

NEDBANK GROUP ANNUAL FINANCIAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2008



MAKE THINGS HAPPEN

NEDBANK
GROUP

A Member of the  OLD MUTUAL Group



"Nedbank Group has shown resilience in the face of the challenges posed by the crisis in global financial markets and the rapid slowdown in the domestic economy. South African banks and the domestic financial system remain structurally sound, but high interest rates and the global economic slowdown impacted earnings. In this operating environment it is pleasing that the group has strengthened capital ratios significantly and maintained earnings at a level similar to that of last year. We have continued to grow net asset value, our liquidity remains sound and the group's risk management systems are proving effective in volatile markets. 2009 will undoubtedly be a very tough year for the local banking sector, but we currently anticipate improved prospects for growth in the medium term."

Tom Boardman
Chief Executive

CAPITAL ADEQUACY STRENGTHENED SIGNIFICANTLY

Tier 1: 8,2% to 9,6%

DILUTED HEADLINE EARNINGS PER SHARE DOWN

2,0% to 1 401 cents

DILUTED EARNINGS PER SHARE UP

7,2% to 1 558 cents

NET ASSET VALUE PER SHARE INCREASED

13,4% to 8 522 cents

FINAL DIVIDEND PER SHARE

310 cents

FOR MORE INFORMATION CONTACT:

Mike Brown • Chief Financial Officer

Tel: +27 11 294 9999 | Fax: +27 11 295 9999 | E-mail: mikeb@nedbank.co.za

Don Bowden • Tier 1 Investor Relations

Tel: +27 21 702 3102 | Mobile: +27 82 555 8721 | Fax: +27 21 702 3107 | E-mail: don@tier1ir.co.za

DIRECTORS:

Dr RJ Khoza (*Chairman*), Prof MM Katz (*Vice-chairman*), ML Ndlovu (*Vice-chairman*), TA Boardman* (*Chief Executive*), CJW Ball**, MWT Brown* (*Chief Financial Officer*), TCP Chikane, MA Enus-Brey, Prof B de L Figaji, R Harris (*British*), RM Head (*British*), A de VC Knott-Craig, JB Magwaza, ME Mkwanazi, NP Mnxasana, GT Serobe,





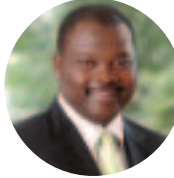




DOING THINGS DIFFERENTLY
HELPS MAKES THINGS HAPPEN









Group structure	2b
Commentary	3b
Financial highlights	12b
Consolidated income statement	13b
Consolidated balance sheet	14b
Condensed consolidated cash flow statement	15b
Group statement of changes in total shareholders' equity	16b
Reconciliation of shares in issue and share premium	18b
Share buybacks and treasury shares	18b
Earnings per share and weighted average shares	19b
Nedbank Group: categories of financial instruments	20b
Return on equity drivers	24b
Operational segmental reporting	26b
Nedbank Corporate segmental report	28b
Nedbank Retail segmental report	30b
Nedbank Retail – bancassurance	32b
Operational statistics	33b
Geographical segmental reporting	34b
Assets under management	35b
Balance sheet – banking/trading categorisation	36b
Notes to the income statement	37b
Notes to the balance sheet	48b
Nedbank Group – Share-based payments	64b
Nedbank Group – BEE deal assumptions	68b
Nedbank Group Employee Incentive Schemes	69b
Risk and capital management review	71b
Background	71b
Origins of and lessons learnt from the crisis	72b
Impact of the global financial crisis on South Africa and Nedbank	74b
Nedbank's conservative risk appetite and strong capital adequacy	75b
Review of Nedbank's risk profile	78b
Liquidity risk	78b
Credit risk	81b
Counterparty credit risk	90b
Credit concentration risk	93b
Securitisation risk	95b
Interest rate risk in the banking book (IRRBB)	97b
Currency translation risk in the banking book	98b
Trading market risk	99b
Equity risk (investment risk) in the banking book	102b
Major concentration risks	102b
Capital management	103b
Regulatory capital	104b
Economic capital	109b
Cost of equity	110b
External credit ratings	112b
Summarised dti codes and FSC scorecards	114b
Market share	115b
Shareholders' analysis	120b
Nedbank Limited consolidated income statement	121b
Nedbank Limited consolidated balance sheet	122b
Definitions	123b
Share and bond information	130b

GROUP STRUCTURE

CLIENT INTERFACE

Nedbank Retail	Nedbank Corporate		Nedbank Capital	Business Banking	Imperial Bank
 Rob Shuter	 Graham Dempster	 Mfundo Nkuhlu Deputy	 Brian Kennedy	 Ingrid Johnson	 René van Wyk
 Tom Boardman – Chief Executive					

SUPPORT AREAS

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

2008 ANNUAL RESULTS PRESENTATION: COMMENTARY

BANKING ENVIRONMENT

The South African banking environment is experiencing the effects of a slowing domestic economic cycle and the secondary effects of the global financial crisis. In this challenging economic environment public sector infrastructure spending is expected to continue to provide some support for economic growth in the year ahead.

Improved inflation statistics allowed for a 50 basis point decrease in interest rates in December 2008, the first since April 2005. A second cut of 100 basis points followed in February 2009. These interest rate cuts will provide some relief for consumers, but are unlikely to stimulate economic growth in the short term.

The local banking environment faced a number of challenges in 2008:

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

The progress made during the recovery programme and over the recent past to build a sustainable business continues to benefit the group and has resulted in the following:

- Ongoing growth in the retail mass and middle-income segments and corporate markets.
- Solid growth in retail deposits.
- Pleasing growth in transactional banking volumes.
- Improved margins on new advances through risk-based pricing.
- Increased client activity in foreign exchange and interest rate markets.
- Intensified focus on improving client service levels.

