liabilities classified at level 3	
2010	2009	**2010**	2009	**2010**	2009
23	8	**12 019**	11 490	**10**	53
	217	**125 959**	104 813		
11 541	4 645	**254**	250		
		8 701	7 882		
7 774	7 811				
19 338	12 681	**146 933**	124 435	**10**	53

6 FAIR-VALUE MEASUREMENT ... continued

6.5 Level 3 reconciliation

ASSETS

Rm	Opening balance at 1 January	Gains/(Losses) in profit for the year*	Gains/(Losses) in other comprehensive income for the year*
2010			
Held for trading	**426**	**25**	**–**
Derivative financial instruments	16		
Government and other securities	55	(8)	
Loans and advances	82	(7)	
Investment securities	273	40	
Designated as at fair value	**2 826**	**53**	**–**
Investments in associate companies and joint ventures	908	(4)	
Investment securities	1 918	57	
Available-for-sale financial assets	**298**	**–**	**–**
Investment securities	298		
Total financial assets classified at level 3	**3 550**	**78**	**–**

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

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

Rm	Opening balance at 1 January	Gains/(Losses) in profit for the year*	Gains/(Losses) in other comprehensive income for the year*
2009			
Held for trading	1 271	(23)	(56)
Derivative financial instruments	2	17	
Government and other securities	293	(15)	(5)
Loans and advances	719	(41)	(51)
Investment securities	257	16	
Designated as at fair value	2 449	174	–
Investments in associate companies and joint ventures	867	22	
Investment securities	1 582	152	
Available-for-sale financial assets	243	–	–
Investment securities	243		
Total financial assets classified at level 3	3 963	151	(56)

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

Purchases and issues	Sales and settlements	Transfers in	Transfers out**	Closing balance at 31 December
–	**(40)**	**1**	**(15)**	**397**
	(1)		**(15)**	**–**
				47
	(39)			**36**
		1		**314**
50	**(61)**	**–**	**(671)**	**2 197**
8				**912**
42	**(61)**		**(671)**	**1 285**
–	**–**	**–**	**(298)**	**–**
			(298)	**–**
50	**(101)**	**1**	**(984)**	**2 594**

Purchases and issues	Sales and settlements	Transfers in	Transfers out	Closing balance at 31 December
–	(693)	–	(73)	426
	(2)		(1)	16
	(218)			55
	(473)		(72)	82
				273
279	(78)	2	–	2 826
61	(42)			908
218	(36)	2		1 918
57	–	–	(2)	298
57			(2)	298
336	(771)	2	(75)	3 550

6 FAIR-VALUE MEASUREMENT ... continued

6.5 Level 3 reconciliation ... continued

LIABILITIES

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

* *Represents amounts less than R1 million.*

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

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

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

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

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

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

6 FAIR-VALUE MEASUREMENT ... continued

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

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

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

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

	Principle assumption stressed	Stress parameters %	Statement of financial position value Rm	Favourable change in fair value due to stress test Rm	Unfavourable change in fair value due to stress test Rm
2010					
Assets					
Government and other securities	Credit spreads	Between (25) and 25	**47**	**1**	**(1)**
Loans and advances	Credit spreads	Between (25) and 25	**36**	*	*
Investment securities	Valuation multiples, correlations, volatilities and credit spreads	Between (20) and 20	**1 599**	**243**	**(268)**
Investments in associate companies and joint ventures	Valuation multiples	Between (10) and 10	**912**	**88**	**(88)**
Total financial assets classified at level 3			**2 594**	**332**	**(357)**
Liabilities					
Derivative financial instruments	Correlations, volatilities and credit spreads	Between (33) and 33	**10**	**3**	**(3)**

** Represents amounts less than R1 million.*

	Principle assumption stressed	Stress parameters %	Statement of financial position value Rm	Favourable change in fair value due to stress test Rm	Unfavourable change in fair value due to stress test Rm
2009					
Assets					
Derivative financial instruments	Correlations, volatilities and credit spreads	Between (25) and 25	16	13	(13)
Government and other securities	Credit spreads	Between (20) and 20	55	1	(1)
Loans and advances	Credit spreads	Between (20) and 20	82	*	*
Investment securities	Correlations, volatilities and credit spreads	Between (20) and 20	2 489	235	(300)
Investments in associate companies and joint ventures	Valuation multiples	Between (6) and 6	908	57	(57)
Total financial assets classified at level 3			3 550	306	(371)
Liabilities					
Derivative financial instruments	Correlations, volatilities and credit spreads	Between (25) and 25	53	9	(9)

** Represents amounts less than R1 million.*

6.7 Fair-value approximates carrying value

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

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

Loans and advances

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

Loans and advances are not actively traded in the SA market and it is therefore not possible to determine the fair value of these loans and advances using observable market prices. Due to the unique characteristics of the loans and advances book and the fact that there have been no recent transactions involving the disposals of loans and advances, there is no basis to determine a price that could be negotiated between a willing buyer and seller. The group is not currently in the position of a forced sale for the underlying loans and advances and it would therefore be inappropriate to value the loans and advances on a forced-sale basis.

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

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

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

The results of these fair-value calculations are summarised below:

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

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

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

Government and other securities

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

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

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

Amounts owed to depositors

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

Long-term debt instruments

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

7 LIQUIDITY GAP

Rm	<3 months	>3 months <6 months	>6 months <1 year	>1 year <5 years	>5 years	Non-determined	Total
2010							
Cash and cash equivalents (including mandatory reserve deposits with central bank)	**19 272**					**473**	**19 745**
Other short-term securities	**19 377**	**2 763**	**3 128**	**1 776**			**27 044**
Derivative financial instruments	**3 682**	**1 117**	**1 361**	**4 877**	**2 845**		**13 882**
Government and other securities	**352**	**1 260**	**5 655**	**18 335**	**6 222**		**31 824**
Loans and advances	**87 925**	**18 266**	**30 134**	**177 962**	**160 986**		**475 273**
Other assets	**5 911**					**35 039**	**40 950**
	136 519	**23 406**	**40 278**	**202 950**	**170 053**	**35 512**	**608 718**
Total equity						**47 814**	**47 814**
Derivative financial instruments	**1 288**	**582**	**1 032**	**4 886**	**4 264**		**12 052**
Amounts owed to depositors	**342 941**	**49 403**	**56 765**	**39 102**	**2 229**		**490 440**
Provisions and other liabilities	**9 262**					**23 046**	**32 308**
Long-term debt instruments	**289**	**1 674**		**18 102**	**6 039**		**26 104**
	353 780	**51 659**	**57 797**	**62 090**	**12 532**	**70 860**	**608 718**
Net liquidity gap	**(217 261)**	**(28 253)**	**(17 519)**	**140 860**	**157 521**	**(35 348)**	**–**
2009							
Cash and cash equivalents (including mandatory reserve deposits with central bank)	16 382			65		1 928	18 375
Other short-term securities	13 715	1 261	1 501	2 073			18 550
Derivative financial instruments	3 569	834	2 070	3 792	2 445		12 710
Government and other securities	537	2 020	7 607	18 660	7 159		35 983
Loans and advances	83 758	16 463	31 070	153 354	165 656		450 301
Other assets	2 261					32 523	34 784
	120 222	20 578	42 248	177 944	175 260	34 451	570 703
Total equity						44 984	44 984
Derivative financial instruments	2 917	898	1 103	3 037	3 596		11 551
Amounts owed to depositors	338 632	50 084	57 810	19 888	2 941		469 355
Provisions and other liabilities	8 780					15 949	24 729
Long-term debt instruments			500	9 184	10 400		20 084
	350 329	50 982	59 413	32 109	16 937	60 933	570 703
Net liquidity gap	(230 107)	(30 404)	(17 165)	145 835	158 323	(26 482)	–

This note has been prepared on a contractual maturity basis.

8 CONTRACTUAL MATURITY ANALYSIS FOR FINANCIAL LIABILITIES

Rm	Statement of financial position amount	<3 months	>3 months <6 months	>6 months <1 year	>1 year < 5years	>5 years	Non-deter-minable maturity	Total
2010								
Long-term debt instruments	**26 104**	**673**	**1 883**	**773**	**22 332**	**7 449**		**33 110**
Investment contract liabilities	**7 309**	**7 309**						**7 309**
Amounts owed to depositors	**490 440**	**346 872**	**51 640**	**59 497**	**42 784**	**2 230**	**–**	**503 023**
Current accounts	**47 672**	**47 674**						**47 674**
Savings deposits	**14 756**	**14 756**						**14 756**
Other deposits and loan accounts	**293 467**	**234 090**	**20 320**	**23 462**	**18 762**	**2 217**		**298 851**
Foreign currency liabilities	**9 781**	**9 781**						**9 781**
Negotiable certificates of deposit	**110 584**	**26 390**	**31 320**	**36 035**	**24 022**	**13**		**117 780**
Deposits received under repurchase agreements	**14 180**	**14 181**						**14 181**
Derivative financial instruments – liabilities	**12 052**	**1 288**	**582**	**1 032**	**4 886**	**4 264**		**12 052**
Provisions and other liabilities	**24 999**	**1 953**					**23 046**	**24 999**
	560 904	**358 095**	**54 105**	**61 302**	**70 002**	**13 943**	**23 046**	**580 493**
Guarantees on behalf of clients	**29 614**	**29 614**						**29 614**
Confirmed letters of credit and discounting transactions	**2 126**	**2 126**						**2 126**
Unutilised facilities and other	**77 395**	**77 395**						**77 395**
	109 135	**109 135**	**–**	**–**	**–**	**–**	**–**	**109 135**
2009								
Long-term debt instruments	20 084	356	213	1 293	14 608	12 313		28 783
Investment contract liabilities	6 749	6 749						6 749
Amounts owed to depositors	469 355	343 228	52 021	60 976	22 778	3 129	–	482 132
Current accounts	44 539	44 543						44 543
Savings deposits	15 294	15 294						15 294
Other deposits and loan accounts	283 829	232 417	17 002	21 712	15 470	3 111		289 712
Foreign currency liabilities	7 027	7 027						7 027
Negotiable certificates of deposit	103 731	28 853	35 019	39 264	7 308	18		110 462
Deposits received under repurchase agreements	14 935	15 094						15 094
Derivative financial instruments – liabilities	11 551	2 917	898	1 103	3 037	3 596		11 551
Provisions and other liabilities	17 980	2 031					15 949	17 980
	525 719	355 281	53 132	63 372	40 423	19 038	15 949	547 195
Guarantees on behalf of clients	28 161	28 161						28 161
Confirmed letters of credit and discounting transactions	1 487	1 487						1 487
Unutilised facilities and other*	79 499	79 499						79 499
	109 147	109 147	–	–	–	–	–	109 147

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

Derivatives are not profiled on an undiscounted basis.

Provisions and other liabilities are included in this table in order to provide a reconciliation with the statement of financial position.

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

	2010				2009			
Rm	Average	Minimum	Maximum	Year-end	Average	Minimum	Maximum	Year-end
Foreign exchange	2,2	0,6	6,7	3,9	4,1	1,0	10,3	3,7
Interest rate	9,0	3,9	14,9	6,2	16,9	7,2	28,7	7,4
Equity products	3,6	1,4	9,3	2,8	6,3	2,5	13,3	3,8
Credit	2,8	0,8	4,0	4,0	6,0	2,5	10,9	3,2
Commodity	0,7		1,5	0,2	0,5		2,4	1,2
Diversification	(7,3)			(6,2)	(12,5)			(6,0)
Total VAR exposure	11,0	6,1	18,3	10,9	21,3	9,9	33,1	13,3

Refer to pages 173 to 175 of the Risk and Balance Sheet Management Review for information on the group trading book VAR and the comparison of trading VAR.

10 INTEREST RATE REPRICING GAP

Rm	<3 months	>3 months <6 months	>6 months <1 year	>1 year <5 years	>5 years	Trading, non-rate and foreign	Total
2010							
Total assets	436 855	11 700	10 619	28 064	20 970	100 510	608 718
Total equity and liabilities	369 654	38 544	30 601	17 194	1 961	150 764	608 718
Interest rate hedging activities	(27 825)	27 590	21 934	(3 420)	(18 279)		
Repricing profile	39 376	746	1 952	7 450	730	(50 254)	
Cumulative repricing profile	39 376	40 122	42 074	49 539	50 254		
Expressed as a percentage of total assets	6,5	6,6	6,9	8,1	8,3		
2009							
Total assets	418 352	3 378	6 242	31 271	16 788	94 672	570 703
Total equity and liabilities	352 994	31 000	38 452	12 070	4 654	131 533	570 703
Interest rate hedging activities	(31 359)	26 605	29 484	(10 246)	(14 484)		
Repricing profile	33 999	(1 017)	(2 726)	8 955	(2 350)	(36 861)	
Cumulative repricing profile	33 999	32 982	30 256	39 211	36 861		
Expressed as a percentage of total assets	6,0	5,8	5,3	6,9	6,5		

See pages 184 and 185 of the Risk and Balance Sheet Management Review for information on interest rate risk in the banking book.

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

Credit ratings	Investment grade		Subinvestment grade		Not rated		Total	
	2010 Rm	2009 Rm	2010 Rm	2009 Rm	2010 Rm	2009 Rm	2010 Rm	2009 Rm
Other short-term securities	26 672	18 478	269	71	103	1	27 044	18 550
Negotiable certificates of deposit	12 529	11 907					12 529	11 907
Treasury bills and other	14 143	6 571	269	71	103	1	14 515	6 643
Government and other securities	31 345	35 892	478	91	1	–	31 824	35 983
Government and government-guaranteed	20 527	24 359	1				20 528	24 359
Other dated securities	10 818	11 533	477	91	1		11 296	11 624
	58 017	54 370	747	162	104	1	58 868	54 533

All debt securities that are purchased by the group are rated using an internal rating system, being the Nedbank Group Rating (NGR) scale. The group requires that all investments be rated using the NGR scale to ensure that credit risk is measured consistently and accurately across the group. This ensures compliance with the group's policy surrounding the rating of investments. The NGR scale has been mapped to the Standard & Poor's credit rating system. According to the NGR scale investment grade can be equated to a Standard & Poor's rating of above BBB-. All government and other short-term securities are current and not impaired. Investment grade includes credit ratings from NGR01 to NGR11 and subinvestment grade includes credit ratings from NGR12 to NGR25.

12 INTEREST AND SIMILAR INCOME

	2010 Rm	2009 Rm
Home loans (including properties in possession)	**11 962**	14 873
Commercial mortgages	**7 686**	7 913
Finance lease and instalment debtors	**7 303**	7 655
Credit cards	**1 106**	1 188
Bills and acceptances	**20**	41
Overdrafts	**1 331**	1 577
Term loans	**7 623**	7 616
Personal loans	**2 600**	2 133
Other term loans	**5 023**	5 483
Government and other securities	**2 929**	3 442
Short-term funds and securities	**736**	808
Other loans	**3 681**	5 424
	44 377	50 537
Interest and similar income may be analysed as follows:		
– Interest and similar income from financial instruments not at fair value through profit and loss	**38 642**	44 594
– Interest and similar income from financial instruments at fair value through profit or loss	**5 735**	5 943
	44 377	50 537

13 INTEREST EXPENSE AND SIMILAR CHARGES

	2010 Rm	2009 Rm
Deposit and loan accounts	**13 955**	19 585
Current and savings accounts	**788**	1 188
Negotiable certificates of deposit	**8 319**	9 656
Other interest-bearing liabilities	**2 420**	2 161
Long-term debt instruments	**2 287**	1 641
	27 769	34 231
Interest expense and similar charges may be analysed as follows:		
– Interest expense and similar charges from financial instruments not at fair value through profit and loss	**21 709**	26 838
– Interest expense and similar charges from financial instruments at fair value through profit or loss	**6 060**	7 393
	27 769	34 231

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

14 NON-INTEREST REVENUE

	2010 Rm	2009 Rm
Commission and fee income**	**9 758**	8 583
Administration fees	**336**	217
Cash-handling fees	**630**	530
Insurance commission	**525**	276
Exchange commission	**300**	302
Fees	**1 254**	1 136
Guarantees	**122**	118
Card income	**2 097**	1 937
Service charges	**2 680**	2 350
Other commission	**1 814**	1 717
Insurance income (note 14.2)	**860**	615
Securities dealing and fair-value adjustments	**(300)**	298
Securities dealing***	**(42)**	254
Fair-value adjustments (note 14.1)	**(258)**	44
Net trading income***	**2 096**	1 841
Foreign exchange	**1 040**	1 167
Debt securities	**774**	764
Equities	**276**	(108)
Commodities	**6**	18
Rental income	**51**	52
Rents received	**49**	50
Rental income from properties in possession	**2**	2
Investment income	**265**	64
Long-term-asset sales	**11**	14
Dividends received	**254**	50
Listed investments	**6**	3
Unlisted investments	**248**	47
Sundry income****	**485**	454
Income from non-banking subsidiaries	**185**	204
Other sundry income	**300**	250
Foreign currency translation loss	*****	(1)
	13 215	11 906

* *Represents amounts less than R1 million.*

** *Commission and fee income includes an amount of R1 213 million (2009: R776 million) received for trust and fiduciary fees.*

*** *These amounts relate to gains and losses on financial assets and liabilities held for trading.*

**** *Includes revenue relating to certain investments in associates presented as designated as 'at fair value through profit and loss' in terms of IFRS 7 Financial Instruments.*

See note 14.4 for a breakdown of non-interest revenue by operating segment.

2009 comparative information has been restated to allow for the separate disclosure of total insurance income.

14.1 Analysis of fair-value adjustments

Fair-value adjustments can be analysed as follows:

	2010 Rm	2009 Rm
Held for trading	**(1 092)**	464
Designated as at fair value through profit or loss	**834**	(420)
	(258)	44

14.2 Insurance income

	2010 Rm	2009 Rm
Insurance contract income	**861**	677
Net insurance premium income	**1 920**	1 126
Gross premiums received	**2 258**	1 469
Reinsurance premiums	**(338)**	(343)
Net insurance claims and benefits	**(756)**	(555)
Gross claims and benefits paid	**(911)**	(748)
Reinsurance recoveries	**155**	193
Net commission and administration fees	**(204)**	47
Investment income	**159**	95
Changes in insurance contracts	**(258)**	(36)
Investment contract expense	**(1)**	(62)
Premium income	**92**	41
Claims and benefits paid	**(25)**	(9)
Investment income	**11**	7
Changes in investment contracts	**(79)**	(101)
	860	615

The disclosure of insurance income has been enhanced to include short-term insurance and brokerage.

14.3 Government grants

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

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

The group receives certain SA government grants in the form of refunds for skills development levies and they pertain to prior training that has been facilitated by the group on behalf of its employees.

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

14 NON-INTEREST REVENUE ... continued

14.4 Segmental analysis

Rm	Nedbank Group 2010	Nedbank Group 2009	Nedbank Capital 2010	Nedbank Capital 2009	Nedbank Corporate 2010	Nedbank Corporate 2009
Commission and fee income	**9 758**	8 583	**246**	333	**1 294**	1 162
Administration fees	**336**	217			**30**	24
Cash-handling fees	**630**	530			**172**	150
Insurance commission	**525**	276			**3**	3
Exchange commission	**300**	302			**99**	104
Fees	**1 254**	1 136	**218**	252	**270**	282
Guarantees	**122**	118		2	**79**	73
Card income	**2 097**	1 937			**5**	1
Service charges	**2 680**	2 350			**120**	105
Other commission	**1 814**	1 717	**28**	79	**516**	420
Insurance income (note 14.2)	**860**	615				
Securities dealing and fair-value adjustments	**(300)**	298	**(65)**	235	**28**	94
Securities dealing	**(42)**	254	**(97)**	259	**84**	22
Fair-value adjustments	**(258)**	44	**32**	(24)	**(56)**	72
Net trading income	**2 096**	1 841	**1 879**	1 637	**76**	94
Foreign exchange	**1 040**	1 167	**823**	951	**76**	94
Debt securities	**774**	764	**774**	764		
Equities	**276**	(108)	**276**	(96)		
Commodities	**6**	18	**6**	18		
Rental income	**51**	52			**17**	18
Investment income	**265**	64	**194**	18	**51**	29
Long-term asset sales	**11**	14				
Dividends received	**254**	50	**194**	18	**51**	29
Sundry income	**485**	454	**10**	13	**100**	121
Income from non-banking subsidiaries	**185**	204				
Other sundry income	**300**	250	**10**	13	**100**	121
Foreign currency translation loss	*****	(1)				
Total non-interest revenue	**13 215**	11 906	**2 264**	2 236	**1 566**	1 518

**Represents amounts less than R1 million.*

Total Nedbank Retail and Nedbank Business Banking		Nedbank Retail		Nedbank Business Banking		Nedbank Wealth		Shared Services		Central Management and Eliminations	
2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
7 094	6 183	**5 862**	5 070	**1 232**	1 113	**1 130**	917	**18**	25	**(24)**	(37)
259	197	**253**	182	**6**	15	**52**		**7**	6	**(12)**	(10)
458	380	**164**	121	**294**	259						
407	170	**403**	156	**4**	14	**115**	103				
160	147	**57**	57	**103**	90	**38**	46	**3**	5		
52	30			**52**	30	**728**	582	**(2)**	2	**(12)**	(12)
43	43	**10**	8	**33**	35						
2 008	1 881	**1 954**	1 830	**54**	51	**84**	55				
2 552	2 239	**2 116**	1 835	**436**	404	**8**	6				
1 155	1 096	**905**	881	**250**	215	**105**	125	**10**	12		(15)
						860	615				
29	7	**35**	–	**(6)**	7	**(15)**	(19)	**(1)**	(1)	**(276)**	(18)
(1)	(3)			**(1)**	(3)	**(15)**	(19)	**(1)**	(1)	**(12)**	(4)
30	10	**35**		**(5)**	10					**(264)**	(14)
141	122	**50**	46	**91**	76	**–**	–	**–**	–	**–**	(12)
141	122	**50**	46	**91**	76						
–	–										
–	–										(12)
–	–										
(1)	(3)	**(1)**	(3)			**1**		**34**	37		
12	11	**1**	2	**11**	9	**–**	5	**5**	1	**3**	–
11	9			**11**	9		5				
1	2	**1**	2					**5**	1	**3**	
78	38	**64**	32	**14**	6	**(18)**	–	**345**	326	**(30)**	(44)
–	–							**185**	204		
78	38	**64**	32	**14**	6	**(18)**		**160**	122	**(30)**	(44)
–	–										(1)
7 353	6 358	**6 011**	5 147	**1 342**	1 211	**1 958**	1 518	**401**	388	**(327)**	(112)

15 OPERATING EXPENSES

	2010 Rm	2009 Rm
Staff costs	**8 794**	7 898
Salaries and wages	**7 735**	7 067
Short-term incentives	**981**	833
Long-term employee benefits*	**(44)**	(15)
Share-based payments expense – employees**	**122**	13
Computer processing	**2 135**	1 993
Depreciation for computer equipment	**337**	340
Amortisation of computer software	**496**	459
Operating lease charges for computer equipment	**167**	137
Other computer processing expenses	**1 135**	1 057
Communication and travel	**671**	633
Depreciation for vehicles	**8**	4
Other communication and travel	**663**	629
Occupation and accommodation	**1 392**	1 262
Depreciation for owner-occupied land and buildings	**106**	81
Operating lease charges for land and buildings	**526**	527
Other occupation and accommodation expenses	**760**	654
Marketing and public relations***	**1 009**	861
Fees and insurances	**1 592**	1 407
Auditors' remuneration	**107**	104
Statutory audit – current year	**81**	76
– prior year	**1**	2
Non-audit services – interim reviews	**6**	6
– other services	**19**	20
Other fees and insurance costs	**1 485**	1 303
Furniture, office equipment and consumables	**357**	340
Depreciation for furniture and other equipment	**263**	207
Operating lease charge for furniture and other equipment	**11**	26
Other office equipment and consumables	**83**	107
Other operating expenses	**500**	580
Amortisation of intangible assets	**64**	38
Other sundries***	**436**	542
	16 450	14 974
Included in staff costs are the following:		
– Executive directors' remuneration****	**28**	27
– Non-executive directors' remuneration****	**11**	10
	39	37

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

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

*** *2009 comparative information has been restated for Imperial Bank Limited joint venture and alliance management fees of R28 million previously disclosed in marketing and public relations expenses.*

**** *See pages 232 to 236 of the Remuneration Report for a detailed breakdown of directors' remuneration.*

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

See note 15.2 for a breakdown of total expenses by operating segment.