The Competition Commission inquiry into bank charges resulted in a detailed report in December 2008. Industry stakeholders have been given an opportunity by National Treasury to comment on the recommendations contained in the report. This input will be discussed by National Treasury with the Department of Trade and Industry, the South African Reserve Bank and the Competition Commission, and it is anticipated that the final outcome of the banking inquiry process and the impact on the banking industry will

be finalised during 2009. Nedbank remains committed to an outcome that provides real benefit to consumers and ensures the ongoing competitiveness and stability of the financial services industry.

Basel II was successfully implemented on 1 January 2008 and used as a catalyst to enhance the management of risk and capital across the industry.

REVIEW OF RESULTS

Given the turmoil in the global financial markets and the slower domestic economy, Nedbank Group is currently adopting a more conservative approach across its operations. The group intensified its focus on the following:

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

At the same time the group continues to invest for the future and is not seeking to maximise short-term profitability at the expense of longer-term sustainability at this point in the cycle.

Headline earnings decreased by 2,6% from R5 921 million to R5 765 million. Basic earnings grew by 6,4% to R6 410 million (2007: R6 025 million).¹

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

The group's return on average ordinary shareholders' equity (ROE), excluding goodwill, decreased from 24,8% to 20,1%. ROE dropped from 21,4% to 17,7% for the year. These declines were caused by slightly lower headline earnings, mainly as a result of increasing retail impairment levels that reduced the return on assets, together with higher capital levels as capital adequacy ratios increased during 2008.

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

COMMENTARY... CONTINUED

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

Nedbank Capital

In spite of a tough environment for investment banking Nedbank Capital grew headline earnings by 7,8% from R1 174 million to R1 266 million and achieved a return on risk-adjusted capital (RORAC) of 38,1%. The Treasury and Global Markets Divisions both experienced strong growth. Debt Capital Markets was adversely affected by fair-value losses on widening credit spreads and profits in Equity Capital Markets were negatively impacted by reduced volumes and sharply lower market levels. The adverse market conditions were mitigated by active management interventions, which reduced risk as markets deteriorated. Investment Banking showed strong net interest income (NII) growth, but was impacted by delays in and some cancellations of client project spend as well as a slowing of term lending in transactions in Africa due to reduced availability of longer-term foreign funding.

Over the past few years Nedbank Capital has invested in people and the development of sound risk processes. Information technology and finance platforms have been improved. This investment, combined with a prudent risk appetite, has contributed to the cluster's results and the achievement of a more balanced earnings profile in extreme market conditions.

Nedbank Corporate

Nedbank Corporate grew headline earnings by 11,1% from R2 632 million to R2 924 million and achieved a RORAC of 28,7%. The banking operations showed robust growth with core banking headline earnings increasing by 20,1%. Corporate Banking performed strongly, driven by advances growth, widening credit margins and higher non-interest revenue (NIR) through gains in primary-banker clients. The property investment portfolio generated good earnings, but these were down on the record earnings of 2007. The strong risk management culture enabled the cluster to manage its credit portfolios well and resulted in a credit loss ratio of 0,27%, still below expected through-the-cycle levels. Nedbank Corporate continued to invest in leadership and staff training, resulting in further gains to the already high staff morale.

Late in the year the bank entered into a strategic business cooperation agreement with Ecobank, the Pan-African banking group, to provide a 'one bank' client experience across 30 countries in Africa, which creates significant opportunities for our client base across the continent.

Nedbank Retail

Nedbank Retail's headline earnings dropped from R1 876 million to R1 002 million, with a RORAC of 10,8%. 2008 has been an extremely challenging year in retail banking. While the group anticipated that consumers would come under increased pressure in 2008, the combination of higher interest rates, rising inflation, pressure on asset prices and lower consumer confidence has proved more severe than forecast. The unsecured portfolios (cards, overdrafts and personal loans) have responded well and, while default levels remain high, credit metrics are stable.

The main pressure on impairments has been in the secured portfolios of home loans and vehicle finance. Defaults in these portfolios deteriorated significantly during the year and this, coupled with pressure on asset prices, caused a large rise in provisioning levels. This trend intensified through the year-end and, as a result, impairments on these portfolios are expected to continue to increase into 2009.

In this environment Nedbank Retail improved its efficiency ratio from 63,5% to 61,1%. This improvement arose from ongoing growth in NII, robust NIR growth and tight cost control.

Nedbank Retail continued to build for the future and made significant progress in its client service, distribution network and staff morale metrics. Primary clients grew at 10% and the Bancassurance and Wealth, Small Business Services and Private Banking Divisions recorded good earnings growth during 2008.

Imperial Bank

Imperial Bank recorded a profit after tax of R362 million, down 24,4% from the R479 million of the previous year. Nedbank Group's share of Imperial Bank's earnings dropped from R227 million to R166 million. Return on equity deteriorated to 13,2%, while the efficiency ratio improved from 30,2% to 28,8%. Loans and advances grew by 26,7% from R35,3 billion to R44,7 billion as Imperial Bank continued to attract good-quality business. The overall credit loss ratio deteriorated from 1,28% to 1,71%, with the Motor Finance Division's credit loss ratio moving from 1,93% to 2,47%.

NII

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

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

- Liability margin compression reflecting the higher cost of term funding.
- Asset margin compression from a changing asset mix. Asset pricing continues to be a key focus for improving margins, with higher margins being generated on new assets.

- The cost of holding additional liquidity buffers deemed prudent in the current environment.
- Debits relating to the accounting for historic structured-finance transactions with related credits offset in taxation.

Impairments charge on loans and advances

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

Credit loss ratio (%)	2008	2007
Nedbank Capital	0,06	0,05
Nedbank Corporate	0,27	0,11
Nedbank Retail	2,47	1,26
Imperial Bank	1,71	1,28
Nedbank Group	1,17	0,62

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

NIR

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

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

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

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

NIR from private equity (Rm)	2008	2007
Nedbank Capital private equity	127	608
Nedbank Corporate property private equity	176	307
Total NIR from private equity	303	915

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

Expenses

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

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

COMMENTARY... CONTINUED

Associate income

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

Taxation

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

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

Non-trading and capital items

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

BALANCE SHEET

Capital

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

Capital adequacy ratios include unappropriated profit at year-end.

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

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

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

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

Shareholders are advised that the capital note above has not been reviewed or reported on by the group's auditors.

Risk appetite

The appropriate level of capital for a bank is a function of its strategy, individual risk appetite and risk profile. This aligns with one of the key objectives of Basel II, which is to differentiate capital requirements and capital buffers above the regulatory minimum to reflect the unique risk profile on a bank-by-bank basis, rather than following the 'one size fits all' approach that Basel I engendered.

Nedbank has cultivated and embedded a prudent and conservative risk appetite, primarily focused on the basics of banking in southern Africa. This is illustrated by reference to the following:

- No direct exposure to US subprime credit assets nor associated credit derivative transactions.
- Conservative credit underwriting practices, which have culminated in a high-quality, well-collateralised wholesale book and further tightening of credit criteria in our retail book since 2007 in anticipation of the economic downturn and resulting from the introduction of the National Credit Act.
- Reasonable credit concentration risk levels in relation to the South African market.
- Counterparty credit risk being restricted to non-complex, vanilla banking transactions.
- A strong, well-diversified funding deposit base (including a strong retail deposit franchise) and limited offshore funding.
- Low securitisation risk exposure compared with global banks.
- Low leverage ratio compared with global banks.
- Higher ratio of risk-weighted assets to total assets than that of peers, indicative of our appropriately conservative measurement of risk.
- Low level of assets and liabilities exposed to the volatility of International Financial Reporting Standards (IFRS) fair-value accounting.
- Small market trading risk in relation to total bank operations.
- Low interest rate risk in the banking book.
- Low equity (investment) risk exposure.
- Successful completion of the non-core asset disposal strategy in 2007.
- Low foreign currency translation risk and an optimal offshore-capital structure.
- Well-diversified earnings streams across our full commercial banking activities.
- Well-diversified subordinated-debt profile, with no maturities of existing Tier 2 regulatory capital until 2010.
- Comprehensive stress and scenario testing to confirm the adequacy of our capital ratios and accompanying capital buffers.

Against this background, the group believes that capital levels (both regulatory capital and internal capital assessment based on

economic capital) and provisioning for credit impairments are appropriate and conservative, and that the group and its subsidiaries are appropriately capitalised relative to our business activities, strategy, risk appetite, risk profile and the external environment in which we operate. Additionally, the group is currently not holding excess capital for acquisitions.

Total assets

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

Advances

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

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

Deposits

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

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

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

COMMENTARY... CONTINUED

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

- Issuing of foreign syndicated club loans of \$165 million and €165 million.¹
- Registering of a \$2 billion European medium-term note (EMTN) programme.¹
- Obtaining a \$100 million credit line from African Development Bank.¹
- Focusing on the retail deposit base through competitive products and pricing.¹

RATINGS

In December 2008 Moody's Investors Service affirmed Nedbank Limited's national scale short-term deposit rating of Prime- 1.za and long-term deposit rating of Aa 1.za.

Nedbank Group received a rating upgrade from Fitch Ratings in November 2007, which was reaffirmed in July 2008. In November 2008 Fitch maintained the ratings, but changed the outlook for a number of the local banks on the back of a rating outlook adjustment for South Africa, including changing the outlook for Nedbank Group for its international sovereign rating from stable to negative. No adjustment was made to Nedbank Group's local ratings or outlooks and the Fitch Ratings national short-term rating remains F1+ (zaf).

Nedbank Limited also registered an EMTN programme during December 2008. This programme was separately rated by both Moody's and Fitch. Moody's has assigned an A2 foreign currency rating together with a positive outlook to both senior and subordinated notes. Fitch has assigned BBB+ and BBB foreign currency ratings to long-term senior and subordinated debt.

IMPERIAL BANK

A new shareholder agreement has been concluded by Nedbank and Imperial Holdings that will come into effect on 1 January 2011 when the current agreement ends.

TRANSFORMATION

During the year Nedbank Group exceeded its internal Financial Sector Charter (FSC) scorecard and Department of Trade and Industry (dti) codes of good practice targets. The bank submitted a score of 99,07 for ratification by the FSC Council (2007: 97,50) out of a potential 100 points as measured by the FSC, and has now been verified as a level-three BEE contributor (2007: level four) against the dti codes scorecard. Transformation remains a key strategic differentiator and the group continues to seek opportunities to realise its vision of becoming a truly southern African group.

GROUP FOCUS

Nedbank Group strategy remains unchanged. However, in the current financial environment the group has increased its focus on capital, liquidity and risk management. The group is currently taking a more conservative stance rather than seeking to maximise short-term profitability, and continues to focus on maximising the longer-term profit potential of the group.

In line with the ongoing strategic focus the group continues to focus on the following:

- Growing its share of economic profit and managing for value through
 - a continued focus on liability growth and our strong depositor franchise,
 - a focus on high-quality, appropriately risk-priced loans,
 - selective asset growth,
 - retaining focus on operational capacity in southern Africa while leveraging the Ecobank alliance to provide geographical reach into the rest of Africa,
 - ongoing building of the Business Banking franchise, which now forms a separate business cluster,
 - growing the group's Transactional Banking franchise, both wholesale and retail,
 - cross-selling into our existing client base, and
 - remaining agile and alert to opportunities that will arise in the current environment.
- Becoming more client-driven by delivering worldclass service on an ongoing basis. This includes using innovation to increase service capabilities and distribution network for clients.
- Managing risk as an enabler by
 - proactively managing capital and liquidity,
 - pricing appropriately for risk,
 - continually monitoring and refining credit and risk parameters as appropriate, and
 - an ongoing focus on collections.
- Enhancing productivity and efficiency, execution and ongoing smart cost management.
- Maintaining a unique culture to retain staff and ensuring that we make appropriate and fair decisions, treat clients fairly, embrace the community, take accountability for our actions and care for others in the way we do business.
- Continuing to accelerate transformation and become a truly southern African group.
- Continuing to lead as a corporate citizen in our efforts to ensure we are a green and caring bank, thereby building a sustainable business that is relevant in South Africa.