15.1 BEE transaction expenses

	2010 Rm	2009 Rm
BEE share-based payments expenses	**143**	110
Fees	**5**	16
	148	126

See note 51 for a description of the BEE schemes.

15 OPERATING EXPENSES ... continued

15.2 Segmental analysis

	Nedbank Group		Nedbank Capital		Nedbank Corporate	
Rm	**2010**	2009	**2010**	2009	**2010**	2009
Staff costs	**8 794**	7 898	**736**	767	**1 263**	1 192
Computer processing	**2 135**	1 993	**98**	111	**192**	138
Communication and travel	**671**	633	**91**	75	**125**	158
Occupation and accommodation	**1 392**	1 262	**52**	48	**177**	151
Marketing and public relations	**1 009**	861	**67**	46	**56**	47
Fees and insurances	**1 592**	1 407	**118**	111	**428**	285
Furniture, office equipment and consumables	**357**	340	**6**	7	**69**	85
Other operating expenses	**500**	580	**18**	22	**52**	57
Indirect transfer pricing	**–**	–	**320**	384	**93**	(7)
Operating expenses	**16 450**	14 974	**1 506**	1 571	**2 455**	2 106
BEE transaction expenses	**148**	126	**55**	35	**41**	26
Total operating expenses	**16 598**	15 100	**1 561**	1 606	**2 496**	2 132

16 INDIRECT TAXATION

	2010 Rm	2009 Rm
Value-added taxation	**384**	377
Revenue stamps	**1**	4
Other transaction taxes	**62**	57
	447	438

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

17 NON-TRADING AND CAPITAL ITEMS

	2010 Rm	2009 Rm
(Loss)/Profit on sale of subsidiaries and investments	**(21)**	2
Revaluation on acquisition of joint ventures		615
Profit on sale of property and equipment	**17**	18
Impairment of investments	**(13)**	
Impairment of property and equipment, and capitalised development costs	**(74)**	(11)
	(91)	624

Total Nedbank Retail and Nedbank Business Banking		Nedbank Retail		Nedbank Business Banking		Nedbank Wealth		Shared Services		Central Management and Eliminations	
2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
4 579	4 103	**3 628**	3 272	**951**	831	**738**	562	**1 522**	1 348	**(44)**	(74)
438	418	**381**	355	**57**	63	**71**	75	**1 333**	1 251	**3**	
336	321	**299**	286	**37**	35	**43**	34	**110**	79	**(34)**	(34)
1 064	982	**964**	896	**100**	86	**81**	98	**14**	(18)	**4**	1
487	435	**434**	392	**53**	43	**81**	38	**350**	324	**(32)**	(29)
576	526	**549**	477	**27**	49	**115**	110	**273**	327	**82**	48
202	186	**190**	176	**12**	10	**18**	15	**62**	46		1
320	358	**302**	337	**18**	21	**79**	106	**35**	38	**(4)**	(1)
3 088	2 831	**2 014**	1 857	**1 074**	974	**243**	188	**(3 626)**	(3 359)	**(118)**	(37)
11 090	10 160	**8 761**	8 048	**2 329**	2 112	**1 469**	1 226	**73**	36	**(143)**	(125)
20	42	**9**	34	**11**	8	**2**	1	**40**	42	**(10)**	(20)
11 110	10 202	**8 770**	8 082	**2 340**	2 120	**1 471**	1 227	**113**	78	**(153)**	(145)

18 DIRECT TAXATION

18.1 Charge for the year

	2010 Rm	2009 Rm
SA normal taxation:		
– Current charge	**1 547**	1 413
– Capital gains taxation – deferred	**23**	35
– Deferred taxation	**(271)**	(404)
Foreign taxation	**57**	149
Current and deferred taxation on income	**1 356**	1 193
Prior-year (underprovision)/overprovision – current taxation	**(68)**	112
Prior-year overprovision/(underprovision) – deferred taxation	**45**	(139)
Total taxation on income	**1 333**	1 166
STC	**33**	66
Taxation on non-trading and capital items	**(2)**	75
	1 364	1 307

18.2 Taxation rate reconciliation

	2010 %	2009 %
Standard rate of SA normal taxation	**28,0**	28,0
Non-taxable dividend income	**(4,9)**	(5,8)
Capital items	**(1,0)**	(0,9)
Structured deals	**(0,3)**	(2,0)
STC	**0,5**	1,1
Other	**(1,6)**	(0,2)
Effective taxation rate	**20,7**	20,2

18.3 Future taxation relief

The group has estimated taxation losses of R1 405 million (2009: R445 million) that can be set off against future taxable income, of which R1 222 million (2009: R386 million) has been applied to the deferred taxation balance. Furthermore, the group has accumulated STC credits amounting to R850 million at the year-end (2009: R542 million), which have arisen as a result of dividends received exceeding dividends paid. A deferred taxation asset of R85 million (2009: R54 million) has been raised on these STC credits.

19 EARNINGS

19.1 Earnings per share

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

	Basic		Headline	
	Basic	**Diluted**	**Basic**	**Diluted**
2010				
Profit attributable to equity holders of the parent (Rm)	**4 811**	**4 811**	**4 811**	**4 811**
Adjusted for:				
– Non-trading and capital items (note 17)			**91**	**91**
– Taxation on non-trading and capital items (note 18)			**(2)**	**(2)**
Adjusted profit attributable to equity holders of the parent (Rm)	**4 811**	**4 811**	**4 900**	**4 900**
Weighted average number of ordinary shares	**443 900 061**	**443 900 061**	**443 900 061**	**443 900 061**
Adjusted for:				
– Share schemes that have a dilutive effect		**14 329 044**		**14 329 044**
Adjusted weighted average number of ordinary shares	**443 900 061**	**458 229 105**	**443 900 061**	**458 229 105**
Earnings per share (cents)	**1 084**	**1 050**	**1 104**	**1 069**
2009				
Profit attributable to equity holders of the parent (Rm)	4 826	4 826	4 826	4 826
Adjusted for:				
– Non-trading and capital items (note 17)			(624)	(624)
– Taxation on non-trading and capital items (note 18)			75	75
Adjusted profit attributable to equity holders of the parent (Rm)	4 826	4 826	4 277	4 277
Weighted average number of ordinary shares	423 428 547	423 428 547	423 428 547	423 428 547
Adjusted for:				
– Share schemes that have a dilutive effect		11 642 035		11 642 035
Adjusted weighted average number of ordinary shares	423 428 547	435 070 582	423 428 547	435 070 582
Earnings per share (cents)	1 140	1 109	1 010	983

The diluted-earnings-per-share calculations are based on the group's daily average share price of 13 160 cents (2009: 10 161 cents) and exclude the effect of certain share options granted under certain share option schemes as they would be anti-dilutive. The number of share options not included in the weighted average number of shares (as they would have been anti-dilutive) is 2 million (2009: 13 million).

19.2 Headline earnings reconciliation

	2010		2009	
	Gross	**Net of taxation**	Gross	Net of taxation
Profit attributable to equity holders of the parent		**4 811**		4 826
Less: non-trading and capital items	**(91)**	**(89)**	624	549
(Loss)/Profit on sale of subsidiaries, investments and property and equipment	**(4)**	**(2)**	20	13
Revaluation on acquisition of joint ventures			615	547
Net impairment of investments, property and equipment and capitalised development costs	**(87)**	**(87)**	(11)	(11)
Headline earnings		**4 900**		4 277

20 DIVIDENDS

20.1 Ordinary shares

	Last date to register	Millions of shares	Cents per share	Rm
2010				
Final declared for 2009 – paid 2010	31 March 2010	**458**	**230**	**1 054**
Interim declared for 2010	3 September 2010	**466**	**212***	**988**
Ordinary dividends paid 2010			**442**	**2 042**
Final ordinary dividend declared for 2010			**268***	
2009				
Final declared for 2008 – paid 2009	2 April 2009	425	310	1 316
Interim declared for 2009	4 September 2009	446	210**	937
Ordinary dividends paid 2009			520	2 253
Final ordinary dividend declared for 2009			230**	

* *Total dividend declared for 2010 = 480 cents per share.*
** *Total dividend declared for 2009 = 440 cents per share.*

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

20.2 Non-controlling interest – preference shareholders

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

Dividends declared calculations	Days	Rate %	Amount (Rm)
2010			
Nedbank Limited			
1 July 2010 – 31 December 2010	**184**		**129,7**
1 July 2010 – 9 September 2010	**71**	**7,500**	**52,3**
10 September 2010 – 18 November 2010	**70**	**7,125**	**48,9**
19 November 2010 – 31 December 2010	**43**	**6,750**	**28,5**
Total declared			**129,7**
Dividends paid calculations			
2010 (Paid March 2010)			
Nedbank Limited			
1 January 2009 – 30 June 2009	**184**		**143,8**
1 July 2009 – 13 August 2009	**44**	**8,250**	**35,6**
14 August 2009 – 31 December 2009	**140**	**7,875**	**108,2**
Imperial Bank Limited			
1 January 2009 – 30 June 2009	**184**		**11,2**
1 July 2009 – 13 August 2009	**44**	**7,700**	**2,8**
14 August 2009 – 31 December 2009	**140**	**7,350**	**8,4**
2010 (Paid September 2010)			
Nedbank Limited			
1 January 2009 – 30 June 2009	**181**		**136,3**
1 January 2010 – 25 March 2010	**84**	**7,875**	**64,9**
26 March 2010 – 30 June 2010	**97**	**7,500**	**71,4**
Total paid			**291,3**
Less: Cumulative dividend paid			**14,2**
Dividend paid to group entities			**11,2**
			265,9

20 DIVIDENDS ... continued

20.2 Non-controlling interest – preference shareholders ... continued

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

21 CASH AND CASH EQUIVALENTS

	2010 Rm	2009 Rm
Coins and bank notes	**2 455**	2 597
Money at call and short notice	**3 821**	3 334
Balances with central banks – other than mandatory reserve deposits	**2 374**	1 936
Cash and cash equivalents excluding mandatory reserve deposits with central banks	**8 650**	7 867
Mandatory reserve deposits with central banks	**11 095**	10 508
	19 745	18 375

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

22 OTHER SHORT-TERM SECURITIES

22.1 Analysis

	2010 Rm	2009 Rm
Negotiable certificates of deposit	**12 528**	11 907
Treasury bills and other bonds	**14 516**	6 643
	27 044	18 550

22.2 Sectoral analysis

Banks	**12 528**	11 907
Government and public sector	**14 516**	6 643
	27 044	18 550

23 DERIVATIVE FINANCIAL INSTRUMENTS

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

Swaps

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

Options

Options confer the right, but not the obligation, on the buyer to receive or pay a specific quantity of an asset or financial instrument for a specific price on or before a specified date. Options may be exchange-traded 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

	2010 Rm	2009 Rm
Gross carrying amount of assets	13 882	12 710
Gross carrying amount of liabilities	(12 052)	(11 551)
Net carrying amount	1 830	1 159

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.

	2010			2009		
Rm	Notional principal	Positive value	Negative value	Notional principal	Positive value	Negative value
Equity derivatives	17 160	5 573	11 587	24 145	13 769	10 376
Options written	5 446		5 446	9 030		9 030
Options purchased	4 744	4 744		8 428	8 428	
Futures*	6 970	829	6 141	6 687	5 341	1 346
Commodity derivatives	7 284	3 548	3 736	14 537	7 115	7 422
Options written				3		3
Caps and floors	1 142	544	598	3 158	1 500	1 658
Swaps	6 105	3 004	3 101	11 315	5 567	5 748
Futures	37		37	61	48	13
Exchange rate derivatives	153 019	78 285	74 734	174 308	92 164	82 144
Forwards	132 844	66 390	66 454	148 571	75 165	73 406
Exchange futures	6	6		150	86	64
Currency swaps	13 457	8 457	5 000	16 817	12 533	4 284
Options purchased	3 432	3 432		4 380	4 380	
Options written	3 280		3 280	4 390		4 390
Interest rate derivatives	520 761	273 291	247 470	435 260	203 927	231 333
Interest rate swaps	286 762	152 661	134 101	305 359	153 145	152 214
Forward rate agreements	210 836	112 799	98 037	102 720	41 056	61 664
Options purchased	1 778	1 778		3 521	3 521	
Options written	2 442		2 442	4 440		4 440
Futures	6 800	2 812	3 988	10 857	4 616	6 241
Caps	1 039		1 039	3 458		3 458
Floors	2 200	200	2 000	2 619	819	1 800
Credit default swaps	8 904	3 041	5 863	2 286	770	1 516
Total notional principal	698 224	360 697	337 527	648 250	316 975	331 275

** Includes contracts for difference with positive notionals of R133 million (2009: R433 million) and negative notionals of R474 million (2009: R111 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.

	2010			2009		
Rm	**Net carrying amount**	**Carrying amount of assets**	**Carrying amount of liabilities**	Net carrying amount	Carrying amount of assets	Carrying amount of liabilities
Equity derivatives	**(200)**	**546**	**746**	(845)	1 142	1 987
Options written	**(720)**		**720**	(1 971)		1 971
Options purchased	**535**	**535**		1 112	1 112	
Futures**	**(15)**	**11**	**26**	14	30	16
Commodity derivatives	**41**	**1 110**	**1 069**	86	1 068	982
Caps and floors	**1**	**90**	**89**	–	106	106
Swaps	**44**	**1 020**	**976**	86	962	876
Futures	**(4)**		**4**	–		
Exchange rate derivatives	**3 395**	**6 263**	**2 868**	2 790	5 854	3 064
Forwards	**2 877**	**4 951**	**2 074**	2 479	5 066	2 587
Exchange futures	*****	*****	*****	(2)		2
Currency swaps	**467**	**1 155**	**688**	304	637	333
Options purchased	**157**	**157**		151	151	
Options written	**(106)**		**106**	(142)		142
Interest rate derivatives	**(1 406)**	**5 963**	**7 369**	(872)	4 646	5 518
Interest rate swaps	**(1 468)**	**5 722**	**7 190**	(807)	4 554	5 361
Forward rate agreements	**27**	**179**	**152**	(46)	50	96
Options purchased	*****	*****		9	9	
Options written	*****		*****	(7)		7
Futures	**(2)**	*****	**2**	(1)	1	2
Caps	*****		*****	*	*	*
Floors	**6**	**6**		23	24	1
Credit default swaps	**31**	**56**	**25**	(43)	8	51
Total carrying amount	**1 830**	**13 882**	**12 052**	1 159	12 710	11 551

* *Represents amounts less than R1 million.*

** *Includes contracts for difference. The fair value is zero, as the variation margin is settled at the end of every day.*

23 DERIVATIVE FINANCIAL INSTRUMENTS ... continued

23.4 Analysis of derivative financial instruments

Rm	Equity derivatives	Commodity derivatives	Exchange rate derivatives	Interest rate derivatives	Total
Derivative assets					
2010					
Maturity analysis					
Under one year	**241**	**180**	**5 052**	**687**	**6 160**
One to five years	**305**	**930**	**855**	**2 787**	**4 877**
Over five years			**356**	**2 489**	**2 845**
	546	**1 110**	**6 263**	**5 963**	**13 882**
2009					
Maturity analysis					
Under one year	801	181	4 513	979	6 474
One to five years	341	887	1 027	1 412	3 667
Over five years			314	2 255	2 569
	1 142	1 068	5 854	4 646	12 710
Derivative liabilities					
2010					
Maturity analysis					
Under one year	**347**	**178**	**1 873**	**504**	**2 902**
One to five years	**399**	**891**	**702**	**2 894**	**4 886**
Over five years			**293**	**3 971**	**4 264**
	746	**1 069**	**2 868**	**7 369**	**12 052**
2009					
Maturity analysis					
Under one year	1 507	153	2 680	578	4 918
One to five years	480	829	184	1 543	3 036
Over five years			200	3 397	3 597
	1 987	982	3 064	5 518	11 551
Notional principal of derivatives					
2010					
Maturity analysis					
Under one year	**13 348**	**1 062**	**139 137**	**242 470**	**396 017**
One to five years	**3 812**	**6 222**	**9 973**	**198 544**	**218 551**
Over five years			**3 909**	**79 747**	**83 656**
	17 160	**7 284**	**153 019**	**520 761**	**698 224**
2009					
Maturity analysis					
Under one year	19 936	2 142	155 771	204 567	382 416
One to five years	4 209	12 395	12 112	140 686	169 402
Over five years			6 425	90 007	96 432
	24 145	14 537	174 308	435 260	648 250

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

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

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

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

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

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

Rm	Maximum exposure to credit risk	Change in fair value due to change in credit risk	
		Current period*	Cumulative
2010			
Negotiable certificates of deposit purchased	271		
Treasury bills	12 257		
Government-guaranteed	13 186		
Other dated securities	4 119		
Commercial mortgage loans	19 338	1	1
Instalment credit	6 598		
Leases and debentures	48		
Preference shares	1 437		
Loans and advances (secured and unsecured)	10 038		
Foreign correspondents	1 830		
Other loans	3 607		
Loans to other banks	119		
Trade and other bills and acceptances	73		
Debtors and accruals	282		
Other assets	620		
Associate companies	912		
Listed investments	510		
Unlisted investments	1 735		
Endowment policy	18		
Insurance policyholder investments	8 940		
Policyholder assets	(32)		
	85 906	1	1

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

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

		Change in fair value due to change in credit risk	
Rm	Maximum exposure to credit risk	Current period*	Cumulative
2009			
Negotiable certificates of deposit purchased	238		
Treasury bills	4 976		
Government-guaranteed	13 602		
Other dated securities	2 427		
Commercial mortgage loans	17 285	(11)	
Instalment credit	4 111	(1)	
Leases and debentures	647		
Preference shares	1 774		
Loans and advances (secured and unsecured)	9 119		
Foreign correspondents	1 330		
Other loans	2 999		
Loans to other banks	137		
Trade and other bills and acceptances	196		
Debtors and accruals	221		
Other assets	446		
Associate companies	908		
Listed investments	496		
Unlisted investments	1 889		
Endowment policy	18		
Insurance policyholder investments	8 082		
Policyholder assets	(34)		
	70 867	(12)	–

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

Nedbank Group has estimated the change in credit risk in accordance with IFRS 7.IG11 as being the amount arising from the change in fair value of the financial instrument that is not attributable to changes in market conditions that give rise to market risk. Individual credit spreads for loans or receivables that have been designated as at fair value through profit or loss are determined at inception of the deal. The credit spread is calculated as the difference between the benchmark interest rate and the interest rate charged to the client. Subsequent changes in the benchmark interest rate and the credit spread give rise to changes in fair value in the financial instrument. Loans and advances are reviewed for observable changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. No credit derivatives are used to hedge the credit risk on any of the financial assets designated as at fair value through profit or loss.

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

Rm	Fair value	Contractually payable at maturity	Change in fair value due to change in credit risk Current period*	Cumulative
2010				
Long-term subordinated debt instruments	**7 774**	**7 614**	**(213)**	**54**
Call and term deposits	**33 676**	**33 620**	**(41)**	**30**
Fixed deposits	**112**	**115**		
Promissory notes and other liabilities	**7**	**7**		
Foreign currency liabilities	**6 447**	**6 447**		
Investment contract liabilities	**7 309**	**7 309**		
Negotiable certificates of deposit	**49 902**	**49 595**	**(69)**	**79**
Insurance funds	**1 392**	**1 392**		
	106 619	**106 099**	**(323)**	**163**
2009				
Long-term subordinated debt instruments	7 811	8 094	5	267
Call and term deposits	22 602	22 640	16	71
Fixed deposits	67	73		
Promissory notes and other liabilities	6	6		
Foreign currency liabilities	5 118	5 118		
Investment contract liabilities	6 749	6 749		
Negotiable certificates of deposit	47 200	47 119	51	148
Insurance funds	1 133	1 133		
	90 686	90 932	72	486

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

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

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

25 GOVERNMENT AND OTHER SECURITIES

25.1 Analysis

	2010 Rm	2009 Rm
Government and government-guaranteed securities*	**20 528**	24 359
Other dated securities**	**11 296**	11 624
	31 824	35 983

25.2 Sectoral analysis

	2010 Rm	2009 Rm
Financial services, insurance and real estate	**2 089**	3 274
Banks	**3 545**	3 927
Manufacturing	**1 312**	1 338
Transport, storage and communication	**171**	172
Government and public sector	**22 989**	26 490
Other sectors	**1 718**	782
	31 824	35 983

25.3 Valuation

	2010 Rm	2009 Rm
Listed securities:		
– Carrying amount	**31 757**	35 952
– Market value	**32 513**	36 211
Unlisted securities:		
– Carrying amount	**67**	31
– Directors' valuation	**67**	31
Total market/directors' valuation	**32 580**	36 242

* *Government and other securities amounting to R14 180 million (2009: R14 935 million) have been pledged as collateral for deposits received under repurchase agreements. These amounts represent assets that have been transferred, but that do not qualify for derecognition under IAS 39. See note 46.*

** *Includes securitised assets. See note 46.*

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.

26.1 Categories of loans and advances

	2010 Rm	2009 Rm
Mortgage loans	**231 995**	225 593
Home loans*	**145 895**	144 921
Commercial mortgages*	**86 100**	80 672
Net finance lease and instalment debtors (note 26.4)	**67 881**	64 128
Gross investment	**71 713**	68 659
Unearned finance charges	**(3 832)**	(4 531)
Credit cards	**7 910**	7 334
Other loans and advances	**178 713**	163 044
Properties in possession	**662**	887
Overdrafts	**13 307**	11 093
Term loans	**74 605**	68 321
Personal loans	**13 001**	9 508
Other term loans	**61 604**	58 813
Overnight loans	**12 552**	12 420
Other loans to clients	**42 897**	43 203
Foreign client lending	**6 715**	6 761
Remittances in transit	**108**	107
Other loans**	**36 074**	36 335
Preference shares and debentures	**20 499**	16 633
Factoring accounts	**3 202**	2 179
Deposits placed under reverse repurchase agreements	**10 849**	8 026
Trade, other bills and bankers' acceptances	**140**	282
	486 499	460 099
Impairment of loans and advances (note 27)	**(11 226)**	(9 798)
	475 273	450 301
Comprises:		
– Loans and advances to customers	**469 021**	448 155
– Loans and advances to banks	**17 478**	11 944
	486 499	460 099

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

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

See pages 332 and 333 for a breakdown of loans and advances by operating segment.