OUTLOOK, TARGETS AND PROSPECTS

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

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

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

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

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

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

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

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

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

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

COMMENTARY... CONTINUED

CHANGES TO THE GROUP EXECUTIVE COMMITTEE

Nedbank Group's Head of Group Technology, Len de Villiers, resigned from the group with effect from 31 July 2008 and Fred Swanepoel was appointed to the Group Executive Committee (Group Exco) as Chief Information Officer and Head of Group Technology with effect from 1 November 2008. The Business Banking Division within Nedbank Corporate became a standalone business cluster on 1 January 2009 and the Managing Executive of Business Banking, Ingrid Johnson, joined the Group Exco. In addition, Mfundo Nkuhlu has been appointed Deputy Managing Executive of the Nedbank Corporate business cluster and a member of the Group Exco, while retaining his current responsibilities as Managing Executive of Corporate Banking.

CHIEF EXECUTIVE SUCCESSION

As previously communicated to stakeholders, Chief Executive Tom Boardman will be retiring from the group in February 2010. The process of identifying a successor is continuing and the board expects to make an appointment within the first half of this year. This will allow sufficient time for a smooth transition in the office of the Chief Executive.

BOARD CHANGES

As previously reported, Cedric Savage retired as an independent non-executive director on 14 May 2008 and Barry Davison resigned as an independent non-executive director on 2 August 2008. Jim Sutcliffe resigned as a non-executive director with effect from 9 September 2008 following his resignation as Chief Executive Officer of Old Mutual plc. On 1 October 2008 Nomavuso Patience Mnxasana was appointed as an independent non-executive director and Alan Knott-Craig was appointed as an independent non-executive director with effect from 1 January 2009.

ACCOUNTING POLICIES¹

Nedbank Group Limited is a company domiciled in South Africa. The condensed consolidated financial results of the company at and for the year ended 31 December 2008 comprised the company and its subsidiaries (together referred to as the 'group') and the group's interests in associates and jointly controlled entities.

Nedbank Group's principal accounting policies have been applied consistently over the current and prior financial years, except for the adoption of IFRIC 11: IFRS 2 – Group and Treasury Share Transactions in the current year and the early adoption of IFRS 8. The prior year's comparative figures have been restated.

Nedbank Group's consolidated financial results have been prepared in accordance with the recognition and measurement criteria of

IFRS, interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the presentation and disclosure requirements of International Accounting Standard 34: Interim Financial Reporting.

In the preparation of these financial results the group has applied key assumptions concerning the future and other indeterminate sources in recording various assets and liabilities. These assumptions were applied consistently to both the company and group financial statements for the year ended 31 December 2008. These assumptions are subject to ongoing review and possible amendments.

SUBSEQUENT EVENTS

As of the date of this announcement there are no post-balance sheet events to report.

AUDITED RESULTS – AUDITORS' OPINION

KPMG Inc and Deloitte & Touche, Nedbank Group's independent auditors, have audited the consolidated annual financial statements of Nedbank Group Limited from which the condensed consolidated financial results have been derived, and have expressed an unmodified audit opinion on the consolidated annual financial statements. The condensed consolidated financial results comprise the consolidated balance sheet at 31 December 2008, consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cashflow statement for the year then ended, and selected explanatory notes. The audit report is available for inspection at Nedbank Group's registered office. The selected explanatory notes are marked with ¹.

FORWARD-LOOKING STATEMENT

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

ANNUAL GENERAL MEETING

The Nedbank Group annual general meeting will be held on Thursday, 14 May 2009, in the auditorium, Retail Place West, Nedbank Sandton, 135 Rivonia Road, Sandown, at 09:00.

CAPITALISATION AWARD WITH A CASH DIVIDEND ALTERNATIVE ¹

Notice is hereby given that the directors of the company have resolved to issue fully paid ordinary shares in the company as a capitalisation award to ordinary shareholders. Ordinary shareholders will be entitled, in respect of all or part of their shareholding, to elect to receive new fully paid ordinary shares, which will be issued only to those ordinary shareholders who elect in respect of all or part of their shareholding, on or before 12:00 on Thursday, 9 April 2009, to receive the capitalisation award shares. Shareholders not electing to receive new fully paid ordinary shares in respect of all or part of their shareholding will be entitled to receive a cash dividend alternative of 310 cents per ordinary share (the cash dividend alternative).

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

2009

Last day to trade to participate in the capitalisation award or the cash dividend alternative	Thursday, 2 April
Shares trade ex the capitalisation award election and the cash dividend alternative on	Friday, 3 April
Listing of the maximum number of new ordinary shares that may be taken up in terms of the capitalisation award on	Friday, 3 April
Last day to elect to receive capitalisation award shares (by 12:00), failing which the cash dividend alternative will be received	Thursday, 9 April
Record date to participate in the capitalisation award or receive the cash dividend alternative	Thursday, 9 April
Payment of the cash dividend alternative to shareholders who have not elected to participate in the capitalisation award or have participated in the capitalisation award in respect of only part of their shareholding on	Tuesday, 14 April
New shares issued and posted or participant or broker accounts credited regarding the shares to be issued to shareholders participating in the capitalisation award in respect of all or part of their shareholding on	Tuesday, 14 April
The maximum number of new shares listed in terms of the capitalisation award, adjusted to reflect the actual number of shares issued in terms of the capitalisation award on or about	Friday, 17 April

Shares may not be dematerialised or rematerialised between Friday, 3 April 2009, and Thursday, 9 April 2009, both days inclusive.

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

The number of capitalisation shares to which shareholders are entitled will be determined in the ratio that 310 cents per ordinary share bears to the 30-day volume-weighted average price for the company's share, to be determined no later than Wednesday, 25 March 2009. Details of the ratio will be published on SENS no later than Thursday, 26 March 2009, at 11:00 and in the financial press the following business day. Trading in the STRATE environment does not permit fractions and fractional entitlements. Accordingly, where a shareholder's entitlement to new ordinary shares calculated in accordance with the above formula gives rise to a fraction of a new ordinary share, such fraction will be rounded up to the nearest whole number, where the fraction is greater than or equal to 0,5, and rounded down to the nearest whole number, where the fraction is smaller than 0,5.

A circular relating to the capitalisation award and the cash dividend alternative will be posted to shareholders on or about Monday, 16 March 2009.

Note:

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

For and on behalf of the board

Dr RJ Khoza
Chairman

TA Boardman
Chief Executive

25 February 2009

FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER

		% change	2008	2007
STATISTICS				
Number of shares listed	m		468,9	459,3
Number of shares in issue excluding shares held by group entities	m		409,7	401,9
Weighted average number of shares	m		405,4	398,7
Diluted weighted average number of shares	m		411,5	414,4
Headline earnings per share	cents	(4,2)	1 422	1 485
Diluted headline earnings per share	cents	(2,0)	1 401	1 429
Basic earnings per share	cents	4,6	1 581	1 511
Diluted basic earnings per share	cents	7,2	1 558	1 454
Ordinary dividends declared per share	cents	(6,1)	620	660
– Interim			310	310
– Final			310	350
Dividend paid per share	cents		660	594
Dividend cover	times		2,29	2,25
Net asset value per share	cents	13,4	8 522	7 513
Tangible net asset value per share	cents	15,7	7 179	6 207
Closing share price	cents	(29,8)	9 550	13 600
Price/earnings ratio	historical		7	9
Market capitalisation	Rbn	(28,3)	44,8	62,5
Number of employees		4,0	27 570	26 522
KEY RATIOS (%)				
ROE excluding goodwill			20,1	24,8
Return on ordinary shareholders' equity (ROE)			17,7	21,4
Return on total assets (ROA)			1,09	1,30
Net interest income to average interest-earning banking assets			3,66	3,94
Non-interest revenue to total income			39,9	42,5
Credit loss ratio			1,17	0,62
Efficiency ratio			51,1	54,9
Efficiency ratio (excluding BEE transaction expenses)			50,4	54,3
Effective taxation rate			21,6	26,3
Group capital adequacy ratios: Basel II (including unappropriated profits)				
Core Tier I			8,2	7,2*
Tier 1			9,6	8,2*
Total			12,4	11,4*
BALANCE SHEET STATISTICS (Rm)				
Total equity attributable to equity holders of the parent		15,6	34 913	30 193
Total equity			40 073	35 125
Amounts owed to depositors			466 890	384 541
Loans and advances		16,1	434 233	373 956
Gross			442 092	380 034
Impairment of loans and advances			(7 859)	(6 078)
Total assets		16,0	567 023	488 856
Assets under management			84 381	85 438
Total assets administered by the group		13,4	651 404	574 294

* Pro forma

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

Rm	Note	% change	2008	2007
Interest and similar income		38,1	57 986	42 001
Interest expense and similar charges		50,1	41 816	27 855
Net interest income	1	14,3	16 170	14 146
Impairments charge on loans and advances	2	>100	4 822	2 164
Income from lending activities		(5,3)	11 348	11 982
Non-interest revenue	3	2,7	10 729	10 446
Operating income		(1,6)	22 077	22 428
Total expenses	4	1,9	13 741	13 489
Operating expenses		1,5	13 547	13 341
BEE transaction expenses		31,1	194	148
Indirect taxation		22,6	374	305
Profit from operations before non-trading and capital items		(7,8)	7 962	8 634
Non-trading and capital items			756	111
Profit on sale of subsidiaries, investments and property and equipment			767	118
Net impairment of investments, property and equipment and capitalised development costs			(11)	(7)
Profit from operations		(0,3)	8 718	8 745
Share of profits of associates and joint ventures	10	(35,6)	154	239
Profit before direct taxation		(1,2)	8 872	8 984
Total direct taxation	5	(20,3)	1 868	2 343
Direct taxation		(24,8)	1 757	2 336
Taxation on non-trading and capital items		>100	111	7
Profit for the year		5,5	7 004	6 641
Attributable to:				
Profit attributable to equity holders of the parent			6 410	6 025
Profit attributable to minority interest – ordinary shareholders	6		257	344
– preference shareholders	7		337	272
Profit for the year			7 004	6 641
EARNINGS RECONCILIATION				
Profit attributable to equity holders of the parent		6,4	6 410	6 025
Less: Non-headline earnings items			645	104
Non-trading and capital items			756	111
Taxation on non-trading and capital items			(111)	(7)
Headline earnings		(2,6)	5 765	5 921