26 LOANS AND ADVANCES ... continued

26.2 Sectoral analysis

	2010 Rm	2009 Rm
Individuals	**190 283**	182 102
Financial services, insurance and real estate	**119 298**	89 685
Banks	**17 478**	11 944
Manufacturing	**30 875**	27 839
Building and property development	**11 735**	10 109
Transport, storage and communication	**30 767**	29 253
Retailers, catering and accommodation	**7 632**	10 064
Wholesale and trade	**7 408**	8 146
Mining and quarrying	**16 839**	21 830
Agriculture, forestry and fishing	**5 613**	5 317
Government and public sector	**7 958**	15 003
Other services	**40 613**	48 807
	486 499	460 099

26.3 Geographical analysis

	2010 Rm	2009 Rm
South Africa	**456 302**	432 714
Other African countries	**14 145**	13 422
Europe	**13 392**	10 715
Asia	**1 036**	1 754
United States	**670**	713
Other	**954**	781
	486 499	460 099

26.4 Net finance lease and instalment debtors

	2010 Rm	2009 Rm
Gross finance lease and instalment debtors:		
– No later than one year	**10 144**	11 608
– Later than one year and no later than five years	**60 757**	56 859
– Later than five years	**812**	192
	71 713	68 659
Unearned future income on finance lease and instalment debtors	**(3 832)**	(4 531)
Net finance lease and instalment debtors	**67 881**	64 128
The net finance lease and instalment debtors may be analysed as follows:		
– No later than one year	**9 455**	10 044
– Later than one year and no later than five years	**58 303**	53 923
– Later than five years	**123**	161
	67 881	64 128

26.5 Classification of loans and advances

	Total		Neither past due nor impaired		Past due but not impaired		Impaired	
Rm	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Mortgage loans	**231 995**	225 593	**199 182**	188 354	**14 884**	17 770	**17 929**	19 469
Net finance lease and instalment debtors	**67 881**	64 128	**55 715**	51 232	**9 098**	10 428	**3 068**	2 468
Credit cards	**7 910**	7 334	**6 819**	6 252	**573**	578	**518**	504
Properties in possession	**662**	887					**662**	887
Overdrafts	**13 307**	11 093	**11 362**	8 164	**727**	1 574	**1 218**	1 355
Term loans	**74 605**	68 321	**63 153**	60 652	**9 629**	6 367	**1 823**	1 302
Overnight loans	**12 552**	12 420	**12 552**	12 369		16		35
Other loans to clients	**42 897**	43 203	**40 796**	41 646	**664**	676	**1 437**	881
Preference shares and debentures	**20 499**	16 633	**19 642**	16 492	**784**	12	**73**	129
Factoring accounts	**3 202**	2 179	**3 165**	2 158		6	**37**	15
Deposits placed under reverse repurchase agreements	**10 849**	8 026	**10 849**	8 026				
Trade, other bills and bankers' acceptances	**140**	282	**140**	282				
	486 499	460 099	**423 375**	395 627	**36 359**	37 427	**26 765**	27 045

26 LOANS AND ADVANCES ... continued

26.6 Age analysis of loans and advances

	Total		<1 month	
Rm	**2010**	2009	**2010**	2009
Neither past due nor impaired	**423 375**	395 627	**423 375**	395 627
Mortgage loans	**199 182**	188 354	**199 182**	188 354
Net finance lease and instalment debtors	**55 715**	51 232	**55 715**	51 232
Credit cards	**6 819**	6 252	**6 819**	6 252
Overdrafts	**11 362**	8 164	**11 362**	8 164
Term loans	**63 153**	60 652	**63 153**	60 652
Overnight loans	**12 552**	12 369	**12 552**	12 369
Other loans to clients	**40 796**	41 646	**40 796**	41 646
Preference shares and debentures	**19 642**	16 492	**19 642**	16 492
Factoring accounts	**3 165**	2 158	**3 165**	2 158
Deposits placed under reverse repurchase agreements	**10 849**	8 026	**10 849**	8 026
Trade, other bills and bankers' acceptances	**140**	282	**140**	282
Past due but not impaired	**36 359**	37 427	**30 364**	30 449
Mortgage loans	**14 884**	17 770	**11 903**	13 408
Net finance lease and instalment debtors	**9 098**	10 428	**8 189**	9 394
Credit cards	**573**	578	**421**	292
Overdrafts	**727**	1 574	**627**	1 323
Term loans	**9 629**	6 367	**8 999**	5 600
Overnight loans	**–**	16	**–**	16
Other loans to clients	**664**	676	**223**	410
Preference shares and debentures	**784**	12	**2**	
Factoring accounts	**–**	6		6
Subtotal	**459 734**	433 054	**453 739**	426 076
Impaired	**26 765**	27 045		
Mortgage loans	**17 929**	19 469		
Net finance lease and instalment debtors	**3 068**	2 468		
Credit cards	**518**	504		
Properties in possession	**662**	887		
Overdrafts	**1 218**	1 355		
Term loans	**1 823**	1 302		
Overnight loans	**–**	35		
Other loans to clients	**1 437**	881		
Preference shares and debentures	**73**	129		
Factoring accounts	**37**	15		
Total loans and advances	**486 499**	460 099		

** Represents amounts less than R1 million.*

>1 month <3 months		>3 months <6 months		>6 months <12 months		>12 months	
2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
–	–	**–**	–	**–**	–	**–**	–
4 765	6 073	**748**	315	**228**	376	**254**	214
2 948	3 743	**33**	267		138		214
893	1 015	**16**	19				
152	286						
50	237	**50**	14				
630	767		*				
20	25	**2**	3	**181**	238	**238**	
72		**647**	12	**47**		**16**	
			*				
4 765	6 073	**748**	315	**228**	376	**254**	214

26 LOANS AND ADVANCES ... continued

26.7 Credit quality of loans and advances

Rm	Total 2010	Total 2009	NGR 1 – 12 2010	NGR 1 – 12 2009
Neither past due nor impaired	**423 375**	395 627	**159 813**	131 675
Mortgage loans	**199 182**	188 354	**31 614**	19 898
Net finance lease and instalment debtors	**55 715**	51 232	**7 480**	6 673
Credit cards	**6 819**	6 252	**1 248**	1 374
Overdrafts	**11 362**	8 164	**3 048**	905
Term loans	**63 153**	60 652	**53 071**	48 670
Overnight loans	**12 552**	12 369	**8 536**	7 993
Other loans to clients	**40 796**	41 646	**30 048**	29 398
Preference shares and debentures	**19 642**	16 492	**14 149**	8 580
Factoring accounts	**3 165**	2 158		2
Deposits placed under reverse repurchase agreements	**10 849**	8 026	**10 559**	8 026
Trade, other bills and bankers' acceptances	**140**	282	**60**	156
Past due but not impaired	**36 359**	37 427	**1 602**	845
Mortgage loans	**14 884**	17 770	**285**	8
Net finance lease and instalment debtors	**9 098**	10 428	**663**	806
Credit cards	**573**	578	**7**	7
Overdrafts	**727**	1 574		6
Term loans	**9 629**	6 367	**4**	18
Overnight loans	**–**	16		
Other loans to clients	**664**	676		
Preference shares and debentures	**784**	12	**643**	
Factoring accounts	**–**	6		
Impaired	**26 765**	27 045		
Mortgage loans	**17 929**	19 469		
Net finance lease and instalment debtors	**3 068**	2 468		
Credit cards	**518**	504		
Properties in possession	**662**	887		
Overdrafts	**1 218**	1 355		
Term loans	**1 823**	1 302		
Overnight loans	**–**	35		
Other loans to clients	**1 437**	881		
Preference shares and debentures	**73**	129		
Factoring accounts	**37**	15		
Total loans and advances	**486 499**	460 099	**161 415**	132 520

** Represents amounts less than R1 million.*

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

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

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

NGR 13 – 20		NGR 21 – 25		NP 1 – 3		Unrated	
2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
239 814	239 329	**17 875**	17 421	**–**	–	**5 873**	7 202
157 442	157 102	**7 881**	9 071			**2 245**	2 283
42 459	38 601	**4 842**	4 576			**934**	1 382
4 158	3 752	**1 413**	1 126				
6 830	5 560	**472**	179			**1 012**	1 520
8 610	11 000	**990**	666			**482**	316
2 951	3 927	**1 065**	448				1
8 512	9 291	**1 177**	1 311			**1 059**	1 646
5 352	7 851		7			**141**	54
3 136	2 125	**29**	31				
290							
74	120	**6**	6				
20 784	18 982	**13 100**	16 279	**576**	1 194	**297**	127
6 379	6 962	**8 035**	10 516	**138**	241	**47**	43
6 427	7 078	**1 680**	2 114	**304**	395	**24**	35
162	141	**396**	422	**8**	8		
184	724	**528**	833	**12**	1	**3**	10
7 287	3 795	**2 305**	2 238	**28**	308	**5**	8
			16				
204	282	**156**	134	**86**	241	**218**	19
141							12
			6				
3	3	**1 221**	1 062	**24 873**	24 668	**668**	1 312
		183	195	**17 746**	18 858		416
	3	**49**	73	**3 017**	2 392	**2**	
				518	504		
						662	887
		57	178	**1 158**	1 170	**3**	7
		200	109	**1 623**	1 193		*
					35		
		732	507	**704**	372	**1**	2
3				**70**	129		
				37	15		
260 601	258 314	**32 196**	34 762	**25 449**	25 862	**6 838**	8 641

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

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

The comparative information in the loans and advances note has been restated to give effect to a reclassification of loans past due but not impaired, amounting to R537 million, from risk bucket NP 1 to risk bucket NGR 25 as a result of more accurate and relevant information becoming available. The restatement has no effect on the amounts reported in the group's statements of financial position, comprehensive income, changes in equity or cashflows.

26 LOANS AND ADVANCES ... continued

26.8 Segmental analysis

	Nedbank Group		Nedbank Capital		Nedbank Corporate	
Rm	**2010**	2009	**2010**	2009	**2010**	2009
Mortgage loans	**231 995**	225 593	**–**	–	**75 115**	69 607
Home loans	**145 895**	144 921			**2 654**	2 239
Commercial mortgages	**86 100**	80 672			**72 461**	67 368
Net finance lease and instalment debtors	**67 881**	64 128	**47**	147	**3 957**	3 616
Credit cards	**7 910**	7 334				
Other loans and advances	**178 713**	163 044	**63 204**	55 552	**80 000**	74 012
Properties in possession	**662**	887			**5**	2
Overdrafts	**13 307**	11 093	**12**		**4 868**	2 819
Term loans	**74 605**	68 321	**4 323**	4 336	**55 121**	52 538
Personal loans	**13 001**	9 508			**478**	413
Other term loans	**61 604**	58 813	**4 323**	4 336	**54 643**	52 125
Overnight loans	**12 552**	12 420	**1**	1	**11 887**	11 661
Other loans to clients	**42 897**	43 203	**33 019**	31 743	**3 239**	1 933
Foreign client lending	**6 715**	6 761	**5 133**	5 562	**1 619**	887
Remittances in transit	**108**	107	**(1)**		**119**	78
Other loans	**36 074**	36 335	**27 887**	26 181	**1 501**	968
Preference shares and debentures	**20 499**	16 633	**14 863**	11 168	**4 880**	5 059
Factoring accounts	**3 202**	2 179				
Deposits placed under reverse repurchase agreements	**10 849**	8 026	**10 849**	8 026		
Trade, other bills and bankers' acceptances	**140**	282	**137**	278		
Loans and advances before impairments	**486 499**	460 099	**63 251**	55 699	**159 072**	147 235
Impairment of advances	**(11 226)**	(9 798)	**(923)**	(384)	**(1 369)**	(1 200)
Total loans and advances	**475 273**	450 301	**62 328**	55 315	**157 703**	146 035
Comprises:						
– Loans and advances to clients	**469 021**	448 155	**49 801**	48 529	**156 461**	146 723
– Loans and advances to banks	**17 478**	11 944	**13 450**	7 170	**2 611**	512
Loans and advances before impairments	**486 499**	460 099	**63 251**	55 699	**159 072**	147 235

Total Nedbank Retail and Nedbank Business Banking		Nedbank Retail		Nedbank Business Banking		Nedbank Wealth		Shared Services		Central Management and Eliminations	
2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
143 218	143 162	**117 795**	117 891	**25 423**	25 271	**14 045**	13 185	**–**	–	**(383)**	(361)
129 714	130 032	**115 578**	115 801	**14 136**	14 231	**13 733**	12 846			**(206)**	(196)
13 504	13 130	**2 217**	2 090	**11 287**	11 040	**312**	339			**(177)**	(165)
63 642	60 150	**53 085**	48 340	**10 557**	11 810	**258**	239			**(23)**	(24)
7 890	7 314	**7 835**	7 263	**55**	51	**20**	20				
32 177	27 434	**16 191**	13 231	**15 986**	14 203	**2 653**	5 801	**(5)**	121	**684**	124
639	880	**631**	871	**8**	9	**18**	5				
8 334	8 177	**2 076**	2 155	**6 258**	6 022	**93**	97				
14 555	10 484	**13 109**	9 783	**1 446**	701	**610**	967	**–**	–	**(4)**	(4)
12 522	9 093	**12 518**	9 091	**4**	2	**1**	2				
2 033	1 391	**591**	692	**1 442**	699	**609**	965			**(4)**	(4)
664	758		1	**664**	757						
4 200	4 730	**375**	421	**3 825**	4 309	**1 874**	4 667	**(5)**	121	**570**	9
155	312	**1**	1	**154**	311					**(192)**	
(5)	31	**(9)**	30	**4**	1		1	**(5)**	(3)		
4 050	4 387	**383**	390	**3 667**	3 997	**1 874**	4 666		124	**762**	9
583	226			**583**	226	**55**	61			**118**	119
3 202	2 179			**3 202**	2 179						
–	–										
–	–					**3**	4				
246 927	238 060	**194 906**	186 725	**52 021**	51 335	**16 976**	19 245	**(5)**	121	**278**	(261)
(8 828)	(8 060)	**(7 572)**	(6 840)	**(1 256)**	(1 220)	**(107)**	(156)	**(1)**		**2**	2
238 099	230 000	**187 334**	179 885	**50 765**	50 115	**16 869**	19 089	**(6)**	121	**280**	(259)
246 932	238 027	**194 915**	186 694	**52 017**	51 333	**15 549**	15 013		124	**278**	(261)
(5)	33	**(9)**	31	**4**	2	**1 427**	4 232	**(5)**	(3)		
246 927	238 060	**194 906**	186 725	**52 021**	51 335	**16 976**	19 245	**(5)**	121	**278**	(261)

27 IMPAIRMENT OF LOANS AND ADVANCES

27.1 Impairment of loans and advances

	Total impairment		Specific impairment		Portfolio impairment	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm
Balance at the beginning of the year	**9 798**	7 859	**7 830**	5 542	**1 968**	2 317
Impairment charge/(release)	**6 951**	7 091	**6 758**	7 419	**193**	(328)
Statement of comprehensive income charge net of recoveries	**6 188**	6 634	**5 995**	6 962	**193**	(328)
Loans and advances	**6 187**	6 646	**5 994**	6 974	**193**	(328)
Advances designated as at fair value through profit or loss (see note 24.1)	**1**	(12)	**1**	(12)		
Recoveries	**763**	457	**763**	457		
Amounts written off against the impairment/Other transfers	**(5 523)**	(5 152)	**(5 516)**	(5 131)	**(7)**	(21)
Impairment of loans and advances	**11 226**	9 798	**9 072**	7 830	**2 154**	1 968

27.2 Impairments of loans and advances by classification

	Balance at the beginning of the year Rm	Impairment charge/ (release) Rm	Amounts written off against the impairment/ Other transfers Rm	Total Rm
Total impairment				
2010				
Home loans	**3 726**	**2 843**	**(2 698)**	**3 871**
Commercial mortgages	**907**	**384**	**(113)**	**1 178**
Properties in possession	**168**	**44**	**(150)**	**62**
Credit cards	**565**	**426**	**(425)**	**566**
Overdrafts	**974**	**253**	**(271)**	**956**
Other loans to clients	**1 592**	**1 758**	**(1 143)**	**2 207**
Net finance lease and instalment debtors	**1 819**	**1 269**	**(723)**	**2 365**
Preference shares and debentures	**45**	**(25)**		**20**
Trade, other bills and bankers' acceptances	**2**	**(1)**		**1**
Impairment of loans and advances	**9 798**	**6 951**	**(5 523)**	**11 226**
2009				
Home loans	2 262	3 042	(1 578)	3 726
Commercial mortgages	742	334	(169)	907
Properties in possession	128	160	(120)	168
Credit cards	633	678	(746)	565
Overdrafts	831	462	(319)	974
Other loans to clients	1 628	1 162	(1 198)	1 592
Net finance lease and instalment debtors	1 601	1 213	(995)	1 819
Preference shares and debentures	29	43	(27)	45
Trade, other bills and bankers' acceptances	5	(3)		2
Impairment of loans and advances	7 859	7 091	(5 152)	9 798

27.2 Impairments of loans and advances by classification ... continued

	Balance at the beginning of the year Rm	Impairment charge/ (release) Rm	Amounts written off against the impairment/ Other transfers Rm	Total Rm
Specific Impairment				
2010				
Home loans	**3 272**	**2 706**	**(2 688)**	**3 290**
Commercial mortgages	**588**	**456**	**(115)**	**929**
Properties in possession	**168**	**44**	**(150)**	**62**
Credit cards	**501**	**426**	**(425)**	**502**
Overdrafts	**765**	**313**	**(299)**	**779**
Other loans to clients	**1 106**	**1 728**	**(1 102)**	**1 732**
Net finance lease and instalment debtors	**1 386**	**1 111**	**(737)**	**1 760**
Preference shares and debentures	**44**	**(26)**		**18**
Specific impairment of loans and advances	**7 830**	**6 758**	**(5 516)**	**9 072**
2009				
Home loans	1 749	3 115	(1 592)	3 272
Commercial mortgages	333	440	(185)	588
Properties in possession	128	160	(120)	168
Credit cards	545	702	(746)	501
Overdrafts	613	438	(286)	765
Other loans to clients	1 077	1 220	(1 191)	1 106
Net finance lease and instalment debtors	1 069	1 301	(984)	1 386
Preference shares and debentures	28	43	(27)	44
Specific impairment of loans and advances	5 542	7 419	(5 131)	7 830
Portfolio impairment				
2010				
Home loans	**454**	**137**	**(10)**	**581**
Commercial mortgages	**319**	**(72)**	**2**	**249**
Credit cards	**64**			**64**
Overdrafts	**209**	**(60)**	**28**	**177**
Other loans to clients	**486**	**30**	**(41)**	**475**
Net finance lease and instalment debtors	**433**	**158**	**14**	**605**
Preference shares and debentures	**1**	**1**		**2**
Trade, other bills and bankers' acceptances	**2**	**(1)**		**1**
Portfolio impairment of loans and advances	**1 968**	**193**	**(7)**	**2 154**
2009				
Home loans	513	(73)	14	454
Commercial mortgages	409	(106)	16	319
Credit cards	88	(24)		64
Overdrafts	218	24	(33)	209
Other loans to clients	551	(58)	(7)	486
Net finance lease and instalment debtors	532	(88)	(11)	433
Preference shares and debentures	1			1
Trade, other bills and bankers' acceptances	5	(3)		2
Portfolio impairment of loans and advances	2 317	(328)	(21)	1 968

27 IMPAIRMENT OF LOANS AND ADVANCES ... continued

27.3 Sectoral analysis

	Total impairment		Specific impairment		Portfolio impairment	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm
Individuals	**6 757**	6 158	**5 511**	5 353	**1 246**	805
Financial services, insurance and real estate	**1 468**	888	**1 194**	594	**274**	294
Manufacturing	**261**	311	**140**	184	**121**	127
Building and property development	**151**	201	**112**	133	**39**	68
Transport, storage and communication	**274**	258	**176**	135	**98**	123
Retailers, catering and accommodation	**43**	74	**11**	36	**32**	38
Wholesale and trade	**823**	250	**773**	199	**50**	51
Mining and quarrying	**89**	151	**39**	86	**50**	65
Agriculture, forestry and fishing	**57**	77	**32**	48	**25**	29
Government and public sector	**49**	50	**27**	20	**22**	30
Other services	**1 254**	1 380	**1 057**	1 042	**197**	338
	11 226	9 798	**9 072**	7 830	**2 154**	1 968

27.4 Geographical analysis

	Total impairment		Specific impairment		Portfolio impairment	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm
South Africa	**11 032**	9 357	**8 940**	7 503	**2 092**	1 854
Other African countries	**143**	183	**97**	124	**46**	59
Europe	**15**	91	**3**	58	**12**	33
Asia	**1**	14		1	**1**	13
United States*	**12**	55	**11**	49	**1**	6
Other	**23**	98	**21**	95	**2**	3
	11 226	9 798	**9 072**	7 830	**2 154**	1 968

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

27.5 Ratio of impairments

	2010 Rm	2009 Rm
Impairment of advances at the end of the year	**11 226**	9 798
Total advances	**486 499**	460 099
Ratio (%)	**2,31**	2,13

See note 27.7 for a breakdown of impairment of advances by operating segment.

27.6 Interest on specifically impaired loans and advances	**1 704**	1 827

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 Capital	Nedbank Corporate	Total Nedbank Retail and Nedbank Business Banking	Nedbank Retail	Nedbank Business Banking	Nedbank Wealth	Shared Services and Central Management
2010								
Opening balance	**9 798**	**384**	**1 200**	**8 060**	**6 840**	**1 220**	**156**	**(2)**
Specific impairment	**7 830**	**310**	**656**	**6 735**	**5 921**	**814**	**129**	
Portfolio impairment	**1 968**	**74**	**544**	**1 325**	**919**	**406**	**27**	**(2)**
Impairments charge	**6 951**	**702**	**378**	**5 810**	**5 568**	**242**	**60**	**1**
Statement of comprehensive income impairment charge net of recoveries	**6 188**	**535**	**307**	**5 320**	**5 110**	**210**	**25**	**1**
Specific impairment	**5 994**	**491**	**407**	**5 068**	**4 694**	**374**	**27**	**1**
Portfolio impairment	**194**	**44**	**(100)**	**252**	**416**	**(164)**	**(2)**	
Recoveries	**763**	**167**	**71**	**490**	**458**	**32**	**35**	
Amounts written off/Other transfers	**(5 523)**	**(163)**	**(209)**	**(5 042)**	**(4 836)**	**(206)**	**(109)**	**–**
Specific impairments	**(5 515)**	**(162)**	**(202)**	**(5 042)**	**(4 836)**	**(206)**	**(109)**	
Portfolio impairment	**(8)**	**(1)**	**(7)**					
Total impairments	**11 226**	**923**	**1 369**	**8 828**	**7 572**	**1 256**	**107**	**(1)**
Specific impairment	**9 072**	**806**	**932**	**7 251**	**6 237**	**1 014**	**82**	**1**
Portfolio impairment	**2 154**	**117**	**437**	**1 577**	**1 335**	**242**	**25**	**(2)**
2009								
Opening balance	7 859	433	822	6 476	5 099	1 377	130	(2)
Specific impairment	5 542	381	211	4 844	4 053	791	106	
Portfolio impairment	2 317	52	611	1 632	1 046	586	24	(2)
Impairments charge	7 091	141	409	6 450	6 126	324	91	–
Statement of comprehensive income impairment charge net of recoveries	6 634	141	370	6 041	5 757	284	82	–
Specific impairment	6 962	117	443	6 330	5 884	446	72	
Portfolio impairment	(328)	24	(73)	(289)	(127)	(162)	10	
Recoveries	457	–	39	409	369	40	9	
Amounts written off/Other transfers	(5 152)	(190)	(31)	(4 866)	(4 385)	(481)	(65)	–
Specific impairments	(5 131)	(188)	(37)	(4 848)	(4 385)	(463)	(58)	
Portfolio impairment	(21)	(2)	6	(18)		(18)	(7)	
Total impairments	9 798	384	1 200	8 060	6 840	1 220	156	(2)
Specific impairment	7 830	310	656	6 735	5 921	814	129	
Portfolio impairment	1 968	74	544	1 325	919	406	27	(2)

28 OTHER ASSETS

	2010 Rm	2009 Rm
Sundry debtors and other accounts	**4 811**	4 711
Trading securities and spot positions	**5 203**	744
	10 014	5 455

29 INVESTMENT SECURITIES

	2010 Rm	2009 Rm
Listed investments at market value	**536**	485
Private equity portfolio	**532**	482
Other	**4**	3
Unlisted investments at directors' valuation	**2 475**	2 491
Endowment policies	**18**	18
NES Investments (Pty) Limited	**354**	185
Morning Tide Investments 168 (Pty) Limited	**105**	91
Strate Limited	**36**	31
Private-equity portfolio	**1 127**	1 274
Other	**835**	892
Total listed and unlisted investments	**3 011**	2 976
Listed policyholder investments at market value	**7 068**	6 417
Equities	**275**	350
Government, public and private sector stock	**117**	396
Unit trusts	**6 676**	5 671
Unlisted policyholder investments at directors' valuation	**1 871**	1 666
Equities	**1**	1
Negotiable certificates of deposit, money market and other short-term funds	**1 870**	1 665
Net policyholder liabilities	**(32)**	(34)
Total policyholder investments	**8 907**	8 049
Total investment securities	**11 918**	11 025

A register of private equity and other investments is available for inspection at the company's registered office.