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER

Rm	Note	2008	2007
ASSETS			
Cash and cash equivalents		8 609	10 344
Other short-term securities		18 589	25 793
Derivative financial instruments		22 321	9 047
Government and other securities		42 138	29 637
Loans and advances	8	434 233	373 956
Other assets		6 084	9 313
Clients' indebtedness for acceptances		3 024	2 251
Current taxation receivable		346	59
Investment securities	9	8 455	8 318
Non-current assets held for sale		10	31
Investments in associate companies and joint ventures	10	1 167	978
Deferred taxation asset		200	25
Investment property		213	171
Property and equipment		4 327	3 929
Long-term employee benefit assets		1 741	1 393
Computer software and capitalised development costs	11.1	1 607	1 349
Mandatory reserve deposits with central bank		10 065	8 364
Goodwill	11.2	3 894	3 898
Total assets		567 023	488 856
EQUITY AND LIABILITIES			
Ordinary share capital		410	402
Ordinary share premium		11 370	10 721
Reserves		23 133	19 070
Total equity attributable to equity holders of the parent		34 913	30 193
Minority shareholders' equity attributable to			
– ordinary shareholders	6	1 881	1 511
– preference shareholders		3 279	3 421
Total equity		40 073	35 125
Derivative financial instruments		23 737	11 432
Amounts owed to depositors	13	466 890	384 541
Other liabilities		9 829	34 225
Liabilities under acceptances		3 024	2 251
Current taxation liabilities		235	337
Deferred taxation liabilities		2 100	1 616
Long-term employee benefit liabilities		1 231	1 157
Investment contract liabilities		5 843	5 846
Long-term debt instruments	14	14 061	12 326
Total liabilities		526 950	453 731
Total equity and liabilities		567 023	488 856
Guarantees on behalf of clients		25 226	20 579

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

Rm	2008	2007
Cash generated by operations	14 557	12 453
Change in funds for operating activities	(10 674)	(10 691)
Net cash generated by operating activities before taxation	3 883	1 762
Taxation paid	(2 233)	(2 419)
Cash flows from/(utilised by) operating activities	1 650	(657)
Cash flows utilised by investing activities	(999)	(2 063)
Cash flows (utilised by)/from financing activities	(685)	2 122
Net decrease in cash and cash equivalents	(34)	(598)
Cash and cash equivalents at the beginning of the year*	18 708	19 306
Cash and cash equivalents at the end of the year*	18 674	18 708

* Including mandatory reserve deposits with central banks.

GROUP STATEMENT OF CHANGES IN TOTAL SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER

Rm	Number of ordinary shares	Ordinary share capital	Ordinary share premium	Reserves not available for distribution	Foreign currency translation reserve	Property revaluation reserve
Balance at 31 December 2006	394 685 482	395	9 727	93	281	485
Shares issued for options exercised under Employee Incentive Schemes	3 493 321	3	499			
Shares issued in terms of capitalisation award	4 830 026	5	646			
Shares issued in terms of BEE transaction	70 172		16			
Share issue expenses			(1)			
Preference shares issued by subsidiary						
Shares issued by subsidiary						
Shares acquired by group entities	(5 171)		(1)			
Shares acquired by BEE trusts	(1 132 431)	(1)	(165)			
Preference share dividend paid						
Preference share cumulative dividend paid						
Ordinary minority shareholders' share of preference dividend paid						
Dividends paid to ordinary shareholders						
Total income and expenses for the year		–	–	20	(25)	363
Profit for the period						
Net (expenses)/income recognised directly in equity		–	–	20	(25)	363
Transfer (to)/from reserves						
Release of reserve previously not available***				239	(22)	(14)
Foreign currency translation reserve movements				(219)		
Available-for-sale reserve movements					(3)	
Revaluation of property						374
Acquisition of subsidiary						3
Buy-out of minority						
Sale of subsidiary						
Share-based payments reserve movements						
Other movements						
Balance at 31 December 2007	401 941 399	402	10 721	113	256	848
Shares issued in terms of Employee Incentive Schemes	4 809 873	5	535			
Shares issued in terms of capitalisation award	4 039 422	4	455			
Shares issued in terms of BEE transaction	3 345 585	3	315			
Share delisted in terms of BEE transaction	(2 533 558)	(2)				
Shares sold by group entities	19 000					
Shares acquired/cancelled by BEE trusts	(1 913 981)	(2)	(656)			
Shares issued by subsidiary						
Preference share dividend paid						
Ordinary minority shareholders' share of preference dividend paid						
Dividends paid to ordinary shareholders						
Total income and expenses for the year		–	–	(113)	289	103
Profit for the period						
Net (expenses)/income recognised directly in equity		–	–	(113)	289	103
Transfer (to)/from reserves						
Release of reserve previously not available***				(52)	41	19
Foreign currency translation reserve movements				(61)		
Available-for-sale reserve movements					248	
Revaluation of property						84
Preference shares held by group entities						
Sale of subsidiary						
Share-based payments reserve movements						
Regulatory risk reserve provision						
Other movements						
Balance at 31 December 2008	409 707 740	410	11 370	–	545	951

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

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

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

Share-based payment reserve	Other non-distributable reserves*	Available-for-sale reserve	Other distributable reserves**	Total equity attributable to equity holders of the parent	Minority shareholders' equity attributable to ordinary shareholders	Minority shareholders' equity attributable to preference shareholders	Total shareholders' equity
636	358	175	12 966	25 116	1 202	3 070	29 388
				502			502
				651			651
				16			16
				(1)		(3)	(4)
				–		364	364
				–	150		150
				(1)			(1)
				(166)			(166)
				–		(285)	(285)
				–		(10)	(10)
				–	(13)	13	–
			(2 402)	(2 402)	(41)		(2 443)
238	107	(41)	5 816	6 478	213	272	6 963
			6 025	6 025	344	272	6 641
238	107	(41)	(209)	453	(131)	–	322
(91)	103	(3)	(212)	–			–
				(219)			(219)
				(3)	(41)		(44)
		(38)		(38)			(38)
				374			374
				3			3
				–	(21)		(21)
				–	(81)		(81)
329				329			329
	4		3	7	12		19
874	465	134	16 380	30 193	1 511	3 421	35 125
				540			540
				459			459
				318			318
				(2)			(2)
				–			–
				(658)			(658)
				–	225		225
				–		(341)	(341)
				–	(4)	4	–
			(2 736)	(2 736)	(81)		(2 817)
75	(290)	(70)	6 805	6 799	230	195	7 224
			6 410	6 410	257	337	7 004
75	(290)	(70)	395	389	(27)	(142)	220
(113)	(290)	7	388	–			–
				(61)			(61)
				248	(6)		242
		(77)		(77)	6		(71)
				84			84
				–		(142)	(142)
				–	(29)		(29)
188				188			188
	7			7			7
	(7)		7	–	2		2
949	175	64	20 449	34 913	1 881	3 279	40 073