30 INVESTMENTS IN ASSOCIATE COMPANIES AND JOINT VENTURES

30.1 Movement in carrying amount

	2010 Rm	2009 Rm
Carrying amount at the beginning of the year	**924**	1 167
Share of associate companies' and joint ventures' profit after taxation for the current year	**1**	55
Dividends received		(76)
Net movement of associate companies and joint ventures at carrying value*	**10**	(178)
Fair-value movements	**1**	(44)
Carrying amount at the end of the year	**936**	924

** These amounts include movements due to acquisitions and disposals.*

All investments in associate companies and joint ventures are unlisted.

30.2 Analysis of carrying amount

	2010 Rm	2009 Rm
Associate investments – on acquisition – net asset value	**548**	538
Share of retained earnings since acquisition	**103**	102
Fair-value movements	**285**	284
	936	924

Information relating to investments in associate companies appears on pages 388 and 389.

30.3 Valuation

	2010 Rm	2009 Rm
Directors' valuation	**936**	924
	936	924

30.4 Summarised financial information of investments in associate companies

	2010 Rm	2009 Rm
Total assets	**5 537**	5 227
Total liabilities	**4 720**	4 445
Operating results	**284**	301
Total revenues	**1 538**	1 561

31 NON-CURRENT ASSETS HELD FOR SALE

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

Commitments for the sale of several properties had been entered into at year-end. Transfer, however, had not been effected at these dates. Transfer of the properties is expected to take place during the following year.

32 DEFERRED TAXATION

32.1 Reconciliation of deferred taxation balance

	2010 Rm	2009 Rm
Deferred taxation asset		
Balance at the beginning of the year	**282**	200
Disposal of businesses		(2)
Current-year temporary differences recognised in the statement of comprehensive income	**(87)**	49
Impairment of loans and advances	**(37)**	(15)
Other income and capital items	**(287)**	295
Taxation losses recognised	**237**	(231)
Other movements	**89**	35
Balance at the end of the year	**284**	282
Deferred taxation liability		
Balance at the beginning of the year	**1 945**	2 100
Acquisition of businesses	**(6)**	181
Disposal of businesses	**6**	
Current-year temporary differences recognised in the statement of comprehensive income	**(292)**	(384)
Capital gains taxation	**48**	(63)
Client credit agreements		(229)
Deferred acquisition costs	**(24)**	(32)
Deferred fee income	**(9)**	(31)
Depreciation	**16**	17
Fair-value adjustments of financial instruments	**(134)**	(37)
Impairment of loans and advances	**(43)**	30
Other income and expense items	**(237)**	(111)
Property revaluations	**(5)**	(2)
Share-based payments	**93**	60
Taxation losses recognised	**3**	14
Other movements	**151**	48
Balance at the end of the year	**1 804**	1 945

32.2 Analysis of deferred taxation

	2010 Rm	2009 Rm
Deferred taxation asset		
Impairment of loans and advances	**13**	48
Other income and capital items	**(14)**	186
Taxation losses	**285**	48
	284	282
Deferred taxation liability		
Capital gains taxation	**306**	265
Client credit agreements	**542**	540
Deferred acquisition costs	**351**	245
Deferred fee income	**(172)**	(160)
Depreciation	**294**	278
Fair-value adjustments of financial instruments		67
Impairment of loans and advances	**(494)**	(437)
Other income and expense items	**631**	941
Property revaluations	**342**	291
STC	**(61)**	(33)
Share-based payments	**122**	8
Taxation losses	**(57)**	(60)
	1 804	1 945

33 INVESTMENT PROPERTY

33.1 Fair value

	2010 Rm	2009 Rm
Fair value at the beginning of the year	**211**	213
Acquisitions	**5**	3
Disposals		(5)
Net loss from fair-value adjustments	**(17)**	
Fair value at the end of the year	**199**	211

33.2 Fair value of investment property

Investment properties are freehold and are either held to earn rentals or for capital appreciation. Internal professional valuers perform valuations on an annual basis. External valuations are obtained once every three years on a rotational basis in accordance with the group's policies for the valuation of properties. The internal and external valuers are all members or associates of the Institute of Valuers (SA).

The carrying amount of these properties is the fair value of property as determined by registered independent valuers who have recent experience in the location and category of the property being valued. In determining the fair value of properties the assumed discount rate applied for future income streams is 10,59% (2009: 11,88%) and takes into account the type of property and the property's location.

	2010 Rm	2009 Rm
Valuations determined by reference to existing market conditions	**199**	207
Valuations based on discounted future income streams		4
	199	211

33.3 Rental income and operating expenses from investment property

	2010 Rm	2009 Rm
Rental income from investment property	**17**	19
Direct operating expense arising from investment property that generated rental income	**21**	20

33.4 Minimum contractual lease rental income from investment property

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

34 PROPERTY AND EQUIPMENT

	Land		Buildings	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
Gross carrying amount				
Balance at 1 January	**653**	628	**3 064**	2 285
Acquisitions	**67**	4	**347**	736
Increases arising from revaluations	**59**	20	**161**	46
Transfers to non-current assets held for sale	**(1)**		**(4)**	
Impairments	**(20)**			
Disposals		(14)	**(11)**	(265)
Grossup of carrying value/depreciation				277
Reclassification	**2**	15	**(2)**	(15)
Writeoff of accumulated depreciation on revaluations			**(51)**	
Effect of movements in foreign exchange rates				
Balance at 31 December	**760**	653	**3 504**	3 064
Accumulated depreciation and impairment losses				
Balance at 1 January			**402**	182
Depreciation charge for the year			**106**	81
Acquisitions			**46**	
Writeoff of accumulated depreciation on revaluations			**(51)**	(33)
Disposals				(104)
Grossup of carrying value/depreciation				277
Effect of movements in foreign exchange rates			**1**	(1)
Balance at 31 December	**–**	–	**504**	402
Carrying amount				
At 1 January	**653**	628	**2 662**	2 103
At 31 December	**760**	653	**3 000**	2 662

Registers providing the information regarding land and buildings, as required in terms of Schedule 4 of the Companies Act, 61 of 1973, are available for inspection at the registered office of the group.

Equipment (principally computer equipment, motor vehicles, fixtures and furniture) is stated at cost less accumulated depreciation and impairment losses. Property is recognised at the revalued amount, which is based on external valuations obtained every three years on a rotation basis for all properties in accordance to the group's accounting policy. The valuers are all members or associates of the Institute of Valuers (SA). An annual internal review is also done on those properties not subject to external valuation. The carrying amount of properties is the fair value as determined by the valuers less subsequent accumulated depreciation and impairment losses. Adjustments in the valuation of the properties are recorded in the revaluation reserve, which is amortised over the remaining useful life of the property.

In respect of certain properties there are restrictions of title in terms of regulatory restrictions such as servitudes. This does not have a material effect on the ability of the group to transfer these properties. No material plant and equipment have been pledged as security for liabilities.

In determining the fair value of properties the assumed discount rates applied for future income streams range between 8,5% and 12,5% (2009: 8,5% and 12,5%) and take into account the type of property and the property's location.

If land and buildings were carried under the cost and not the revaluation model, the carrying amount would have been R2 241 million (2009: R1 811 million).

Computer equipment		**Furniture and other equipment**		**Vehicles**		**Total**	
2010 Rm	2009 Rm	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm
2 776	2 585	**2 048**	1 856	**35**	28	**8 576**	7 382
438	329	**486**	326	**3**	10	**1 341**	1 405
						220	66
						(5)	–
						(20)	–
(397)	(135)	**(80)**	(127)	**(3)**	(2)	**(491)**	(543)
						–	277
						–	–
						(51)	–
1	(3)	**(5)**	(7)	**(1)**	(1)	**(5)**	(11)
2 818	2 776	**2 449**	2 048	**34**	35	**9 565**	8 576
2 105	1 884	**1 085**	973	**17**	16	**3 609**	3 055
337	340	**263**	207	**8**	4	**714**	632
29		**73**	24	**(4)**		**144**	24
						(51)	(33)
(395)	(116)	**(64)**	(115)	**(1)**	(2)	**(460)**	(337)
						–	277
	(3)	**(2)**	(4)	**(2)**	(1)	**(3)**	(9)
2 076	2 105	**1 355**	1 085	**18**	17	**3 953**	3 609
671	701	**963**	883	**18**	12	**4 967**	4 327
742	671	**1 094**	963	**16**	18	**5 612**	4 967

35 LONG-TERM EMPLOYEE BENEFITS

The group has a number of defined-benefit and defined-contribution plans in terms of which it provides pension, postretirement medical aid and long-term disability benefits to employees and their dependants on retirement, death or disability. All eligible employees and former employees are members of trustee-administered or underwritten schemes within the group, financed by company and employee contributions. All SA retirement plans are governed by the Pension Funds Act of 1956. The defined-benefit funds are actuarially valued using the projected-unit credit method. Any deficits are funded to ensure the ongoing financial soundness of the funds.

The benefits provided by the defined-benefit schemes are based on years of membership and/or salary levels. These benefits are provided from contributions by employees, the group, and income from the assets of these schemes. The benefits provided by the defined-contribution schemes are determined by the accumulated contributions and investment earnings.

At the dates of the latest valuations the defined-benefit plans were in a sound financial position in terms of section 16 of the Pensions Funds Act of 1956. During 1998 active members in the Nedgroup Pension Fund (defined-benefit) were granted a further option to transfer to one of the defined-contribution funds and approximately three-quarters of the then valuation surplus was allocated to members and pensioners.

The funds that constitute the assets and liabilities that the group has recognised in the statement of financial position in respect of its defined-benefit plans are listed below. The latest actuarial valuations were performed at 31 December 2010.

Postemployment benefits

Defined-benefit pension and provident funds

- Nedgroup Pension Fund (including the Optiplus policy).
- BoE Funds, which consist of NBS Group Pension Fund, BoE Limited Pension Fund (1969), Pension Fund of BoE Bank: Business Division.
- Nedbank UK Pension Fund.
- Other funds, consisting of of Nedbank Swaziland Limited Pension Fund and Nedbank Lesotho Pension Fund.

Defined-contribution pension and provident funds

- Fairbairn Funds, consisting of of Fairbairn Private Bank Pension and Provident Funds.

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.

35.1 Analysis of long-term employee benefits assets and liabilities

Rm	Assets	Liabilities	Net asset
2010			
Postemployment benefits	**1 679**	**(1 125)**	**554**
Other long-term employee benefits – disability fund	**373**	**(289)**	**84**
	2 052	**(1 414)**	**638**
2009			
Postemployment benefits	1 537	(1 054)	483
Other long-term employee benefits – disability fund	323	(250)	73
	1 860	(1 304)	556

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 R373 million (2009: R323 million).

35.2 Postemployment benefits

Analysis of postemployment benefit assets and liabilities

Rm	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)	Unrecognised actuarial (gains)/ losses and assets	Net asset/ (liability)
2010					
Pension funds	**3 985**	**4 965**	**980**	**(106)**	**874**
Nedgroup Fund	**3 276**	**4 208**	**932**	**(79)**	**853**
BoE Funds	**316**	**417**	**101**	**(101)**	
Nedbank UK Fund	**181**	**162**	**(19)**	**35**	**16**
Fairbairn Funds	**68**	**57**	**(11)**	**16**	**5**
Other funds	**144**	**121**	**(23)**	**23**	
Medical aid funds	**1 229**	**810**	**(419)**	**99**	**(320)**
Nedgroup scheme for Nedbank employees	**1 111**	**810**	**(301)**	**105**	**(196)**
Nedgroup scheme for BoE employees	**111**		**(111)**	**(6)**	**(117)**
Nedbank Namibia scheme (unfunded)	**7**		**(7)**		**(7)**
Total	**5 214**	**5 775**	**561**	**(7)**	**554**
2009					
Pension funds	3 510	4 694	1 184	(451)	733
Nedgroup Fund	2 752	3 889	1 137	(427)	710
BoE Funds	359	453	94	(94)	
Nedbank UK Fund	209	180	(29)	47	18
Fairbairn Funds	78	61	(17)	22	5
Other funds	112	111	(1)	1	
Medical aid funds	1 092	790	(302)	52	(250)
Nedgroup scheme for Nedbank employees	972	790	(182)	48	(134)
Nedgroup scheme for BoE employees	113		(113)	4	(109)
Nedbank Namibia scheme (unfunded)	7		(7)		(7)
Total	4 602	5 484	882	(399)	483

35 LONG-TERM EMPLOYEE BENEFITS ... continued

35.2 Postemployment benefits ... continued

Rm	Pension and provident funds	Medical aid funds	Total
Present value of defined-benefit obligation (Rm)			
2010			
Balance at the beginning of the year	**3 510**	**1 092**	**4 602**
Current service cost	**26**	**44**	**70**
Interest cost	**314**	**102**	**416**
Contributions by plan participants	**9**		**9**
Actuarial gains	**452**	**38**	**490**
Benefits paid	**(289)**	**(47)**	**(336)**
Impact of foreign currency exchange rate changes	**(37)**		**(37)**
Balance at the end of the year	**3 985**	**1 229**	**5 214**
2009			
Balance at the beginning of the year	3 315	916	4 231
Current service cost	27	41	68
Interest cost	239	69	308
Contributions by plan participants	9		9
Actuarial gains	244	104	348
Benefits paid	(281)	(38)	(319)
Impact of foreign currency exchange rate changes	(43)		(43)
Balance at the end of the year	3 510	1 092	4 602
Fair value of plan assets (Rm)			
2010			
Balance at the beginning of the year	**4 694**	**790**	**5 484**
Expected return on plan assets	**467**	**71**	**538**
Actuarial gains/(losses)	**96**	**(9)**	**87**
Contributions by the employer	**20**		**20**
Contributions by plan participants	**9**		**9**
Benefits paid	**(289)**	**(42)**	**(331)**
Impact of foreign currency exchange rate changes	**(32)**		**(32)**
Balance at the end of the year	**4 965**	**810**	**5 775**
2009			
Balance at the beginning of the year	4 455	743	5 198
Expected return on plan assets	346	53	399
Actuarial gains	188	27	215
Contributions by the employer	15		15
Contributions by plan participants	9		9
Benefits paid	(281)	(33)	(314)
Impact of foreign currency exchange rate changes	(38)		(38)
Balance at the end of the year	4 694	790	5 484

Rm	Pension and provident funds	Medical aid funds	Total
Net asset/(liability) recognised (Rm)			
2010			
Present value of defined-benefit obligation	**(3 985)**	**(1 229)**	**(5 214)**
Fair value of plan assets	**4 965**	**810**	**5 775**
Funded status	**980**	**(419)**	**561**
Unrecognised net actuarial gains	**(1)**		**(1)**
Unrecognised asset due to asset ceiling	**(106)**	**100**	**(6)**
	873	**(319)**	**554**
Asset	**1 679**		**1 679**
Liability	**(806)**	**(319)**	**(1 125)**
2009			
Present value of defined-benefit obligation	(3 510)	(1 092)	(4 602)
Fair value of plan assets	4 694	790	5 484
Funded status	1 184	(302)	882
Unrecognised net actuarial (gains)/losses	(362)		(362)
Unrecognised asset due to asset ceiling	(89)	52	(37)
	733	(250)	483
Asset	1 537		1 537
Liability	(804)	(250)	(1 054)
Net (income)/expense recognised (Rm)			
2010			
Current service cost	**26**	**44**	**70**
Interest cost	**314**	**102**	**416**
Expected return on plan assets	**(467)**	**(71)**	**(538)**
Amortisation of unrecognised actuarial gains	**6**	**2**	**8**
	(121)	**77**	**(44)**
2009			
Current service cost	27	41	68
Interest cost	239	69	308
Expected return on plan assets	(346)	(53)	(399)
Amortisation of unrecognised actuarial gains	2	6	8
	(78)	63	(15)

35 LONG-TERM EMPLOYEE BENEFITS ... continued

35.2 Postemployment benefits ... continued

Rm	Pension and provident funds	Medical aid funds	Total
Movements in net asset/(liability) recognised (Rm)			
2010			
Balance at the beginning of the year	**733**	**(250)**	**483**
Net income/(expense) recognised in the statement of comprehensive income	**121**	**(77)**	**44**
Contributions paid by the employer	**20**	**7**	**27**
Balance at the end of the year	**874**	**(320)**	**554**
2009			
Balance at the beginning of the year	640	(196)	444
Net income/(expense) recognised in the statement of comprehensive income	78	(63)	15
Contributions paid by the employer	15	9	24
Balance at the end of the year	733	(250)	483
Distribution of plan assets (%)			
2010			
Equity instruments	**37,46**	**27,00**	**35,98**
Debt instruments	**40,04**	**6,00**	**35,28**
Property	**5,55**		**4,77**
Cash	**1,74**	**53,00**	**8,93**
International	**15,21**	**14,00**	**15,04**
	100,00	**100,00**	**100,00**
2009			
Equity instruments	37,07	25,00	35,33
Debt instruments	36,32	17,00	33,54
Property	5,54		4,74
Cash	5,52	43,00	10,92
International	15,55	14,00	15,33
Other		1,00	0,14
	100,00	100,00	100,00
Actual return on plan assets (Rm)			
2010	**563**	**62**	**625**
2009	534	80	614

35.2 Postemployment benefits ... continued

	Pension and provident funds	Medical aid funds
Principal actuarial assumptions (%)		
2010		
Discount rates	**5,40 – 8,50**	**7,3**
Expected rates of return on plan assets	**5,40 – 10,20**	**7,3**
Inflation rate	**3,20 – 6,20**	**5,3**
Expected rates of salary increases	**6 – 6,25**	**5,3**
Pension increase allowance	**2,20 – 5,25**	
Annual increase to medical aid subsidy		**5,0**
Average expected retirement age (years)	**63**	**60 and 63**
2009		
Discount rates	5,50 – 10,50	7,3
Expected rates of return on plan assets	5,85 – 10,50	7,0
Inflation rate	3,50 – 6,00	5,3
Expected rates of salary increases	5,75 – 6,75	5,0
Pension increase allowance	1,39 – 4,78	
Annual increase to medical aid subsidy		5,0
Average expected retirement age (years)	63	60 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 at the latest available date were used and adjustments were made to reflect the effect of expenses.

	2010 %	2009 %
Weighted average assumptions:		
– Discount rate	**8,37**	10,13
– Expected return on plan assets	**9,10**	9,35
– Future salary increases	**4,92**	5,80
– Future pension increases	**5,08**	5,79

Medical aid funds

The overall expected long-term rate of return on plan assets is 7,3%. The expected rate of return is based on market expectations, at the beginning of the period, for returns over the entire life of the related obligation. The expected rate of return is based on the expected performance of the entire portfolio.

35 LONG-TERM EMPLOYEE BENEFITS ... continued

35.2 Postemployment benefits ... continued

Rm	Pension and provident funds	Medical aid funds	Total
Experience adjustments on present value of defined-benefit obligation for past five years			
2010	**14**	**(48)**	**(34)**
2009	190	(98)	92
2008	(82)	33	(49)
2007	(17)	(64)	(81)
2006	105	43	148
2005	(22)	47	25
Experience adjustments on fair value of plan assets for past five years			
2010	**95**	**(10)**	**85**
2009	188	27	215
2008	(483)	(39)	(522)
2007	433	22	455
2006	448	47	495
2005	374	42	416
Estimate of future contributions			
Contributions expected for ensuing year	26		26

	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)
Fund surplus/(deficit) for past five years			
Pension funds			
2010	**3 985**	**4 965**	**980**
2009	3 510	4 694	1 184
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
Medical aid funds			
2010	**1 229**	**810**	**(419)**
2009	1 092	790	(302)
2008	916	743	(173)
2007	811	749	(62)
2006	810	700	(110)
2005	714	614	(100)

	2010	2009
Effect of 1% change in assumed medical cost trend rates (Rm)		
1% increase – effect on current service cost and interest cost	**26**	21
1% increase – effect on accumulated benefit obligation	**176**	156
1% decrease – effect on current service cost and interest cost	**(21)**	(16)
1% decrease – effect on accumulated benefit obligation	**(144)**	(129)

36 INTANGIBLE ASSETS

Rm	Goodwill	Software	Software development costs	Client relationships, contractual rights and other	Total
2010					
Cost					
Balance at the beginning of the year	**6 458**	**4 249**	**973**	**653**	**12 333**
Acquisitions		**154**	**570**		**724**
Development costs commissioned to software		**423**	**(423)**		**–**
Impairment losses			**(54)**		**(54)**
Disposals and retirements		**(4)**			**(4)**
Grossdown of carrying value/amortisation*		**(35)**	**(85)**		**(120)**
Foreign currency translation and other movements	**(36)**	**7**			**(29)**
Balance at the end of the year	**6 422**	**4 794**	**981**	**653**	**12 850**
Accumulated amortisation and impairment losses					
Balance at the beginning of the year	**1 477**	**3 181**	**222**	**38**	**4 918**
Amortisation charge		**496**		**64**	**560**
Disposals and retirements		**(4)**			**(4)**
Grossdown of carrying value/amortisation*		**(35)**	**(85)**		**(120)**
Foreign currency translation and other movements		**2**			**2**
Balance at the end of the year	**1 477**	**3 640**	**137**	**102**	**5 356**
Carrying amount					
At the beginning of the year	**4 981**	**1 068**	**751**	**615**	**7 415**
At the end of the year	**4 945**	**1 154**	**844**	**551**	**7 494**
2009					
Cost					
Balance at the beginning of the year	5 371	3 683	896		9 950
Acquisitions	1 126	153	526	653	2 458
Development costs commissioned to software		439	(439)		–
Impairment losses		(1)	(10)		(11)
Disposals and retirements		(12)			(12)
Foreign currency translation and other movements	(39)	(13)			(52)
Balance at the end of the year	6 458	4 249	973	653	12 333
Accumulated amortisation and impairment losses					
Balance at the beginning of the year	1 477	2 750	222		4 449
Amortisation charge		459		38	497
Disposals and retirements		(16)			(16)
Foreign currency translation and other movements		(12)			(12)
Balance at the end of the year	1 477	3 181	222	38	4 918
Carrying amount					
At the beginning of the year	3 894	933	674	–	5 501
At the end of the year	4 981	1 068	751	615	7 415

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

36 INTANGIBLE ASSETS ... continued

36.1 Analysis of goodwill

	2010			2009		
Rm	Cost	Accumulated impairment losses	Carrying amount	Cost	Accumulated impairment losses	Carrying amount
Fairbairn Private Bank (Jersey) Limited/ Fairbairn Trust Company Limited (Guernsey)	**372**	**(138)**	**234**	408	(138)	270
Peoples Mortgage Limited	**198**	**(198)**	**–**	198	(198)	–
Imperial Bank Limited	**285**	**(25)**	**260**	285	(25)	260
Nedbank Limited	**3 938**	**(1 114)**	**2 824**	3 938	(1 114)	2 824
Old Mutual Bank	**206**		**206**	206		206
BoE (Pty) Limited	**725**		**725**	725		725
Nedgroup Life Assurance Company Limited	**401**		**401**	401		401
Nedbank Namibia Limited	**134**	**(2)**	**132**	134	(2)	132
Capital One	**82**		**82**	82		82
American Express	**81**		**81**	81		81
	6 422	**(1 477)**	**4 945**	6 458	(1 477)	4 981

Goodwill is allocated to individual CGUs based on business activity. Impairment testing is done on a regular basis by comparing the net carrying value of the CGUs to the estimated value in use. The value in use is determined by discounting estimated future cashflows of each CGU. The discounted-cashflow calculations have been performed using Nedbank's cost of equity, which is calculated using the Capital Asset Pricing Model. No impairments resulting from impairment testing have been effected for the reporting periods presented. Management regards the useful lives of all CGUs to be indefinite.