RECONCILIATION OF SHARES IN ISSUE AND SHARE PREMIUM FOR THE YEAR ENDED 31 DECEMBER

Ordinary share capital and premium

	Number of shares 2008 m	Total 2008 Rm	Ordinary share capital 2008 Rm	Ordinary share premium 2008 Rm	Number of shares 2007 m	Total 2007 Rm	Ordinary share capital 2007 Rm	Ordinary share premium 2007 Rm
Total shares listed	468,9	14 614	470	14 144	459,3	13 668	459	13 209
Less treasury shares held	59,2	2 834	60	2 774	57,4	2 545	57	2 488
Bought back – capital management								
Executed H2 2005	1,0	100	1	99	1,0	100	1	99
Executed H1 2006	5,5	616	6	610	5,5	616	6	610
Executed H2 2006	8,2	897	8	889	8,2	897	8	889
	14,7	1 613	15	1 598	14,7	1 613	15	1 598
BEE transaction shares	41,9	938	42	896	42,4	929	42	887
Other shares held by group entities	2,6	283	3	280	0,3	3		3
Net shares reported	409,7	11 780	410	11 370	401,9	11 123	402	10 721

SHARE BUYBACKS AND TREASURY SHARES

	Price R	Shares m	Value Rm
BEE transaction shares		41,9	938
Other shares held by group entities		2,6	283
Bought back – capital management	109,04	14,7	1 613
Executed H2 2005	97,19	1,0	100
Executed H1 2006	111,65	5,5	616
Executed H2 2006	109,15	8,2	897
Total		59,2	2 834

EARNINGS PER SHARE AND WEIGHTED AVERAGE SHARES FOR THE YEAR ENDED 31 DECEMBER

Earnings per share	Basic	Diluted basic	Headline	Diluted headline
December 2008				
Earnings for the period	6 410	6 410	5 765	5 765
Weighted average number of ordinary shares	405 412 483	411 533 633	405 412 483	411 533 633
Earnings per share (cents)	1 581	1 558	1 422	1 401
December 2007				
Earnings for the period	6 025	6 025	5 921	5 921
Weighted average number of ordinary shares	398 746 512	414 405 412	398 746 512	414 405 412
Earnings per share (cents)	1 511	1 454	1 485	1 429

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

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

Generally, potential shares are dilutive if the strike price + SBP charge to come < average share price for the period of R102.76 (the SBP charge to come represents the value of services to be received by Nedbank group in exchange for these potential shares).

	Potential shares	December 2008 Weighted average dilutive shares	December 2007 Weighted average dilutive shares
Traditional schemes	23 988	4 021	5 837
Nedcor share incentive trust (1994)	4 272	1 027	2 627
Nedbank group options scheme (2005)	18 823	2 588	2 796
Matched shares scheme	893	406	414
BEE schemes – South Africa	30 753	2 094	9 812
Black Business Partners	7 891		2 631
Non-executive directors	575	81	225
Retail	4 258	1 065	2 051
Corporate	10 231		3 243
Black Executives	1 228	226	377
Black Management	6 570	722	1 285
BEE schemes – Namibia	448	6	10
Black Business Partners	200		
Affinity Groups	74		
Education	99		
Black Management	75	6	10
Total	55 189	6 121	15 659

NEDBANK GROUP: CATEGORIES OF FINANCIAL INSTRUMENTS

AS AT 31 DECEMBER

2008 Rm	Total	At fair value through profit or loss	
		Held for trading	Designated
ASSETS			
Cash and cash equivalents	8 609		
Other short-term securities	18 589	7 102	4 552
Derivative financial instruments	22 321	22 321	
Government and other securities	42 138	1 247	16 053
Loans and advances	434 233	10 427	34 280
Other assets	6 084	1 004	167
Clients' indebtedness for acceptances	3 024		
Current taxation receivable	346		
Investment securities	8 455	257	7 952
Non-current assets held for sale	10		
Investment in associate companies and joint ventures	1 167		
Deferred taxation asset	200		
Investment property	213		
Property and equipment	4 327		
Post-employment assets	1 741		
Computer software and capitalised development costs	1 607		
Mandatory reserve deposits with central bank	10 065		
Goodwill	3 894		
Total assets	567 023	42 358	63 004
TOTAL EQUITY AND LIABILITIES			
Ordinary share capital	410		
Ordinary share premium	11 370		
Reserves	23 133		
Total equity attributable to equity holders	34 913	–	–
Minority shareholders' equity attributable to ordinary shareholders	1 881		
Minority shareholders' equity attributable to preference shareholders	3 279		
Total equity	40 073	–	–
Derivative financial instruments	23 737	23 737	
Amounts owed to depositors	466 890	19 611	98 976
Other liabilities	9 829	3 712	50
Liabilities under acceptances	3 024		
Current taxation liabilities	235		
Non-current liabilities held for sale	–		
Deferred taxation liabilities	2 100		
Post-employment liability	1 231		
Investment contract liabilities	5 843		5 843
Long-term debt instruments	14 061		7 951
Total liabilities	526 950	47 060	112 820
Total equity and liabilities	567 023	47 060	112 820

CLASSIFICATIONS IN TERMS OF IAS 39

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

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

Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Financial liabilities at amortised cost	Non-financial assets and liabilities
		8 609		
5 165	1 770			
310	18 726	5 802		
		389 526		
		4 913		3 024
				346
246				10
				1 167
				200
				213
				4 327
				1 741
				1 607
		10 065		3 894
5 721	20 496	418 915	–	16 529
				410
				11 370
				23 133
–	–	–		34 913
				1 881
				3 279
–	–	–		40 073
			348 303	
			6 067	
				3 024
				235
				2 100
				1 231
			6 110	
–	–	–	360 480	6 590
–	–	–	360 480	46 663