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

	2010	2009
Risk-free rate range (%)	**3,92 – 7,22**	4,34 – 8,45
Beta range	**0,50 – 1,76**	0,53 – 1,51
Equity risk premium (%)	**5,00**	6,00
Terminal growth rate range (%)	**0,00 – 4,00**	0.00 – 5,00
Cashflow projection (years)	**3**	3
Discount rate range (%)*	**9,23 – 12,72**	9,81 – 13,41

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

	2010 Rm	2009 Rm
Geographical split is based on the area in which the CGU operates:		
– Africa	**4 711**	4 711
– Europe	**234**	270
	4 945	4 981
The value in use is estimated as follows:		
– Africa	**165 643**	142 840
– Europe	**618**	737
	166 261	143 577
Net estimated recoverable amounts:		
– Africa	**160 932**	138 129
– Europe	**384**	467
	161 316	138 596

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

37 ACQUISITIONS

37.1 Acquisition of remaining stake in Imperial Bank Limited

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

The merging entities are Nedbank Limited and Imperial Bank Limited. Imperial Bank's businesses have been combined with the following segments:

– The Motor Finance Corporation, Supplier Asset Finance and Professional Finance have been included in Nedbank Retail.
– Property Finance has been included in Nedbank Corporate.

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

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

38 SHARE CAPITAL

38.1 Ordinary share capital

	2010 Rm	2009 Rm
Authorised		
600 000 000 (2009: 600 000 000) ordinary shares of R1 each	**600**	600
Issued		
514 891 827 (2009: 498 671 016) fully paid ordinary shares of R1 each	**515**	499
Treasury shares arising from share repurchases by subsidiaries of 66 327 716 (2009: 62 937 839) fully paid ordinary shares of R1 each	**(66)**	(63)
	449	436

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.

The treasury shares held are used mainly for the purpose of fulfilling the options and share awards outstanding in terms of the share schemes (for both employees and third parties).

38.2 Preference share capital and premium

	2010 Rm	2009 Rm
Nedbank Limited preference share capital and premium		
Authorised		
1 000 000 000 (2009: 1 000 000 000) non-redeemable non-cumulative preference shares of R0,001 each	**1**	1
Issued		
358 277 491 (2009: 349 082 721) non-redeemable non-cumulative preference shares of R0,001 each	*****	*
Preference share premium	**3 560**	3 483
	3 560	3 483
Imperial Bank Limited preference share capital and premium		
Authorised		
8 000 000 (2009: 8 000 000) non-redeemable non-cumulative non-participating preference shares of R0,0005 each	*****	*
Issued		
3 000 000 (2009: 3 000 000) non-redeemable non-cumulative non-participating preference shares of R 0,0005 each	*****	*
Preference share premium	**300**	300
Shares held by group entities	**(300)**	(297)
	–	3
Total preference share capital and premium	**3 560**	3 486

** Represents amounts less than R1 million.*

38 SHARE CAPITAL ... continued

38.2 Preference share capital and premium ... continued

The preference shares are classified as equity instruments by Nedbank Limited and Imperial Bank Limited (the 'entities') and have therefore been classified as non-controlling 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 for Nedbank Limited and 70% of the prevailing prime rate for Imperial Bank Limited on a deemed value of R10 for Nedbank Limited and R100 for Imperial Bank preference shares, and is never compounded. The dividends, if declared, accrue half-yearly on 30 June and 31 December and are payable within 120 days of these dates respectively.

If a preference dividend is not declared, the dividend will not accumulate and will never become payable by the entities, whether in preference to payments to any other class of share or otherwise.

If, due to any amendment of the Income Tax Act, 58 of 1962, the dividends become taxable in the hands of the shareholders and the payment of the preference share dividends becomes a deductible expense for 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 that directly affects the rights attached to the preference share or the interests of the holder, including resolutions to wind up the entities or in the reduction of their share capital.

At every general meeting where the preference shareholder is entitled to vote, the voting rights are restricted to the holder's nominal value in proportion to the total nominal value of all shares issued by the entities.

No shares in the capital of the entities, in priority to the preference shares, can be created or issued without prior sanction of the holders of preference shares by way of a resolution passed at a separate class meeting properly constituted in terms of the provisions set out in the articles of association.

38.3 Share options – staff schemes

Share options granted under the Nedcor Group (1994) Employee Incentive Scheme and Nedbank Group (2005) Share Option, Matched 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 at 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.

See pages 248 and 249 for further detail on share option schemes.

39 AMOUNTS OWED TO DEPOSITORS

39.1 Classifications

	2010 Rm	2009 Rm
Current accounts	**47 672**	44 539
Savings deposits	**14 756**	15 294
Other deposits and loan accounts	**293 467**	283 829
Call and term deposits	**166 386**	178 424
Fixed deposits	**27 078**	27 941
Cash management deposits	**46 151**	33 037
Other deposits and loan accounts	**53 852**	44 427
Foreign currency liabilities	**9 781**	7 027
Negotiable certificates of deposit	**110 584**	103 731
Deposits received under repurchase agreements*	**14 180**	14 935
	490 440	469 355
Comprises:		
– amounts owed to depositors**	**454 135**	427 774
– amounts owed to banks**	**36 305**	41 581
	490 440	469 355

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.

See pages 356 and 357 for a breakdown of amounts owed to depositors by operating segment.

** Government and other securities (note 25) amounting to R14 180 million (2009: R14 935 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.*

39.2 Sectoral analysis

	2010 Rm	2009 Rm
Banks**	**36 305**	41 581
Government and public sector	**20 523**	24 268
Individuals	**137 527**	165 414
Business sector**	**296 085**	238 092
	490 440	469 355

39.3 Geographical analysis

	2010 Rm	2009 Rm
South Africa	**465 379**	439 574
Other African countries	**11 928**	10 969
Europe	**12 558**	17 634
Asia	**416**	656
United States	**159**	522
	490 440	469 355

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

39 AMOUNTS OWED TO DEPOSITORS ... continued

39.4 Segmental analysis

	Nedbank Group		Nedbank Capital		Nedbank Corporate	
Rm	**2010**	2009	**2010**	2009	**2010**	2009
Current accounts	**47 672**	44 539	**161**	380	**6 383**	4 309
Savings deposits	**14 756**	15 294			**549**	507
Other deposits and loan accounts	**293 467**	283 829	**58 070**	56 120	**118 827**	110 506
Call and term deposits	**166 386**	178 424	**3 579**	10 975	**77 093**	81 485
Fixed deposits	**27 078**	27 941	**2 689**	3 485	**1 568**	1 296
Cash management deposits	**46 151**	33 037	**239**	50	**39 557**	27 021
Other deposits and loan accounts	**53 852**	44 427	**51 563**	41 610	**609**	704
Foreign currency liabilities	**9 781**	7 027	**3 343**	1 628	**3 983**	3 155
Negotiable certificates of deposit	**110 584**	103 731	**108 810**	102 339	**1 452**	1 354
Deposits received under repurchase agreements	**14 180**	14 935	**13 817**	14 574		
Amounts owed to depositors	**490 440**	469 355	**184 201**	175 041	**131 194**	119 831

	Total Nedbank Retail and Nedbank Business Banking		Nedbank Retail		Nedbank Business Banking		Nedbank Wealth		Shared Services		Central Management and Eliminations	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	40 395	39 086	**25 223**	24 657	**15 172**	14 429	**674**	665	**1**	16	**58**	83
	8 431	8 405	**8 249**	8 209	**182**	196	**5 758**	6 348			**18**	34
	111 692	111 927	**53 502**	53 550	**58 190**	58 377	**4 924**	6 087	**6**	(1)	**(52)**	(810)
	81 307	80 449	**30 080**	28 596	**51 227**	51 853	**4 294**	5 474			**113**	41
	22 765	23 117	**22 081**	22 455	**684**	662	**59**	49			**(3)**	(6)
	5 784	5 410	**18**	17	**5 766**	5 393	**571**	563		(7)		
	1 836	2 951	**1 323**	2 482	**513**	469		1	**6**	6	**(162)**	(845)
	2 455	2 244	**230**	225	**2 225**	2 019						
	–	–									**322**	38
	–	–							**363**	325		36
	162 973	161 662	**87 204**	86 641	**75 769**	75 021	**11 356**	13 100	**370**	340	**346**	(619)

40 PROVISIONS AND OTHER LIABILITIES

	2010 Rm	2009 Rm
Creditors and other accounts	**5 940**	5 780
Insurance contracts	**175**	258
Short-trading securities and spot positions	**11 533**	4 645
Provision for onerous contracts (note 40.1)	**11**	13
Leave pay accrual (note 40.2)	**586**	556
	18 245	11 252

40.1 Provision for onerous contracts

	2010 Rm	2009 Rm
Balance at the beginning of the year	**13**	15
Recognised in profit or loss	**(2)**	(2)
Balance at the end of the year	**11**	13

40.2 Leave pay accrual

	2010 Rm	2009 Rm
Balance at the beginning of the year	**556**	489
Movements from business combinations: Additions		4
Recognised in profit or loss	**335**	303
Utilised during the year	**(305)**	(240)
Balance at the end of the year	**586**	556

Provisions have been raised in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets, as set out in note 44.

40.3 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.

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

41 INVESTMENT CONTRACT LIABILITIES

	2010 Rm	2009 Rm
Balance at the beginning of the year	**6 749**	5 843
Additions		106
Premium income	**1 203**	943
Investment income	**740**	830
Annuities	**(290)**	(263)
Death and disability benefits	**(231)**	(22)
Withdrawals/Surrenders	**(1 288)**	(1 423)
Other movements	**426**	735
	7 309	6 749

Policies held within investment contracts are recorded at market-related values.

42 INSURANCE CONTRACT LIABILITIES

	2010 Rm	2009 Rm
Balance at the beginning of the year	**1 133**	1 034
Net premiums	**1 411**	726
Individual – single premiums	**271**	172
– recurring premiums	**1 248**	625
Group – recurring premiums	**2**	3
Net reinsurance premiums	**(110)**	(74)
Investment income	**142**	70
Dividends	**2**	1
Interest	**91**	41
Realised and unrealised gains on investments	**49**	28
Policyholders' benefits paid	**(401)**	(283)
Annuities	**(50)**	(24)
Death and disability benefits	**(227)**	(119)
Maturities	**(86)**	(117)
Gross surrenders and withdrawals	**(38)**	(23)
Total expenses	**(364)**	(210)
Administration expenses	**(70)**	(63)
Commission	**(252)**	(126)
Indirect taxation	**(42)**	(21)
Transfer to operating profit	**(529)**	(204)
Balance at the end of the year	**1 392**	1 133

43 LONG-TERM DEBT INSTRUMENTS

	Nominal value	Instrument terms	2010 Rm	2009 Rm
Subordinated debt			**10 937**	11 126
Rand-denominated	(ZARm)		**10 269**	10 385
Callable bonds repayable on 30 December 2010 (IPB2) (a) +	500	8,38% per annum*		493
Callable bonds repayable on 4 December 2013 (IPB3) (b)	300	JIBAR + 2,5% per annum**	**151**	151
Callable notes repayable on 24 April 2016 (NED05) (c)	1 500	7,85% per annum*	**1 525**	1 499
Callable notes repayable on 20 September 2018 (NED06) (d)	1 800	9,84% per annum*	**1 915**	1 781
Callable notes repayable on 8 February 2017 (NED07) (c)	650	9,03% per annum*	**682**	658
Callable notes repayable on 8 February 2019 (NED08) (d)	1 700	8,90% per annum*	**1 759**	1 643
Callable notes repayable on 6 July 2022 (NED09) (f)	2 000	JIBAR + 0,47% per annum**	**2 031**	2 036
Callable notes repayable on 15 August 2017 (NED10) (c)	500	JIBAR + 0,45% per annum**	**504**	505
Callable notes repayable on 17 September 2020 (NED11) (e)	1 000	10,54% per annum*	**1 076**	997
Callable notes repayable on 14 December 2017 (NED12A) (c)	500	JIBAR + 0,70% per annum**	**502**	502
Callable notes repayable on 14 December 2017 (NED12B) (c)	120	10,38% per annum*	**124**	120
Namibian dollar-denominated	(NAM$m)		**2**	2
Long-term debenture repayable on 15 September 2030	40	17% per annum until 15 September 2000 – thereafter zero coupon	**2**	2
US dollar-denominated	(US$m)		**666**	739
Callable notes repayable on 3 March 2022 (EMTN01) (i)	100	Three-month USD LIBOR**	**666**	739
Hybrid subordinated debt			**1 808**	1 766
Rand-denominated	(ZARm)		**1 808**	1 766
Callable notes repayable on 20 November 2018 (NEDH1A) (g)	487	15,05% per annum*	**529**	484
Callable notes repayable on 20 November 2018 (NEDH1B) (g)	1 265	JIBAR + 4,75% per annum**	**1 279**	1 282
Securitised liabilities			**1 154**	1 412
Rand-denominated	(ZARm)		**1 154**	1 412
Callable notes repayable on 18 November 2039 (GRN1A1) (h)	291	JIBAR + 0,25% per annum**	**38**	294
Callable notes repayable on 18 November 2039 (GR1A2A) (h)	1 407	JIBAR + 0,60% per annum**	**991**	993
Callable notes repayable on 18 November 2039 (GRN1B) (h)	98	JIBAR + 0,85% per annum**	**74**	75
Callable notes repayable on 18 November 2039 (GRN1C) (h)	76	JIBAR + 1,1% per annum**	**51**	50

	Nominal value	Instrument terms	2010 Rm	2009 Rm
Senior unsecured debt			**12 197**	5 773
Rand-denominated	(ZARm)		**12 197**	5 773
Senior unsecured notes repayable on 9 September 2012 (NBK1B)	1 690	JIBAR + 1,50% per annum**	**1 697**	1 005
Senior unsecured notes repayable on 15 September 2015 (NBK2A)	3 244	10,55% per annum*	**3 347**	2 065
Senior unsecured notes repayable on 15 September 2015 (NBK2B)	1 044	JIBAR + 2,20% per annum**	**1 054**	251
Senior unsecured notes repayable on 9 September 2019 (NBK3A)	762	11,39% per annum*	**788**	414
Senior unsecured notes repayable on 31 March 2013 (NBKI1)	1 750	3,9% real yield base CPI ref 106.70667*	**1 859**	1 805
Senior unsecured notes repayable on 28 October 2024 (NBK4)	660	Zero coupon	**164**	136
Senior unsecured notes repayable on 31 March 2013 (NBKI1U)	98	3,8% real yield base CPI ref 108.68065*	**102**	97
Senior unsecured notes repayable on 19 April 2013 (NBK5B)	1 552	JIBAR + 1,48% per annum**	**1 575**	
Senior unsecured notes repayable on 19 April 2015 (NBK6A)	478	R157 + 1,75% per annum*	**487**	
Senior unsecured notes repayable on 19 April 2015 (NBK6B)	1 027	JIBAR + 1,75% per annum**	**1 043**	
Senior unsecured notes repayable on 19 April 2020 (NBK7B)	80	JIBAR + 2,15% per annum**	**81**	
Other			**8**	7
Rand-denominated	(ZARm)		**8**	7
Unsecured debentures repayable on 30 November 2029	200	Zero coupon	**8**	7
Total long-term debt instruments in issue			**26 104**	20 084

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

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

* *Interest on these notes is payable biannually.*

** *Interest on these notes is payable quarterly.*

\+ *The debt instrument was redeemed on its call date 30 December 2010.*

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

(b) *Callable by Nedbank Limited (previously by Imperial Bank Limited), after five years from the date of issue, being 4 December 2008 (ie 4 December 2013), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 3,75%.*

(c) *Callable by the issuer, Nedbank Limited, after five years from the date of issue, being 24 April 2006, 8 February 2007, 15 August 2007, 14 December 2007 and 14 December 2007 (ie 24 April 2011, 8 February 2012, 15 August 2012, 14 December 2012 and 14 December 2012), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 1,70%, 1,95%, 1,45%, 1,70% and 1,70% respectively.*

(d) *Callable by the issuer, Nedbank Limited, after seven years from the date of issue, being 20 September 2006 and 8 February 2007 (ie 20 September 2013 and 8 February 2014), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 2,05% and 2,17% respectively.*

(e) *Callable by the issuer, Nedbank Limited, after eight years from the date of issue, being 17 September 2007 (ie 17 September 2015), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 2,85%.*

(f) *Callable by the issuer, Nedbank Limited, after 10 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 10 and a half years from the date of issue, being 20 May 2008 (ie 20 November 2018), at which the interest converts to a floating three-month JIBAR rate plus 712,5 basis points in perpetuity, unless called.*

(h) *Callable by the issuer, Greenhouse Funding (Pty) Limited, after approximately five years from the date of issue, being 10 December 2007 (ie 18 November 2012), at which time the interest rate on the notes (GRN1A1,GR1A2A, GRN1B, GRN1C) will step up to a three-month JIBAR rate, plus a spread of 0,40%, 0,80%, 1,10% and 1,35% respectively.*

(i) *Callable by the issuer, Nedbank Limited, after eight years from the date of issue, being 3 March 2009 (ie 3 March 2017), at which time the interest rate converts to a floating three-month USD LIBOR rate, plus a spread of 3,00%.*

44 CONTINGENT LIABILITIES AND UNDRAWN FACILITIES

	2010 Rm	2009 Rm
Guarantees on behalf of clients	**29 614**	28 161
Confirmed letters of credit and discounting transactions	**2 126**	1 487
Irrevocable unutilised facilities and other*	**77 395**	79 499
	109 135	109 147

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

The group in the ordinary course of business enters into transactions that expose the group to tax, legal and business risks. Provisions are made for known liabilities that are expected to materialise. Possible obligations and known liabilities where no reliable estimate can be made or it is considered improbable that an outflow would result are reported as contingent liabilities. This is in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

There are a number of legal or potential claims against Nedbank Group Limited and its subsidiary companies, the outcome of which cannot at present be foreseen.

Historically a number of group companies entered into structured-finance transactions with third parties using their tax bases. In the majority of these transactions, the underlying third party has contractually agreed to accept the risk of any tax being imposed by the South African Revenue Service (SARS), although the obligation to pay rested in the first instance with the group companies. It would only be in limited cases, for example, where the credit quality of a client became doubtful, or where the client specifically contracted out of the repricing of additional taxes, that the recovery from a client could be less than the liability arising on assessment, in which case provisions would be made.

45 COMMITMENTS

45.1 Capital expenditure approved by directors

	2010 Rm	2009 Rm
Contracted	**524**	731
Not yet contracted	**535**	642
	1 059	1 373

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:

45.2 Operating lease commitments ... continued

	2011 Rm	2012 – 2015 Rm	Beyond 2015 Rm
2010			
Land and buildings*	**605**	**1 303**	**2 442**
Furniture and equipment	**162**	**690**	**195**
	767	**1 993**	**2 637**

	2010 Rm	2011 – 2014 Rm	Beyond 2014 Rm
2009			
Land and buildings*	902	1 809	2 563
Furniture and equipment	128	606	178
	1 030	2 415	2 741

** The group may from time to time enter into subleases of properties where it is the lessee. These subleases are considered to be immaterial in the context of the group's overall leasing arrangements.*

The terms of renewal and escalation clauses are as follows:

The majority of material leases entered into by the group include an option to renew the lease. If the rental for the renewal period has not been agreed on or determined by the commencement date of the renewal period, the tenant must continue to pay the existing monthly rental. Once the rental is determined, cumulative adjustments will be made to the amount payable for the following month. Escalation clauses for major leases entered into by the group range between 0% and 12% per annum. For all major lease agreements entered into, there is no requirement to pay contingent rent or purchase options.

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 COLLATERAL

46.1 Collateral pledged

The group has pledged government and other securities (note 25) amounting to R14 180 million (2009: R14 935 million) as collateral for deposits received under repurchase agreements. These amounts represent assets that have been transferred, but that do not qualify for derecognition under IAS 39.

These transactions are entered into under terms and conditions that are standard industry practice to securities borrowing and lending activities.

46.2 Collateral held

The group segregates collateral received into the following two types:

- **Financial collateral**
  The group takes financial collateral to support credit exposures in the trading book. This includes cash and debt securities in respect of derivative transactions.

  These transactions are entered into under terms and conditions that are standard industry practice to securities borrowing and lending activities.

- **Non-financial collateral**
  In secured financial transactions, the group takes other physical collateral to recover outstanding exposure in the event of the borrower being unable or unwilling to fulfil its obligations. This includes mortgages over property (both residential and commercial), liens over business assets (including, but not limited to, plant, vehicles, aircraft, inventories and trade debtors) and guarantees from parties other than the borrower.

  Should a counterparty be unable to settle its obligations, the group takes possession of collateral as full or part settlement of such amounts. In general, the group seeks to dispose of such property and other assets that are not readily convertible into cash as soon as the market for the relevant asset permits.

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

Included in properties in possession (note 26: loans and advances) is an amount of R464 million (2009: R676 million), which represents assets the group has acquired during the year by taking possession of collateral held as security.

47 SECURITISATIONS

The group is party to securitisation transactions involving GreenHouse Funding (Pty) Limited ('GreenHouse'), a residential mortgage-backed securitisation programme, Octane ABS 1 (Pty) Limited ('Octane'), a securitisation programme of auto loans advanced by Imperial Bank Limited through its subsidiary Motor Finance Corporation, and Synthesis Funding Limited ('Synthesis'), an asset-backed commercial paper mortgage programme.

Synthesis primarily invests in long-term rated bonds and offers capital market funding to SA corporates. These assets are funded through the issuance of short-dated investment-grade commercial paper to institutional investors. All the commercial paper issued by Synthesis is assigned the highest short-term RSA local-currency credit rating by both Fitch and Moody's, and is listed on the Bond Exchange of South Africa (BESA).

Under GreenHouse Series 1, R2 billion of residential mortgages originated by Nedbank Retail was securitised. The commercial paper issued by GreenHouse has been assigned credit ratings by both Fitch and Moody's and is listed on JSE Limited. The home loans of GreenHouse continue to be recognised in the statement of financial position of Nedbank Limited, in terms of IFRS, due to the significant risks and rewards associated with the homeloans not being transferred to the external investors. In January 2010 the arrears levels in GreenHouse breached the Arrear Trigger level. As a result, the Stop Purchase Event remains in effect, resulting in no further home loans (other than servicing redraws – ie access facilities on existing GreenHouse loans) being acquired for as long as the arrears level remains above the Arrear Trigger level. As a consequence, all capital repayments were directed to noteholders.

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

The following table shows the carrying amount of securitised assets, stated at the amount of the group's continuing involvement where appropriate, together with the associated liabilities, for each category of asset in the statement of financial position:*

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

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

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

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

48 FOREIGN CURRENCY CONVERSION GUIDE

Monetary figures in these financial statements are expressed in SA rand to the nearest million. The approximate value of the SA rand at 31 December against the following currencies was:

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

49 CASHFLOW INFORMATION

49.1 Reconciliation of profit from operations to cash generated by operations

	2010 Rm	2009 Rm
Profit from operations	**6 499**	6 664
Adjusted for:		
– Depreciation (note 15)	**714**	632
– Amortisation: computer software (note 15)	**496**	459
– Amortisation: other intangible assets (note 15)	**64**	38
– Movement in impairment of loans and advances	**6 951**	7 091
– Profit on disposal of property and equipment (note 17)	**(17)**	(18)
– Net income on investment banking assets	**(11)**	(14)
– Effects of exchange rate changes on cash and cash equivalents (excluding foreign borrowings)	**37**	248
– Impairment losses on investments, property and equipment, and capitalised development costs (note 17)	**87**	11
– (Profit)/Loss on sale of subsidiaries, investments (note 17)	**21**	(20)
– Revaluation on acquisition of joint ventures (note 17)		(615)
– Transaction taxes	**447**	438
– Foreign currency translation profit		1
Cash generated by operations	**15 288**	14 915

49.2 Cash received from clients

	2010 Rm	2009 Rm
Interest and similar income (note 12)	**44 377**	50 537
Commission and fees (note 14)*	**9 758**	8 583
Net trading income (note 14)	**2 096**	1 841
Other income*	**1 096**	1 419
	57 327	62 380

** 2009 comparative information has been restated. See note 14.*

49.3 Cash paid to clients, employees and suppliers

	2010 Rm	2009 Rm
Interest expense and similar charges (note 13)	**(27 769)**	(34 231)
Staff costs (note 15)	**(8 794)**	(7 898)
Other operating expenses	**(6 530)**	(6 091)
	(43 093)	(48 220)

49.4 Increase in operating assets

	2010 Rm	2009 Rm
Other short-term securities	**(8 494)**	39
Government and other securities	**4 159**	6 155
Advances and other accounts	**(37 837)**	(12 203)
	(42 172)	(6 009)

49.5 Increase/(Decrease) in operating liabilities

	2010 Rm	2009 Rm
Current and savings accounts	**2 595**	342
Other deposits, loan accounts and foreign currency liabilities	**12 392**	(8 138)
Negotiable certificates of deposit	**6 853**	16 354
Deposits received under repurchase agreements	**(755)**	(6 093)
Creditors and other liabilities	**8 196**	(11 059)
	29 281	(8 594)

49 CASHFLOW INFORMATION ... continued

49.6 Taxation paid

	2010 Rm	2009 Rm
Amounts receivable at the beginning of the year	**288**	111
Statement of comprehensive income charge (excluding deferred taxation)	**(1 569)**	(1 741)
Total indirect taxation (note 16)	**(447)**	(438)
Other taxation (paid)/received	**(73)**	38
Amounts receivable at the end of the year	**(292)**	(288)
	(2 093)	(2 318)

49.7 Acquisition of investments in subsidiary companies net of cash

	2010 Rm	2009 Rm
Cash and cash equivalents		(48)
Loans and advances		(80)
Other assets		(729)
Investment securities		(1 469)
Deferred taxation asset		(7)
Property and equipment		(9)
Goodwill		(653)
Provisions and other liabilities		780
Current taxation liabilities		49
Deferred taxation liabilities		257
Insurance contract liabilities		1 101
Net assets acquired	**–**	(808)
Profit on stepup		(547)
Non-controlling interest	**(1 762)**	229
Other reserves	**(91)**	
Goodwill		1 126
Consideration paid	**(1 853)**	–
Less: Cash and cash equivalents acquired		48
Net cashflow	**(1 853)**	48

49.8 Dividends paid

	2010 Rm	2009 Rm
Recognised in the group statement of changes in total shareholders' equity	**(2 042)**	(2 253)

50 MANAGED FUNDS

50.1 Fair value of funds under management – by type

	2010 Rm	2009* Rm
Unit trusts	**59 764**	48 334
Third party	**1 563**	1 482
Private clients	**41 243**	37 388
	102 570	87 204

50.2 Fair value of funds under management – by geography

	2010 Rm	2009* Rm
South Africa	**96 371**	80 633
Rest of world	**6 199**	6 571
	102 570	87 204

50.3 Reconciliation of movement in funds under management – by type

	Unit trusts Rm	**Third party** Rm	**Private clients** Rm	**Total** Rm
Balance at 31 December 2008 as reported	39 242	3 192	41 947	84 381
Opening balance adjustment		(2 190)	(4 964)	(7 154)
Restated balance at 31 December 2008	39 242	1 002	36 983	77 227
Inflows	22 524	513	10 119	33 156
Outflows	(17 281)	1	(11 533)	(28 813)
Mark-to-market value adjustment	4 561	94	1 817	6 472
Foreign currency translation differences	(712)	(128)	2	(838)
Restated balance at 31 December 2009	**48 334**	**1 482**	**37 388**	**87 204**
Inflows	**30 204**	**727**	**10 907**	**41 838**
Outflows	**(21 972)**	**(92)**	**(9 989)**	**(32 053)**
Mark-to-market value adjustment	**3 808**	**(227)**	**2 937**	**6 518**
Foreign currency translation differences	**(610)**	**(327)**		**(937)**
Balance at 31 December 2010	**59 764**	**1 563**	**41 243**	**102 570**

50.4 Reconciliation of movement in funds under management – by geography

	South Africa Rm	**Rest of world** Rm	**Total** Rm
Balance at 31 December 2008 as reported	68 403	15 978	84 381
Opening balance adjustment	1 526	(8 680)	(7 154)
Restated balance at 31 December 2008	69 929	7 298	77 227
Inflows	31 981	1 175	33 156
Outflows	(27 192)	(1 621)	(28 813)
Mark-to-market value adjustment	5 915	557	6 472
Foreign currency translation differences		(838)	(838)
Restated balance at 31 December 2009	**80 633**	**6 571**	**87 204**
Inflows	**40 142**	**1 696**	**41 838**
Outflows	**(31 053)**	**(1 000)**	**(32 053)**
Mark-to-market value adjustment	**6 649**	**(131)**	**6 518**
Foreign currency translation differences		**(937)**	**(937)**
Balance at 31 December 2010	**96 371**	**6 199**	**102 570**

** The Wealth Management Cluster has identified that assets under administration (AUA) have been incorrectly disclosed as part of managed funds in prior years. As per the definition of managed funds these AUA balances should not be included in the group's managed funds disclosure. As a result, the 2009 comparatives have been restated by R6,4 billion.*

The group, through a number of subsidiaries, operates unit trusts, holds and invests funds on behalf of clients and acts as a trustee in a number of fiduciary capacities. In addition, companies in the group operate securities and custodial services on behalf of clients. Commissions and fees earned in respect of trust and management activities performed are included in the consolidated statement of comprehensive income as non-interest revenue.

51 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.

51.1 Description of arrangements

Scheme	Trust/Special purpose vehicle (SPV)	Description
Traditional employee schemes		
Nedbank Group (1994) Share Option Scheme	Nedbank Employee Share Trust	Share options were granted to key personnel to motivate senior employees to remain with the group. The granting of share options was based on job level, merit and performance, and was entirely at the discretion of the trustees acting on recommendations of executive management. Grants were made twice a year for new appointments and annually for existing staff, on a date determined by the trustees. The scheme is now closed to new participants and no further shares will be granted.
Nedbank Group (2005) Share Option and Restricted Share Scheme	Nedbank Group (2005) Share Scheme Trust	Share options are granted to key personnel to motivate senior employees to remain with the group. The granting of share options is based on job level, merit and performance, and is entirely at the discretion of the trustees acting on recommendations of executive management. Grants are made twice a year for new appointments and annually for existing staff, on a date determined by the trustees.
Nedbank Group (2005) Matched Share Scheme	Nedbank Group (2005) Share Scheme Trust	All employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.
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 Plan, 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 plan. Invitations to participate in the plan are issued annually.
Nedbank UK Long-term Incentive Plan (LTIP)	Nedbank Group (2005) Share Scheme Trust amended to accommodate the UK participants	Employees who perform services in the United Kingdom on behalf of the group will be considered for participation in the UK LTIP. Selected employees will be granted share appreciation rights (SARs). SARs are similar to options in that SARs are granted at a predetermined exercised price and vesting and expiry date. When the participant elects to exercise SARs, the employer settles the difference between the current market price and the exercise price in cash.

Vesting requirements	Maximum term
Share options granted on appointment are time-based, of which 50% vest after three years and the remaining 50% after four years. Annual allocations to existing staff are linked to the achievement of predetermined targets for growth in headline earnings over the performance period of three and four years.	6 years
2008 and 2009 grants: Completion of three years' service plus predetermined target for average return on equity, average fully dilutive headline earnings per share growth and average-cost-to-income ratio. 2010 grants: Three years' service and achievement of performance targets based on average return on equity and Nedbank share price performance against the financial index. Where the performance target is not met, 50% will vest, provided that the three years' service has been achieved.	5 years
Three years' service and achievement of Nedbank Group performance target. Where this performance targets is 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

51 SHARE-BASED PAYMENTS ... continued

51.1 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 at 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 at middle- and senior-management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Broad-based Employee Scheme**	Nedbank Eyethu Broad-based Employee Trust	Restricted shares were granted to all qualifying employees who do not participate in any other share incentive scheme operating in the group. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights. However, the participants are not entitled to deal in the shares for a period of five years.
Nedbank Eyethu BEE schemes – Clients and business partners		
Black Business Partner Scheme	Wiphold Financial Services Number Two Trust and Brimstone-Mtha Financial Services Trust	Each trust was issued an equal number of restricted shares at R1,87 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.
Retail Scheme	Nedbank Eyethu Retail Trust	For every three shares acquired, participants qualify for an additional bonus share after a three-year period. The participants can elect to settle the payment for the shares in a once-off lump sum payment or by a monthly debit order over 36 months. Should there be any contractual breach by the participants, they will cease to qualify for the bonus shares. The scheme is now closed to new participants and no further shares will be granted.
Corporate Scheme*	Nedbank Eyethu Corporate Scheme Trust and Aka-Nedbank Eyethu Trust	Restricted shares were allocated to existing black corporate clients and to Aka Capital (Pty) Limited, a key corporate client that has the role of the black development partner in the scheme, at par value, with notional funding over a period of six years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights. Should there be any contractual breach by the participants, they will cease to qualify for these shares. No new grants are being made in terms of the scheme.
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 at 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 were granted to all qualifying employees who do not participate in any other share incentive scheme operating in the group. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.

* *Refer to page 223 of the Directors' Report for information on events after the reporting period relating to these schemes.*
** *The Eyethu Broad-based Employee Scheme shares vested on 27 July 2010 and the expiry date to elect an option to sell or transfer these shares expired on 27 September 2010. All the shares residing in the trust were sold.*

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
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

51 SHARE-BASED PAYMENTS ... continued

51.1 Description of arrangements ... continued

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

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

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

51 SHARE-BASED PAYMENTS ... continued

51.2 Effect on profit and financial position

	Share-based payments expense		Share-based payments reserve/liability	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
Traditional employee schemes	**122**	13	**203**	238
Nedbank Group (1994) Share Option Scheme	*****	*	**1**	19
Nedbank Group (2005) Share Option and Restricted Share Scheme	**114**	8	**166**	183
Nedbank Group (2005) Matched Share Scheme	**6**	2	**26**	27
Old Mutual UK Sharesave Scheme	**2**	3	**10**	9
Nedbank UK Long-term Incentive Plan**	*****	*	*****	*
Nedbank Eyethu BEE schemes	**140**	109	**728**	618
Black Business Partner Scheme***	**10**	10	**261**	252
Non-executive Directors' Scheme		2	**21**	21
Retail Scheme	*****	6		*
Corporate Scheme	**101**	53	**334**	234
Black Executive Scheme	**7**	6	**24**	26
Black Management Scheme	**22**	32	**88**	85
Nedbank Namibia Omufima BEE and other schemes	**3**	1	**18**	19
Namibia Black Business Partner Scheme			**9**	9
Namibia Affinity Group Scheme			**3**	3
Namibia Education Scheme			**4**	4
Namibia Black Management Scheme	**3**	1	**2**	3
Namibia LTIP Scheme	*****	*	*****	*
	265	123	**949**	875

* *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.*

51.3 Movements in number of instruments

	2010		2009	
	Number of instruments	**Weighted average exercise price R**	Number of instruments	Weighted average exercise price R
Nedbank Group (1994) Share Option Scheme				
Outstanding at the beginning of the year	**628 280**	**62,17**	1 870 387	63,19
Exercised	**(550 330)**	**61,33**	(1 146 002)	62,16
Expired	**(34 450)**	**60,01**	(96 105)	82,51
Outstanding at the end of the year	**43 500**	**74,40**	628 280	62,17
Exercisable at the end of the year	**43 500**	**74,40**	628 280	62,17
Weighted average share price for options exercised (R)		**132,82**		110,68
Nedbank Group (2005) Share Option and Restricted Share Scheme				
Outstanding at the beginning of the year	**17 521 060**	**74,23**	16 452 721	99,02
Granted	**4 358 878**		5 080 170	
Forfeited	**(6 132 658)**	**126,06**	(1 166 407)	64,59
Exercised	**(4 582 881)**	**100,69**	(2 607 550)	86,80
Expired	**(186 717)**	**141,19**	(237 874)	112,52
Outstanding at the end of the year	**10 977 682**	**110,79**	17 521 060	74,23
Exercisable at the end of the year	**708 979**	**110,79**	5 580 177	101,94
Weighted average share price for options exercised (R)		**130,79**		114,77
Nedbank Group (2005) Matched Share Scheme				
Outstanding at the beginning of the year	**583 048**		595 170	
Granted	**222 362**		194 248	
Forfeited	**(88 836)**		(143 445)	
Exercised	**(67 127)**		(62 925)	
Outstanding at the end of the year	**649 447**	**–**	583 048	–
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average share price for options exercised (R)		**138,67**		85,00
Old Mutual UK Sharesave Scheme (options over Old Mutual plc shares – GBP)				
Outstanding at the beginning of the year	**649 552**	**0,42**	1 071 722	0,93
Granted	**235 920**	**0,94**	586 774	0,35
Forfeited	**(56 646)**	**0,35**	(983 791)	0,93
Exercised	**(13 856)**	**0,79**	(25 153)	0,78
Expired	**(44 196)**	**0,79**		
Outstanding at the end of the year	**770 774**	**0,55**	649 552	0,42
Exercisable at the end of the year	**2 163**	**1,31**	26 751	1,18
Weighted average share price for options exercised (GBP)		**0,99**		0,97
Nedbank UK Long-term Incentive Plan				
Outstanding at the beginning of the year	**124 904**	**24,19**	56 632	126,06
Granted	**44 388**		75 706	
Forfeited			(7 434)	
Outstanding at the end of the year	**169 292**	**17,85**	124 904	24,19
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average share price for options exercised (R)		**–**		–

51 SHARE-BASED PAYMENTS ... continued

51.3 Movements in number of instruments ... continued

	2010		2009	
	Number of instruments	**Weighted average exercise price R**	Number of instruments	Weighted average exercise price 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	**621 743**	**104,04**	575 021	103,88
Granted			46 722	105,99
Outstanding at the end of the year	**621 743**	**104,04**	621 743	104,04
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average share price for options exercised (R)		**–**		–
Retail Scheme				
Outstanding at the beginning of the year	**1 398**		1 106 880	
Exercised	**(1 298)**		(1 079 976)	
Adjusted for anticipated number of shares to be granted	**(73)**		(25 506)	
Outstanding at the end of the year	**27**	**–**	1 398	–
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average share price for options exercised (R)		**122,65**		86,73
Corporate Scheme				
Outstanding at the beginning of the year	**9 930 425**	**108,06**	10 230 707	108,06
Forfeited	**(30 506)**	**107,12**	(300 282)	108,06
Other movements	**373 000**	**101,47**		
Outstanding at the end of the year	**10 272 919**	**101,47**	9 930 425	108,06
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average share price for options exercised (R)		**–**		–
Black Executive Scheme				
Outstanding at the beginning of the year	**1 037 537**	**71,44**	1 179 391	70,73
Granted	**237 340**	**83,81**	125 506	65,94
Forfeited	**(145 452)**	**77,93**	(149 880)	79,66
Exercised	**(261 226)**	**68,67**	(117 480)	47,87
Outstanding at the end of the year	**868 199**	**74,57**	1 037 537	71,44
Exercisable at the end of the year	**37 200**	**102,56**	72 260	96,89
Weighted average share price for options exercised (R)		**133,81**		110,38

	2010 Number of instruments	**2010** Weighted average exercise price R	2009 Number of instruments	2009 Weighted average exercise price R
Black Management Scheme				
Outstanding at the beginning of the year	**6 495 351**	**89,69**	5 640 899	93,04
Granted	**1 026 544**	**114,68**	2 004 380	75,22
Forfeited	**(1 114 938)**	**93,89**	(688 678)	91,88
Exercised	**(647 271)**	**74,15**	(441 508)	63,71
Expired			(19 742)	81,31
Outstanding at the end of the year	**5 759 686**	**95,08**	6 495 351	89,69
Exercisable at the end of the year	**470 084**	**77,25**	318 531	76,38
Weighted average share price for options exercised (R)		**130,94**		110,80
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
Other movements	**18 417**	**120,62**		
Forfeited	**(37 308)**	**101,29**		
Exercised	**(5 554)**	**101,29**		
Outstanding at the end of the year	**50 955**	**108,00**	75 400	77,92
Exercisable at the end of the year	**7 656**	**101,29**	–	–
Weighted average share price for options exercised (R)		**129,16**		–
Namibia LTIP Scheme				
Outstanding at the beginning of the year	**67 562**	**46,42**	23 350	134,30
Granted			47 512	
Forfeited	**(1 980)**		(3 300)	
Outstanding at the end of the year	**65 582**	**47,82**	67 562	46,42
Exercisable at the end of the year	**23 350**	**134,30**	–	–
Weighted average share price for options exercised (R)		**–**		–

51 SHARE-BASED PAYMENTS ... continued

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

	2010		2009	
	Number of instruments	**Weighted average remaining contractual life (years)**	Number of instruments	Weighted average remaining contractual life (years)
Nedbank Group (1994) Share Option Scheme				
55,75			120 500	0,6
60,01			377 980	0,4
74,40	**43 500**	**0,3**	129 800	1,3
	43 500	**0,3**	628 280	0,6
Nedbank Group (2005) Share Option Scheme				
0,00	**10 268 703**	**1,4**	6 830 572	1,9
76,79			1 351 596	0,5
84,68			224 200	0,6
107,03	**137 800**	**0,6**	251 400	1,6
110,98	**556 279**	**0,2**	3 659 481	1,1
134,30	**8 900**		605 200	2,4
144,30	**6 000**		4 598 611	2,1
	10 977 682	**1,6**	17 521 060	1,7
Nedbank Group (2005) Matched Share Scheme				
0,00	**649 447**	**1,2**	583 048	1,3
	649 447	**1,2**	583 048	1,3
Old Mutual UK Sharesave Scheme (options over Old Mutual plc shares – GBP)				
0,35	**504 848**	**2,1**	586 774	4,5
0,90	**32 584**	**0,3**	33 864	2,3
0,78			12 576	0,4
1,53			14 175	0,3
1,31	**2 163**	**(0,7)**	2 163	1,3
0,94	**231 179**	**3,0**		
	770 774	**2,5**	649 552	4,2

	2010		2009	
	Number of instruments	**Weighted average remaining contractual life (years)**	Number of instruments	Weighted average remaining contractual life (years)
Nedbank UK Long-term Incentive Plan				
0,00	**146 796**	**2,7**	102 404	3,9
134,30	**22 500**	**2,6**	22 500	3,6
	169 296	**2,7**	124 904	3,8
Black Business Partner Scheme				
171,82	**7 891 300**	**4,6**	7 891 300	5,6
	7 891 300	**4,6**	7 891 300	5,6
Non-executive Directors' Scheme				
78,81	**81 815**	**0,6**	81 815	1,6
105,99	**46 722**	**0,6**	46 722	1,6
108,04	**493 206**	**0,6**	493 206	1,6
	621 743	**0,6**	621 743	1,6
Retail Scheme				
0,00	**27**	**0,2**	1 398	0,2
	27	**0,2**	1 398	0,2
Corporate Scheme				
101,47	**10 272 919**	**0,1**	9 930 425	1,6
	10 272 919	**0,1**	9 930 425	1,6

51 SHARE-BASED PAYMENTS ... continued

51.4 Instruments outstanding at the end of the year by exercise price ... continued

	2010		2009	
	Number of instruments	**Weighted average remaining contractual life (years)**	Number of instruments	Weighted average remaining contractual life (years)
Black Executive Scheme				
0,00	**274 781**	**2,4**	290 482	2,4
74,75	**93 600**	**1,6**	284 760	2,6
75,74	**57 715**	**5,2**	57 715	6,2
104,51	**89 707**	**4,6**	106 265	5,6
107,03	**25 724**	**2,6**	38 394	3,6
108,45			36 000	6,6
110,98	**8 724**	**2,2**	17 721	2,5
120,62	**65 818**	**4,2**	79 906	5,2
134,30	**48 000**	**3,6**	48 000	2,6
144,30	**50 685**	**3,2**	78 294	4,2
121,08	**153 445**	**6,2**		
	868 199	**3,6**	1 037 537	3,6
Black Management Scheme				
0,00	**471 636**	**2,5**	530 815	2,8
74,75	**925 666**	**1,6**	1 496 339	2,6
75,74	**1 048 445**	**5,2**	1 368 702	6,1
104,51	**650 128**	**4,6**	793 197	5,6
107,03	**171 398**	**2,6**	239 367	3,6
108,45	**262 330**	**5,6**	306 286	6,6
110,98	**141 831**	**2,2**	220 530	3,2
120,62	**583 125**	**4,2**	699 557	5,2
134,30	**369 150**	**3,6**	480 017	4,6
144,30	**282 988**	**3,2**	360 542	4,1
121,08	**445 395**	**6,2**		
132,18	**407 594**	**6,6**		
	5 759 686	**4,0**	6 495 352	4,5

	2010		2009	
	Number of instruments	**Weighted average remaining contractual life (years)**	Number of instruments	Weighted average remaining contractual life (years)
Namibia Black Business Partner Scheme				
278,98	**199 929**	**6,0**	199 929	7,0
	199 929	**6,0**	199 929	7,0
Namibia Affinity Group Scheme				
282,47	**74 048**	**6,0**	74 048	7,0
	74 048	**6,0**	74 048	7,0
Namibia Education Scheme				
282,47	**98 730**	**6,0**	98 730	7,0
	98 730	**6,0**	98 730	7,0
Namibia Black Management Scheme				
0,00	**10 143**	**1,8**	17 396	2,0
101,29	**26 644**	**3,0**	58 004	4,0
120,62	**14 168**	**4,2**		
	50 955	**3,1**	75 400	3,5
Namibia LTIP Scheme				
0,00	**42 232**	**1,2**	44 212	2,2
134,30	**23 350**	**1,6**	23 350	2,6
	65 582	**1,3**	67 562	2,3

51 SHARE-BASED PAYMENTS ... continued

51.5 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)
2010			
Number of instruments granted	**4 358 878**	**222 362**	**235 920**
Weighted average fair value per instrument granted (R)	**125,10**	**121,46**	**0,39**
Weighted average share price (R)	**125,10**	**140,00**	**1,18**
Weighted average exercise price (R)			**0,99**
Weighted average expected volatility (%)*	**24,6**	**24,5**	**55,8**
Weighted average life (years)	**3,0**	**3,0**	**3,4**
Weighted average expected dividends (%)**		**4,8**	**2,1**
Weighted average risk-free interest rate (%)	**7,7**	**7,7**	**2,0**
Number of participants	**1 109**	**263**	
Weighted average vesting period (years)	**3,0**	**3,0**	**3,4**
Possibility of not vesting (%)	**34**	**7**	**0**
Expectation of meeting performance criteria (%)	**66**	**93**	**100**
2009			
Number of instruments granted	5 080 170	194 248	586 774
Weighted average fair value per instrument granted (R)	75,36	67,77	0,17
Weighted average share price (R)	75,36	84,50	0,44
Weighted average exercise price (R)			0,35
Weighted average expected volatility (%)*	49,6	52,0	51,1
Weighted average life (years)	3,0	3,0	4,2
Weighted average expected dividends (%)**		7,6	
Weighted average risk-free interest rate (%)	8,0	8,1	2,2
Number of participants	1 236	247	
Weighted average vesting period (years)	3,0	3,0	3,4
Possibility of not vesting (%)	78	7	0
Expectation of meeting performance criteria (%)	22	93	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 the JSE.*

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

Nedbank UK Long-term Incentive Plan	Non-executive Directors' Scheme	Nedbank Namibia LTIP Scheme	Black Executive Scheme	Black Management Scheme
44 388			**237 340**	**1 026 544**
108,32			**60,05**	**38,89**
124,85			**125,00**	**126,42**
			83,81	**114,68**
24,5			**24,5**	**25,8**
3,0			**5,7**	**5,9**
4,8			**3,4**	**4,5**
7,7			**8,4**	**8,0**
10			**7**	**398**
3,0			**5,0**	**5,0**
10			**5**	**12**
90			**95**	**88**
75 706	46 722	47 512	125 506	2 004 380
52,17	8,22	70,00	39,14	27,40
70,00	70,00	70,00	84,30	77,28
	105,99		65,94	75,22
52,0	52,0	52,0	45,5	48,7
4,0	1,2	3,0	5,5	5,9
7,6			5,1	6,6
8,3	7,7	8,1	8,5	8,6
17	1	23	3	404
3,0		3,0	5,0	5,0
75	0	45	5	12
25	100	55	95	88

52 RELATED PARTIES

52.1 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 51,37% (2009: 52,21%) 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 390 to 392 and associates and joint ventures of the group are identified on pages 388 and 389.

52.2 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 232 to 236 and details of their shareholdings in the company are disclosed on page 237. 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)			
2010			
Directors' fees	**11**		**11**
Remuneration – paid by subsidiaries	**40**	**72**	**112**
Short-term employee benefits	**28**	**65**	**93**
Gain on exercise of options	**12**	**7**	**19**
	51	**72**	**123**
2009			
Directors' fees	11		11
Remuneration – paid by subsidiaries	31	71	102
Short-term employee benefits	27	56	83
Gain on exercise of options	4	15	19
	42	71	113
Number of share options and instruments			
2010			
Outstanding at the beginning of the year	**1 601 613**	**2 181 290**	**3 782 903**
Granted	**318 648**	**436 816**	**755 464**
Forfeited	**(4 439)**	**(262 679)**	**(267 118)**
Exercised	**(339 439)**	**(523 939)**	**(863 378)**
Expired	**(152 765)**	**(270 500)**	**(423 265)**
Transferred	**313 744**	**(313 744)**	**–**
Outstanding at the end of the year	**1 737 362**	**1 247 244**	**2 984 606**
2009			
Outstanding at the beginning of the year	1 256 009	1 489 812	2 745 821
Granted	463 014	1 024 520	1 487 534
Forfeited	(8 700)	(438 165)	(446 865)
Exercised	(108 705)	(450 379)	(559 084)
Transferred	(5)	555 502	555 497
Outstanding at the end of the year	1 601 613	2 181 290	3 782 903

52.3 Related-party transactions

Transactions between Nedbank Group Limited and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between Nedbank Group Limited and its other related parties are disclosed below. All of these transactions were entered into in the normal course of business.

	Due from/(Owing to)	
Outstanding balances (Rm)	**2010**	2009
Parent/Ultimate controlling party		
Loan due from Old Mutual plc	**1 226**	1 440
Deposits owing to Old Mutual Life Assurance Company (SA) (Pty) Limited	**(13)**	(600)
Bank balances owing to Old Mutual Life Assurance Company (SA) (Pty) Limited	**(3 587)**	(1 746)
Account payable owing to Old Mutual plc	**(8)**	
Forward exchange rate contracts with Old Mutual plc		1
Fellow subsidiaries		
Loan due from Old Mutual Asset Managers (SA) (Pty) Limited	**704**	
Deposits owing to Old Mutual Asset Managers (Pty) Limited	**(77)**	(257)
Deposits owing to other fellow subsidiaries	**(7 503)**	(4 175)
Bank balances owing to Old Mutual Asset Managers (Pty) Limited	**(15)**	(1)
Bank balances owing to other fellow subsidiaries	**(670)**	(437)
Associates		
Loans due from associates	**675**	608
Deposits owing to associates	**(57)**	(43)
Bank balances owing to associates	**(7)**	(7)
Key management personnel		
Mortgage bonds due from key management personnel	**18**	7
Deposits owing to key management personnel	**(11)**	(12)
Deposits owing to entities under the influence of key management personnel	**(795)**	(1 222)
Bank balances due from key management personnel	**39**	38
Bank balances owing to key management personnel	**(6)**	(5)
Bank balances due from entities under the influence of key management personnel	**20**	13
Bank balances owing to entities under the influence of key management personnel	**(110)**	(81)

52 RELATED PARTIES ... continued

52.3 Related-party transactions ... continued

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:

	Due from/(Owing to)	
Outstanding balances (Rm)	**2010**	2009
Wiphold consortium	**(108)**	(108)
Brimstone consortium	**(107)**	(107)
Aka Capital (Pty) Limited	**(51)**	(37)
Key management personnel – directors	**(51)**	(34)
– other	**(20)**	(27)
Share-based payments reserve	**(337)**	(313)
Performance fees are also paid to the Wiphold and Brimstone consortia in terms of the Nedbank Eyethu BEE scheme:		
– Wiphold consortium	**(5)**	(5)
– Brimstone consortium	**(5)**	(4)
Performance fee liability at year-end	**(10)**	(9)
Long-term employee benefit plans		
Bank balances owing to Nedgroup Medical Aid Fund	**(5)**	(23)
Bank balances owing to Nedgroup Pension Fund	**(86)**	(69)
Bank balances and deposits owing to other funds	**(41)**	(63)

	Income/(Expense)	
Transactions (Rm)	**2010**	2009
Parent/Ultimate controlling party		
Dividend declared to OMSA via its subsidiaries	**(1 155)**	(1 308)
Interest income from Old Mutual Plc	**102**	49
Interest expense to Old Mutual Life Assurance Company (SA) (Pty) Limited	**(247)**	(322)

During 2009 Nedbank Group Limited acquired the remaining 50% share in the joint venture of Nedgroup Life Assurance Company Limited (Nedgroup Life) and BoE (Pty) Limited from OMSA. The balance of the joint venture's shareholding and loan account was acquired for the issue of 10 157 719 shares in Nedbank Group Limited, which equated to a total purchase consideration of R928 million.

During 2009 Nedbank Group Limited also acquired the rest of the non-controlling shareholding in Fairbairn Private Bank from Old Mutual plc for the issue of 2 697 640 shares in Nedbank Group Limited, which equated to a total purchase consideration of R246 million.

	2010	2009
Fellow subsidiaries		
Interest income from Old Mutual Asset Managers (Pty) Limited	**19**	
Interest income from other fellow subsidiaries		1
Interest expense to other fellow subsidiaries	**(356)**	(326)
Interest expense to Old Mutual Asset Managers (Pty) Limited	**(8)**	(20)
Insurance premiums to Mutual & Federal Insurance Company Limited	**(139)**	(277)
Claims recovered from Mutual & Federal Insurance Company Limited	**64**	188
Commission income from Mutual & Federal Insurance Company Limited	**27**	70
Asset management fee to Old Mutual Asset Managers (Pty) Limited	**(6)**	(4)

Transactions (Rm)	Income/(Expense) 2010	2009
Associates		
Interest income from associates	**4**	
Interest expense to associates	**(4)**	(7)
Key management personnel		
Interest income from key management personnel	**1**	2
Interest income from entities under the influence of key management personnel	**11**	7
Interest expense to key management personnel	**(4)**	(3)
Interest expense to entities under the influence of key management personnel	**(39)**	(37)
The share-based payments charge in respect of the entities that are participants in the Nedbank Eyethu BEE schemes and key management personnel is detailed below:		
– Aka Capital (Pty) Limited	**(14)**	(8)
– Key management personnel – other	**(1)**	(2)
Share-based payments expense (included in BEE transaction expenses)	**(15)**	(10)
Key management personnel – directors	**(24)**	(3)
– other	**(7)**	(10)
Share-based payments expense (included in staff costs)	**(31)**	(13)
Performance fees are also paid to the Wiphold and Brimstone consortia in terms of the Nedbank Eyethu BEE scheme:		
– Wiphold consortium	**(11)**	(12)
– Brimstone consortium	**(11)**	(9)
Performance fee expense	**(22)**	(21)
Long-term employee benefit plans		
Interest expense to Nedgroup Pension Fund	**(7)**	(6)
Interest expense to Nedgroup Medical Aid Fund	**(1)**	(2)
Interest expense to other funds	**(3)**	(1)
The Nedbank Group Pension Fund has an insurance policy (Optiplus policy) with a fellow subsidiary, Old Mutual Life Assurance Company (SA) (Pty) Limited, in respect of its pension plan obligations. The group has an interest in the OMART cell captive within a fellow subsidiary in respect of its disability plan obligations. The value of this policy and this interest are shown as reimbursement rights, with a corresponding liability. In the case of the interest in the cell captive, the group recognises the surplus in the cell captive. The amounts included in the financial statements in respect of this policy and this interest are as follows:		
– Optiplus policy reimbursement right	**806**	806
– OMART policy reimbursement right (note 35.1)	**373**	323
Included in long-term employee benefit assets	**1 179**	1 129
Optiplus policy obligation	**(806)**	(806)
Disability obligation	**(289)**	(250)
Included in long-term employee benefit liabilities	**(1 095)**	(1 056)

ANALYSIS OF INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

AT 31 DECEMBER

	Percentage holding 2010 %	2009 %	Acquisition date	Year-end
Unlisted				
Joint ventures				
BoE (Pty) Limited***			Jan 03	Dec
Nedgroup Life Assurance Company Limited***			Jan 03	Dec
Associates				
African Spirit Trading 306 (Pty) Limited**		33	Oct 06	Dec
Ballywood Properties 1 (Pty) Limited	**49**	49	Nov 05	Feb
Bond Choice (Pty) Limited****	**29**	29	Jun 02	Feb
Capricorn Business and Technology Park (Pty) Limited	**41**	41	Nov 98	Sep
Century City JV	**50**		Dec 10	Dec
Clidet No 683 (Pty) Limited	**49**	49	Aug 06	Feb
Consep Developments (Pty) Limited	**31**	25	Dec 07	Feb
Emergent Investments (Pty) Limited	**49**	49	Jul 07	Feb
Erf 7 Sandown (Pty) Limited	**35**	35	Oct 06	Feb
Falcon Forest Trading 85 (Pty) Limited	**30**	30	Mar 05	Feb
Firefly Investments 74 (Pty) Limited	**35**	35	Oct 06	Feb
Friedshelf 113 (Pty) Limited	**20**	20	Aug 02	Feb
Hazeldean Retreat (Pty) Limited	**20**	20	Mar 07	Feb
Masingita Property Investment Holdings (Pty) Limited	**35**	35	Aug 05	Feb
Mooirivier Mall (Pty) Limited	**30**	30	Nov 06	Feb
Nedglen Property Developments (Pty) Limited	**35**	35	Nov 04	Jun
Newmarket Property Developments JV	**40**	40	Aug 06	Dec
Odyssey Developments (Pty) Limited	**49**	49	Nov 07	Jun
Oukraal Developments (Pty) Limited	**30**	30	Jan 08	Jun
SafDev Tanganani (Pty) Limited	**25**	25	Oct 08	Jun
TBA Genomineerdes (Pty) Limited	**30**	30	Jan 03	Jun
The Waterbuck Trust	**40**	40	Oct 07	Feb
Visigro Investments (Pty) Limited	**30**	30	Jun 06	Feb
Whirlprops 33 (Pty) Limited****	**49**	49	Sep 06	Feb
XDV Investments (Pty) Limited	**25**	25	Nov 06	Jun
Other****				

* *Represents amounts less than R1 million.*
** *Disposed of during 2010.*
*** *These joint ventures have been consolidated as subsidiaries from 5 June 2009.*
**** *These associates are equity-accounted.*

These associate companies are all property-related companies. There are no regulatory constraints, apart from the provisions of the Companies Act, 1973, that restrict the distribution of funds to the shareholders. Distribution of funds may, however, be restricted by loan agreements that the entities have entered into.

Date to which equity income accounted for	Equity-accounted earnings 2010 Rm	Equity-accounted earnings 2009 Rm	Carrying amount 2010 Rm	Carrying amount 2009 Rm	Market value/ Directors' valuation 2010 Rm	Market value/ Directors' valuation 2009 Rm	Net indebtedness of loans to/(from) associates 2010 Rm	Net indebtedness of loans to/(from) associates 2009 Rm
	–	56	**–**	–	**–**	–	**–**	–
May 09		30						
May 09		26						
	1	(1)	**936**	924	**936**	924	**675**	608
				40		40		38
			14	11	**14**	11	**1**	
Dec 10		(2)	**25**	25	**25**	25		
			11	14	**11**	14	**9**	11
			55		**55**			
			303	274	**303**	274	**166**	166
			16	22	**16**	22	**16**	16
			79	75	**79**	75	**66**	66
			25	20	**25**	20	**5**	5
			23	15	**23**	15	*****	2
			16	19	**16**	19	**7**	5
			14	13	**14**	13		
			12	11	**12**	11	**9**	12
			40	30	**40**	30	**12**	12
			13	6	**13**	6	**83**	38
			13	11	**13**	11		
			10	23	**10**	23	**14**	24
			105	114	**105**	114	**34**	32
			27	29	**27**	29	**15**	15
			13	13	**13**	13		
			8	9	**8**	9	**3**	3
			15	15	**15**	15	**18**	18
			83	108	**83**	108	**(20)**	(19)
Dec 10			*****	*	*****	*		
			*****	20	*****	20		(20)
Dec 10	**1**	1	**16**	7	**16**	7	**237**	184
	1	55	**936**	924	**936**	924	**675**	608

ANALYSIS OF **INVESTMENTS IN SUBSIDIARIES**

FOR THE YEAR ENDED 31 DECEMBER

	Group Issued capital		Group Effective holding		Company Book value of investments		Company Net indebtedness	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm
Banking**								
Nedbank Limited	**27**	27	**100**	100	**17 949**	17 949	**1 839**	1 440
Nedbank Namibia Limited (Namibia)	**17**	17	**100**	100				
Nedbank Malawi Limited (Malawi)*****	**9**	10	**97,1**	97,1				
Nedbank (Lesotho) Limited	**20**	20	**100**	100				
Nedbank (Swaziland) Limited	**13**	12	**60,5**	67,2				
Fairbairn Private Bank Limited (Jersey)*****	**4**	5	**100**	100		246		
Peoples Mortgage Limited	**45**	45	**100**	100				
Imperial Bank Limited	**4**	4	**100**	50,1				
MBCA Bank Limited (Zimbabwe)*****	**1**	2	**70,9**	70,4				
Trust and securities entities******								
Fairbairn Trust Company Limited (Guernsey)	**1**	1	**100**	100				
Nedgroup Collective Investments Limited	**6**	6	**100**	100				
NedInvest Limited	**5**	5	**100**	100	**5**	5		
Syfrets Securities Limited	**1**	1	**100**	100	**3**	3		
Syfrets Securities Nominees (Pty) Limited	*****	*	**99**	99				
Other companies******								
Alliance Investments Limited (Mauritius)	*****	*	**100**	100				
BoE (Pty) Limited	*****	*	**100**	100	**456**	456	**117**	139
BoE Holdings Limited	**2**	2	**100**	100				
BoE Investment Holdings Limited	**11**	11	**100**	100	**4 325**	4 324	**(1 070)**	(1 070)
BoE Life Limited	**1**	1	**100**	100				
BoE Management Limited	*****	*	**100**	100			**(3 687)**	(3 687)
BoE Private Client Investment Holdings Limited	*****	*	**100**	100				
Depfin Investments (Pty) Limited	*****	*	**100**	100				
Dr Holsboer Benefit Fund	*****	*	**100**	100				
MN Holdings Limited (Mauritius)	*****	*	**100**	100	**59**	46		
NBG Capital Management Limited	*****	*	**100**	100			**1 612**	
Nedcor (SA) Insurance Company Limited	*****	*	**100**	100	**5**	5		
Nedcor Group Insurance Company Limited	**–**	–	**100**	100	**10**			
Nedcor Investments Limited	**28**	28	**100**	100				
Nedcor Trade Services Limited (Mauritius)	**2**	2	**100**	100				
NedEurope Limited (Isle of Man)*****	**2 981**	3 104	**100**	100	**1 612**	1 403		
Nedgroup Financial Services 104 Limited	*****	*	**100**	100		5		
Nedgroup Insurance Company Limited***	**5**	5	**100**	100	**49**	49		
Nedgroup International Holdings Limited (Isle of Man)*****	*****	*	**100**	100				
Nedgroup Investment 102 Limited	**6**	6	**100**	100				

	Group Issued capital		Group Effective holding		Company Book value of investments		Company Net indebtedness	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm
Other companies** ... continued**								
Nedgroup Investment Holdings 101 Limited	**17**	17	**100**	100	**196**	196	**37**	60
Nedgroup Life Assurance Company Limited	**15**	15	**100**	100	**310**	310		
Nedgroup Securities (Pty) Limited	**10**	10	**100**	100				
Nedgroup Wealth Management Limited	*****	*	**100**	100				
NedNamibia Holdings Limited (Namibia)	**18**	18	**100**	100	**429**	429		
NIB Blue Capital Investments (Pty) Limited	*****	*	**100**	100				
Tando AG (Switzerland)*****	**33**	34	**100**	100				71
The Board of Executors	*****	*	**100**	100			**(45)**	(45)
Other companies	*****	*					**(4)**	(5)
					25 408	25 426	**(1 201)**	(3 097)

* *Represents amounts less than R1 million.*
** *The banking subsidiary companies are restricted in terms of Basel regulations and prudential requirements with regard to the distributions of funds to their holding company.*
*** *In terms of a dispensation received from the Financial Services Board this company is not allowed to declare any distributions to its holding company.*
**** *These entities are free of any restrictions imposed on the distribution of funds, save for compliance with any local regulations.*
***** *The issued capital for these subsidiaries has reduced as a result of the foreign currency reported being translated into rand.*

Unless otherwise stated, all entities are domiciled in South Africa.

Headline earnings from subsidiaries (after eliminating intercompany transactions):

	2010 Rm	2009 Rm
Aggregate earnings	**5 036**	4 743
Aggregate losses	**136**	466

General information required in terms of the 4th Schedule to the Companies Act, 61 of 1973, is detailed in respect of only those subsidiaries where the financial position or results are material to the group. It is considered that the disclosure in these statements of such information in respect of the remaining subsidiaries would entail expenses out of proportion to the value to members. Other subsidiaries consist of nominees, property-owning and financial holding companies acquired in the course of lending activities. A register detailing information in respect of all subsidiaries is available for inspection at the registered office.

Nedbank Group Limited will ensure that, except in the case of political risk, and unless specifically excluded by public notice in a country where a subsidiary is domiciled, its banking subsidiaries, and its principal non-banking subsidiaries, are able to meet their contractual liabilities.

MAJOR **SUBSIDIARY COMPANIES**

AS AT 31 DECEMBER 2010

NEDBANK GROUP LIMITED

NEDBANK LIMITED 100%

LOCAL SUBSIDIARIES

- Imperial Bank Limited
- Peoples Mortgage Limited
- Nedcor Investments Limited
- Nedgroup Investment 102 Limited
- Depfin Investments (Pty) Limited
- BoE Holdings Limited
- BoE Management Limited

FOREIGN NEDBANK SUBSIDIARIES

- Nedbank (Lesotho) Limited
- Nedbank (Swaziland) Limited 60,5%
- Nedcor Trade Services Limited

FOREIGN SUBSIDIARIES

- NedEurope Limited
- MN Holdings Limited
- Nedbank (Malawi) Limited 97,1%
- MBCA Bank Limited 70,9%
- Nedbank Namibia Limited
- NedNamibia Holdings Limited
- Nedgroup International Holdings
- Fairbairn Private Bank Limited
- Fairbairn Trust Company Limited (Guernsey)
- Tando AG
- Alliance Investments Limited

BOE INVESTMENT HOLDINGS LIMITED 100%

- BoE Private Client Investment Holdings Limited
- Nedgroup Wealth Management Limited
- BoE Life Limited
- Nedgroup Life Assurance Company Limited

NEDGROUP INVESTMENT HOLDINGS 101 LIMITED 100%

- Nedgroup Securities (Pty) Limited
- NBG Capital Management Limited
- NIB Blue Capital Investments (Pty) Limited
- BoE (Pty) Limited

TRUSTS AND SECURITIES ENTITIES

- Syfrets Securities Limited
- Syfrets Securities Nominees (Pty) Limited 99%
- Nedgroup Collective Investments Limited
- Nedinvest Limited
- Dr Holsboer Benefit Fund

OTHER INSURANCE ENTITIES

- Nedgroup Insurance Company Limited
- Nedcor Group Insurance Company Limited
- Nedcor (SA) Insurance Company Limited

All subsidiaries are wholly owned, unless stated otherwise.

EMBEDDED-VALUE REPORT OF **NEDGROUP LIFE ASSURANCE COMPANY LIMITED**

SCOPE OF THE EMBEDDED-VALUE REPORT

This report deals with the embedded value of Nedgroup Life Assurance Company Limited and the value of new business written during the financial year.

EMBEDDED VALUE

The embedded value (EV) and value of new business of the covered business at 31 December are:

	2010 Rm	2009 Rm
Adjusted net worth	**279**	205
Required capital	**173**	113
Free surplus	**106**	92
Value of in-force business	**752**	590
Present value of future profits	**808**	635
Frictional costs	**(37)**	(27)
Cost of non-hedgeable risk	**(19)**	(18)
Total EV	**1 031**	795
Value of new business	**295**	187
New business sales*	**770**	562
APE* margin (%)	**38,3**	33,3
PVNBP**	**1 943**	1 600
PVNBP margin** (%)	**15,2**	11,7

Analysis of EV earnings:

	2010 Rm
EV at the beginning of the year	**795**
Total EV earnings	**390**
Operating EV earnings	**364**
Value of new business	**295**
Expected return	**46**
Experience variances	**32**
Non-economic assumption changes	**(9)**
Economic variances	**16**
Return on adjusted net worth	**10**
Adjustment: dividends paid	**(154)**
EV at the end of the year	**1 031**
Return on EV (%)	**45,8**

* *Annualised premium equivalent.*

** *Present value of new-business premiums.*

Nedgroup Life experienced strong sales growth during 2010, particularly in the credit life and single-premium lines of business, with APE growth of 37,0% during the year. The return on EV of 45,8% is driven by strong 2010 sales. Nedgroup Life paid dividends totalling R312 million during 2010.

METHODOLOGY

Covered business refers to all long-term life insurance business underwritten by the company.

Embedded value

The EV of the covered business is the discounted value of the projected future after-tax shareholder earnings arising from covered business in-force at the valuation date, plus the adjusted net worth.

Adjusted net worth represents the excess of the market value of assets over the statutory financial soundness valuation of liabilities.

Required capital

Required capital is the market value of assets that is required to support the covered business over and above that required to back the statutory liabilities, whose distribution to shareholders is restricted. The following capital measures are considered acceptable when determining the required capital:

- economic capital; and
- regulatory capital.

Economical capital for the covered business is based on the company's own internal assessment of risk inherent in the business, consistent with a 99,93% confidence interval over a one-year time horizon.

At 31 December 2010 the economic capital measure was used and is the more onerous measure.

Free surplus

Free surplus is the excess of market value of assets over the statutory liabilities and the required capital. It is the assets that is available for distribution to shareholders.

Value of in-force (VIF) business

VIF consists of the following components:

- present value of future profits; less
- frictional costs of required capital; less
- cost of non-hedgeable risks.

Projected liabilities and cashflows are calculated net of outward reinsurance.

Present value of future profits (PVFP)

PVFP is calculated as the discounted value of future distributable earnings (taking account of local statutory reserving requirements) that are expected to emerge from the in-force covered business, including the value of contractual renewal of in-force business, on a best-estimate basis where assumed earned rates of return and discount rates are equal to risk-free rates.

Frictional costs

Due to the requirement to hold capital in addition to statutory liabilities (ie required capital), there is a cost to shareholders since this capital is locked in the company. Frictional cost is the cost in respect of the taxation on the investment return and investment costs on the assets backing the required capital.

Cost of non-hedgeable risk (CNHR)

Non-hedgeable risks are those risks which cannot be hedged in deep and liquid markets (eg mortality, morbidity, persistency, expense, reinsurance and operational risk). These risks are managed by holding risk capital. CNHR is calculated using a capital approach, ie it is determined as the present value of capital charges for all future non-hedgeable risk capital requirements until the liabilities have run off. A weighted average cost of capital rate of 2,0% has been applied to residual symmetric and asymmetric non-hedgeable capital.

Value of new business (VNB)

This is a measure of the value added to a company as a result of writing new business. This is calculated as the discounted value, at the date of sale, of projected after-tax shareholder profit from covered new business written during the reporting period net of frictional costs and the cost of CNHR associated with writing new business, using economic assumptions at the start of the reporting period.

APE and PVNBP margins

APE is the annual premium for regular premium sales plus 10% of single-premium sales sold during the reporting period. The APE margin is defined as the ratio of VNB to APE.

PVNBP is the present value of future premium and is calculated using a calculation approach that is consistent with calculation of VNB. The PVNBP margin is defined as the ratio of VNB to PVNBP.

ASSUMPTIONS

Non-economic assumptions

The EV and VNB were determined using best-estimate assumptions regarding future mortality, persistency rates and expenses. These best-estimate assumptions are determined using past, current and expected future experience.

Economic assumptions

Economic assumptions are determined such that projected cashflows are valued in line with the prices of similar cashflows that are traded in the capital markets. Investment return and discounting assumptions are based on the SA swap yield curve. The swap curve is sourced from a third-party market-consistent asset model. Expense inflation assumptions are determined considering a spread to the swap yield curve.

The risk-free spot yields and expense inflation at various terms are provided in the tables below:

Risk-free yields	2010	2009
Term (years)		
1	**5,6%**	7,3%
5	**7,4%**	8,9%
10	**8,2%**	9,2%
Expense inflation		
Term (years)		
1	**4,4%**	5,9%
5	**5,8%**	7,0%
10	**6,6%**	7,2%

SENSITIVITIES

The table below shows the sensitivities of VNB, VIF and EV at 31 December 2010 to changes in key assumptions:

	VIF	EV	VNB
Central assumptions	**752**	**1 031**	**295**
Economic assumptions increase by 1%	**754**	**1 034**	**296**
Economic assumptions decrease by 1%	**794**	**1 069**	**315**
Equity and property market value decreasing by 10%	**793**	**1 107**	**290**
Voluntary discontinuance rates decreasing by 10%	**815**	**1 091**	**324**
Mortality and morbidity rates decrease by 5%	**838**	**1 129**	**315**
Maintenance expenses decrease by 10%, with no corresponding change in expense charges	**785**	**1 072**	**318**
Acquisition expenses increase by 10%	**752**	**1 031**	**290**

REVIEW BY INDEPENDENT ACTUARIES

Independent consulting actuaries have reviewed the results, methodology and assumptions underlying the calculation of the EV and the VNB. Based on the information supplied to them by Nedgroup Life, they are satisfied that the methodology and assumptions have been determined in accordance with generally accepted actuarial principles and in accordance with guidance note PGN 107 – Embedded Value and the Valuation of New Business.

COMPANY **STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER

	Note	2010 Rm	2009 Rm
Dividends from subsidiaries		**1 930**	2 748
Operating expenses	1	**18**	18
Profit from operations before non-trading capital items		**1 912**	2 730
(Loss)/Profit on sale of investment		**(39)**	6
Foreign translation loss		**(13)**	
Impairment of investment in subsidiary companies*		**1**	167
Impairment of intergroup loans and advances	6	**(10)**	112
Profit before taxation		**1 851**	3 015
Direct taxation	2	**29**	52
Profit after taxation		**1 822**	2 963
Other comprehensive income net of taxation		**–**	–
Total comprehensive income for the year		**1 822**	2 963

** 2009 restated. See note 9.*

COMPANY **STATEMENT OF FINANCIAL POSITION**

AT 31 DECEMBER

	Note	2010 Rm	2009 Rm
Assets			
Sundry debtors	3	**87**	91
Deferred taxation asset		**3**	5
Current taxation receivable		**9**	9
Investment in subsidiary companies		**29 013**	27 136
Shares at cost – unlisted*		**25 408**	25 426
Owing by subsidiaries		**3 605**	1 710
Total assets		**29 112**	27 241
Shareholders' equity and liabilities			
Ordinary share capital	4	**515**	499
Ordinary share premium		**20 669**	18 404
Share-based payments reserve	10	**237**	237
Other non-distributable reserves		**41**	41
Distributable reserves*		**2 738**	3 160
Equity attributable to equity holders of the parent		**24 200**	22 341
Sundry creditors	5	**23**	20
Impairment of intergroup loans and advances	6	**83**	73
Amounts owing to subsidiaries		**4 806**	4 807
Total liabilities		**4 912**	4 900
Total shareholders' equity and liabilities		**29 112**	27 241

** 2009 restated. See note 9.*

COMPANY **STATEMENT OF CHANGES IN 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 share-holders' equity Rm
Balance at 31 December 2008	468 939 397	469	15 476	235	41	2 705	18 926
Shares issued in terms of employee incentive schemes	8 848 120	9	825				834
Capitalisation award	7 928 235	8	649				657
Shares acquired/cancelled by BEE trusts			285				285
Shares listed under BEE schemes	99 905		9				9
Share-based payments reserve movements				2			2
Total comprehensive income for the year****						2 963	2 963
Ordinary dividends						(2 508)	(2 508)
Buyout of non-controlling interests	12 855 359	13	1 160				1 173
Balance at 31 December 2009	**498 671 016**	**499**	**18 404**	**237**	**41**	**3 160**	**22 341**
Shares issued in terms of employee incentive schemes	**5 163 073**	**5**	**671**				**676**
Capitalisation award	**7 397 653**	**7**	**937**				**944**
Shares acquired/cancelled by BEE trusts			**217**				**217**
Shares listed under BEE schemes	**3 660 085**	**4**	**440**				**444**
Total comprehensive income for the year						**1 822**	**1 822**
Ordinary dividends						**(2 244)**	**(2 244)**
Balance at 31 December 2010	**514 891 827**	**515**	**20 669**	**237**	**41**	**2 738**	**24 200**

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

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

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

**** *2009 restated. See note 9.*

COMPANY **STATEMENT OF CASHFLOWS**

FOR THE YEAR ENDED 31 DECEMBER

	Note	2010 Rm	2009 Rm
Cash generated by operations	7	**1 912**	2 732
BEE transaction share-based payments expense			2
Cash paid to clients, employees and suppliers		**(18)**	(18)
Dividends received on investments		**1 930**	2 748
Change in funds for operating activities		**(1 877)**	(1 991)
Increase in operating assets		**(1 890)**	(1 685)
Increase/(Decrease) in operating liabilities		**13**	(306)
Net cash generated from operating activities before taxation		**35**	741
Taxation paid	8	**29**	57
Cashflows from operating activities		**6**	684
Cashflows utilised by investing activities		**(43)**	(1 132)
Acquisition of investments in subsidiary companies		**(43)**	(1 132)
Cashflows utilised by financing activities		**37**	448
Proceeds from issue of ordinary shares		**2 281**	2 956
Dividends paid to ordinary shareholders		**(2 244)**	(2 508)
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

	2010 Rm	2009 Rm
Audit fees – current year	**8**	6
BEE transaction share-based payments expenses		2
Directors' fees	**7**	7
Other	**3**	3
	18	18

2 DIRECT TAXATION

2.1 Charge for the year

	2010 Rm	2009 Rm
Foreign withholding tax	**8**	
Deferred taxation		(4)
Secondary taxation on companies	**21**	56
	29	52

2.2 Taxation rate reconciliation

	2010 %	2009 %
Standard rate of SA normal taxation	**28**	28
Non-taxable income	**(28)**	(28)
Secondary taxation on companies	**1**	1
Effective taxation rate	**1**	1

3 SUNDRY DEBTORS

	2010 Rm	2009 Rm
Sundry debtors and accrued interest	**87**	91

These assets are repayable on demand or at short notice and are all owed within South Africa.

4 SHARE CAPITAL

	2010 Rm	2009 Rm
Ordinary share capital		
Authorised		
600 000 000 (2009: 600 000 000) ordinary shares of R1 each	**600**	600
Issued ordinary share capital		
514 891 827 (2009: 498 671 016) fully paid ordinary shares of R1 each	**515**	499

5 SUNDRY CREDITORS

	2010 Rm	2009 Rm
Creditors and other accounts	**23**	20

6 IMPAIRMENT OF INTERGROUP LOANS AND ADVANCES

A 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 loans and advances, for which a provision has been recognised.

	2010 Rm	2009 Rm
Balance at the beginning of the year	**73**	185
Statement of comprehensive income release/(charge)	**10**	(112)
Balance at the end of the year	**83**	73

7 CASH GENERATED BY OPERATIONS

Reconciliation of profit before taxation to cash generated by operations

	2010 Rm	2009 Rm
Profit before taxation	**1 851**	3 015
Adjusted for:		
– BEE transaction share-based payments expenses		2
– Foreign exchange translation loss	**13**	
– Impairment of advances	**10**	(112)
– Impairment of investments	**(1)**	(167)
– Capital profit on sale of investment	**39**	(6)
Cash generated by operations	**1 912**	2 732

8 TAXATION PAID

	2010 Rm	2009 Rm
Amounts prepaid at the beginning of the year	**(9)**	(8)
Statement of comprehensive income charge – foreign withholding tax	**8**	
– STC	**21**	56
Amounts prepaid at the end of the year	**9**	9
	29	57

9 RETROSPECTIVE RESTATEMENT OF ERROR

Nedbank Group Limited accounts for investments in subsidiary companies on a cost-less-impairment basis. All investments in subsidiaries are reviewed on an annual basis and impaired as required. During 2009 a subsidiary was erroneously valued and impaired by R273 million.

The effects of the prior-year error are as follows:

	2009 Rm
Statement of financial position	
Total assets	(273)
Equity attributable to equity holders of the parent	(273)
	–
Statement of comprehensive income	
Impairment of investment in subsidiary companies	(273)
	(273)

10 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 payments 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.

10.1 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

** See page 223 of the Directors' Report for information on events after the reporting period relating to this scheme.*

10.2 Effect on profit and financial position

	Share-based payments expense		Share-based payments reserve	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
Black Business Partner Scheme			**215**	215
Non-executive Directors' Scheme		2	**22**	22
	–	2	**237**	237

10.3 Movements in number of instruments

	2010		2009	
	Number of instruments	**Weighted average exercise price R**	Number of instruments	Weighted average exercise price 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	**–**	**–**	–	–
Non-executive Directors' Scheme				
Outstanding at the beginning of the year	**621 743**	**104,04**	575 021	103,88
Granted			46 722	105,99
Outstanding at the end of the year	**621 743**	**104,04**	621 743	104,04
Exercisable at the end of the year	**–**	**–**	–	–

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

	2010		2009	
	Number of instruments	**Weighted average remaining contractual life (years)**	Number of instruments	Weighted average remaining contractual life (years)
Black Business Partner Scheme				
171,82	**7 891 300**	**4,6**	7 891 300	5,6
	7 891 300	**4,6**	7 891 300	5,6
Non-executive Directors' Scheme				
78,81	**81 815**	**0,6**	81 815	1,6
105,99	**46 722**	**0,6**	46 722	1,6
108,04	**493 206**	**0,6**	493 206	1,6
	621 743	**0,6**	621 743	1,6

10.5 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 Directors' Scheme	**2010**	2009
Number of instruments granted		46 722
Weighted average fair value per instrument granted (R)		8,22
Weighted average share price (R)		70,00
Weighted average exercise price (R)		105,99
Weighted average expected volatility (%)		52,0
Weighted average life (years)		1,2
Weighted average expected dividends (%)		0,0
Weighted average risk-free interest rate (%)		7,7
Number of participants		1
Weighted average vesting period (years)		
Possibility of not vesting (%)		0,0
Expectation of meeting performance criteria (%)		100

11 RELATED PARTIES

11.1 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 51,37% (2009: 52,21%) 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 390 to 392 and associates and joint ventures of the company are identified on pages 388 and 389.

11.2 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 pages 232 to 236 and details of their shareholdings in the company are disclosed on page 237. 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)			
2010			
Directors' fees	**11**		**11**
Remuneration – paid by subsidiaries	**40**	**72**	**112**
Short-term employee benefits	**28**	**65**	**93**
Gain on exercise of options	**12**	**7**	**19**
	51	**72**	**123**
2009			
Directors' fees	11		11
Remuneration – paid by subsidiaries	31	71	102
Short-term employee benefits	27	56	83
Gain on exercise of options	4	15	19
	42	71	113
Number of share options and instruments			
2010			
Outstanding at the beginning of the year	**1 601 613**	**2 181 290**	**3 782 903**
Granted	**318 648**	**436 816**	**755 464**
Forfeited	**(4 439)**	**(262 679)**	**(267 118)**
Exercised	**(339 439)**	**(523 939)**	**(863 378)**
Expired	**(152 765)**	**(270 500)**	**(423 265)**
Transferred	**313 744**	**(313 744)**	**–**
Outstanding at the end of the year	**1 737 362**	**1 247 244**	**2 984 606**
2009			
Outstanding at the beginning of the year	1 256 009	1 489 812	2 745 821
Granted	463 014	1 024 520	1 487 534
Forfeited	(8 700)	(438 165)	(446 865)
Exercised	(108 705)	(450 379)	(559 084)
Transferred	(5)	555 502	555 497
Outstanding at the end of the year	1 601 613	2 181 290	3 782 903

11.3 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) 2010	2009
Subsidiaries		
Loan from BoE Management Limited – interest-free	**(3 687)**	(3 687)
Loan from BoE Investment Holdings Limited – interest-free	**(1 070)**	(1 069)
Loan from Nedbank Nominees (Pty) Limited – interest-free	**(4)**	(5)
Advance to NBG Capital Management Limited	**1 612**	
Loan from The Board of Executors 1838	**(45)**	(45)
Bank accounts with Nedbank Limited – interest-free	**1 673**	1 417
Advance to NEST	**139**	22
Advance to BoE (Pty) Limited	**117**	139
Advance to Nedgroup Investment Holdings 101 Limited	**37**	60
Due from Nedbank Limited on exercise of share options during the year – interest-free	**27**	
Tando AG – dividend		71
Impairment provision in respect of amounts due to Nedbank Limited by its subsidiaries	**(64)**	(53)
Impairment provision in respect of amounts due to Nedgroup Investments Limited by its subsidiaries	**(1)**	(2)
Impairment provision in respect of amounts due by BoE Limited	**(18)**	(18)
Key management personnel		
The Wiphold and Brimstone consortia are related parties since certain key management personnel of the group 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	**(22)**	(22)
Share-based payments reserve	**(237)**	(237)

Transactions (Rm)	Income/(Expense) 2010	2009
Parent		
Dividend declared to OMSA via its subsidiaries	**(1 155)**	(1 321)
Subsidiaries		
BoE (Pty) Limited	**37**	60
BoE Limited	**156**	66
Fairbairn Private Bank Limited		14
Mutual and Federal (Pty) Limited	**30**	
Nedbank Limited	**995**	2 070
NedEurope Limited	**98**	113
Nedgroup Insurance Company Limited	**140**	30
NedGroup Investment Holdings 101 Limited	**102**	253
Nedgroup Investments (Pty) Limited	**158**	76
Nedgroup Life Assurance Company Limited	**156**	66
Tando AG	**58**	
Dividends declared by subsidiaries	**1 930**	2 748
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		(2)
Share-based payments expense	**–**	(2)

NEDBANK GROUP LIMITED **COMPLIANCE WITH IFRS* – ANNUAL FINANCIAL STATEMENT NOTES**

Note number	Note description	IFRS required
1	Principal accounting policies	IAS** 1
2	Standards and interpretations	IAS 1
3	Key assumptions concerning the futre and key sources of estimation	IAS 1
4	Capital management	IAS 1
5	Consolidated statement of financial position – categories of financial instruments	IFRS 7
6	Fair-value measurement	IFRS 7
7	Liquidity gap	IFRS 7
8	Contractual maturity analysis for financial liabilities	IFRS 7
9	Historical value at risk (99%, one day) by risk type	IFRS 7
10	Interest rate repricing gap	IFRS 7
11	Credit analysis of other short-term securities, and government and other securities	IFRS 7
12	Interest and similar income	IAS 18, IAS 32, IAS 39 and IFRS 7
13	Interest expense and similar charges	IAS 18, IAS 32, IAS 39 and IFRS 7
14	Non-interest revenue	IAS 18, IAS 20, IAS 32, IAS 39, IFRS 4, IFRS 7 and IFRS 8
15	Operating expenses	IAS 1, IFRS 2, IFRS 8
16	Indirect taxation	IAS 1
17	Non-trading and capital items	IAS 1, IAS 16 and IAS 36
18	Direct taxation	IAS 12
19	Earnings	IAS 33
20	Dividends	IAS 1 and IAS 10
21	Cash and cash equivalents	IAS 1 and IFRS 7
22	Other short-term securities	IAS 1, IFRS 7 and IFRS 8
23	Derivative financial instruments	IAS 32, IAS 39 and IFRS 7
24	Financial instruments designated as at fair value through profit or loss	IAS 32, IAS 39 and IFRS 7
25	Government and other securities	IAS 1, IAS 32, IAS 39, IFRS 7 and IFRS 8
26	Loans and advances	IAS 17, IFRS 7 and IFRS 8
27	Impairment of loans and advances	IAS 39, IFRS 7 and IFRS 8
28	Other assets	IAS 1
29	Investment securities	IAS 32, IAS 39 and IFRS 7
30	Investments in associate companies and joint ventures	IAS 28 and IAS 31
31	Non-current assets held for sale	IFRS 5
32	Deferred taxation	IAS 12
33	Investment property	IAS 40
34	Property and equipment	IAS 16 and IAS 36
35	Long-term employee benefits	IAS 19, IAS 26 and IFRIC*** 14
36	Intangible assets	IAS 38 and IAS 36
37	Acquisitions	IFRS 3 and IAS 31
38	Share capital	IAS 1
39	Amounts owed to depositors	IAS 1, IFRS 7 and IFRS 8
40	Provisions and other liabilities	IAS 37, IAS 32 and IAS 39
41	Investment contract liabilities	IAS 1 and IFRS 7
42	Insurance contract liabilities	IAS 1 and IFRS 4
43	Long-term debt instruments	IAS 32, IAS 39 and IFRS 7
44	Contingent liabilities and undrawn facilities	IAS 37 and IAS 10
45	Commitments	IAS 37, IAS 10, IAS 17 and IFRS 7
46	Collateral	IFRS 7
47	Securitisations	IFRS 3 and IFRS 7
48	Foreign currency conversion guide	IAS 21
49	Cashflow information	IAS 7
50	Managed funds	IFRS 7
51	Share-based payments	IFRS 2
52	Related parties	IAS 24
Page 388	Analysis of investments in associates and joint ventures	IAS 28 and IAS 31
Page 390	Analysis of investments in subsidiaries	IAS 27
Page 393	Embedded-value Report of Nedgroup Life Assurance Company Limited	IFRS 4
Page 146	Risk and balance sheet management review	IFRS 7

* *International Financial Reporting Standards.*
** *International Accounting Standards.*
*** *International Financial Reporting Committee.*

LETTER FROM THE CHAIRMAN

Dear Member

I extend a warm invitation to you to attend the 44th annual general meeting of Nedbank Group Limited to be held in the Auditorium, Retail Place West, Nedbank Sandton, 135 Rivonia Road, Sandown, Sandton, on Friday, 6 May 2011, at 09:00.

Included in this document are the following:

- 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, Sandton, 2196 (PO Box 1144, Johannesburg, 2000), to be received no later than 09:00 on Thursday, 5 May 2011; 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 (sign language or a translator from English to 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 email GawieN@nedbank.co.za by no later than Thursday, 28 April 2011, in order for this facility to be arranged.

Yours faithfully

Dr RJ Khoza
Chairman

Sandown
25 February 2011

HEADOFFICE

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Nedbank Group Limited Reg No 1966/010630/06

Directors: Dr RJ Khoza (Chairman) MWT Brown (Chief Executive) CJW Ball TA Boardman TCP Chikane GW Dempster (Chief Operating Officer) MA Enus-Brey Prof B de L Figaji DI Hope** A de VC Knott-Craig WE Lucas-Bull NP Mnxasana RK Morathi (Chief Financial Officer) JK Netshitenzhe JVF Roberts* GT Serobe MI Wyman* (*British) (**New Zealand)

Company Secretary: GS Nienaber