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

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

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

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

NEDBANK GROUP: CATEGORIES OF FINANCIAL INSTRUMENTS

AS AT 31 DECEMBER

2007 Rm	Total	At fair value through profit or loss	
		Held for trading	Designated
ASSETS			
Cash and cash equivalents	10 344		
Other short-term securities	25 793	14 574	4 243
Derivative financial instruments	9 047	9 047	
Government and other securities	29 637	5 087	12 245
Loans and advances	373 956	26 005	22 930
Other assets	9 313	3 715	243
Clients' indebtedness for acceptances	2 251		
Current taxation receivable	59		
Investment securities	8 318		8 004
Non-current assets held for sale	31		
Investment in associate companies and joint ventures	978		
Deferred taxation asset	25		
Investment property	171		
Property and equipment	3 929		
Post-employment assets	1 393		
Computer software and capitalised development costs	1 349		
Mandatory reserve deposits with central bank	8 364		
Goodwill	3 898		
Total assets	488 856	58 428	47 665
TOTAL EQUITY AND LIABILITIES			
Ordinary share capital	402		
Ordinary share premium	10 721		
Reserves	19 070		
Total equity attributable to equity holders	30 193	–	–
Minority shareholders' equity attributable to ordinary shareholders	1 511		
Minority shareholders' equity attributable to preference shareholders	3 421		
Total equity	35 125	–	–
Derivative financial instruments	11 432	11 432	
Amounts owed to depositors	384 541	16 147	54 447
Other liabilities	34 225	26 610	
Liabilities under acceptances	2 251		
Current taxation liabilities	337		
Non-current liabilities held for sale	–		
Deferred taxation liabilities	1 616		
Post-employment liability	1 157		
Investment contract liabilities	5 846		5 846
Long-term debt instruments	12 326		7 725
Total liabilities	453 731	54 189	68 018
Total equity and liabilities	488 856	54 189	68 018

Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Financial liabilities at amortised cost	Non-financial assets and liabilities
		10 344		
5 984	992			
241	6 219	5 845		
		325 021		
		5 355		2 251
				59
314				31
				978
				25
				171
				3 929
				1 393
				1 349
		8 364		3 898
6 539	7 211	354 929	–	14 084
				402
				10 721
				19 070
–	–	–	–	30 193
				1 511
				3 421
–	–	–	–	35 125
			313 947	
			7 615	2 251
				337
				1 616
				1 157
			4 601	
–	–	–	326 163	5 361
–	–	–	326 163	40 486

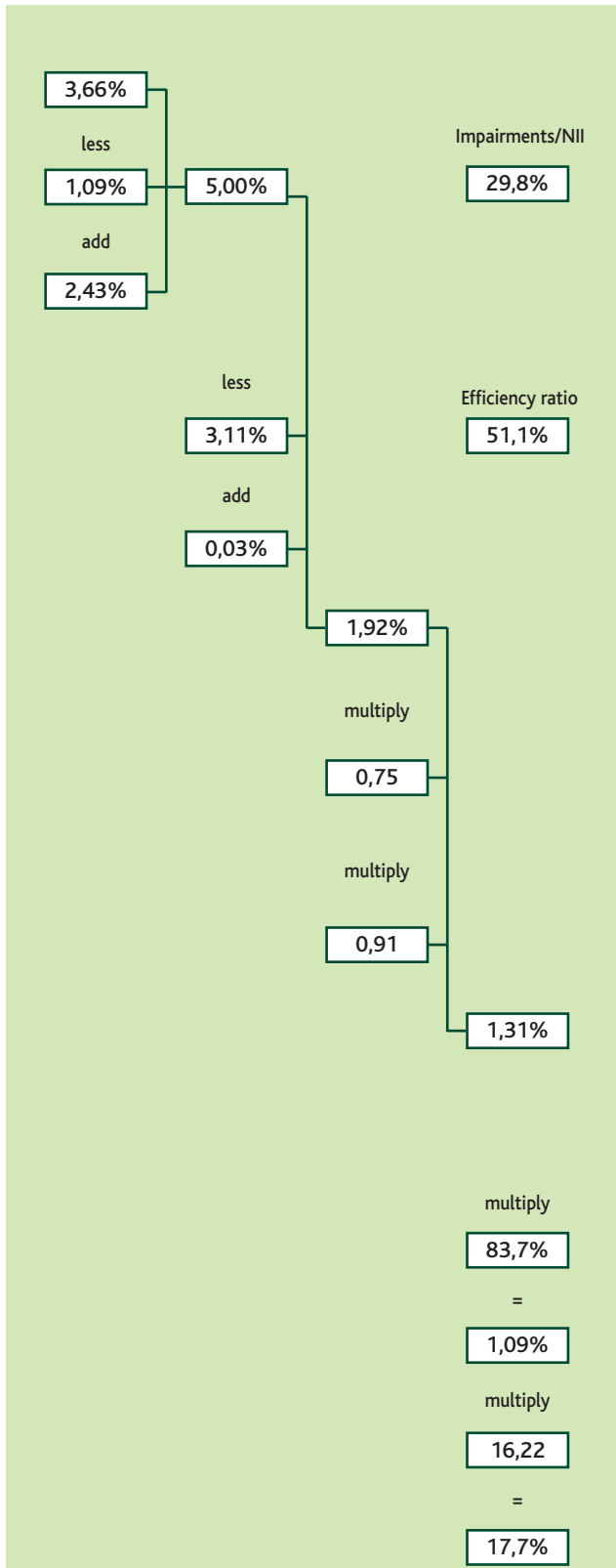
RETURN ON EQUITY DRIVERS

FOR THE YEAR ENDED 31 DECEMBER

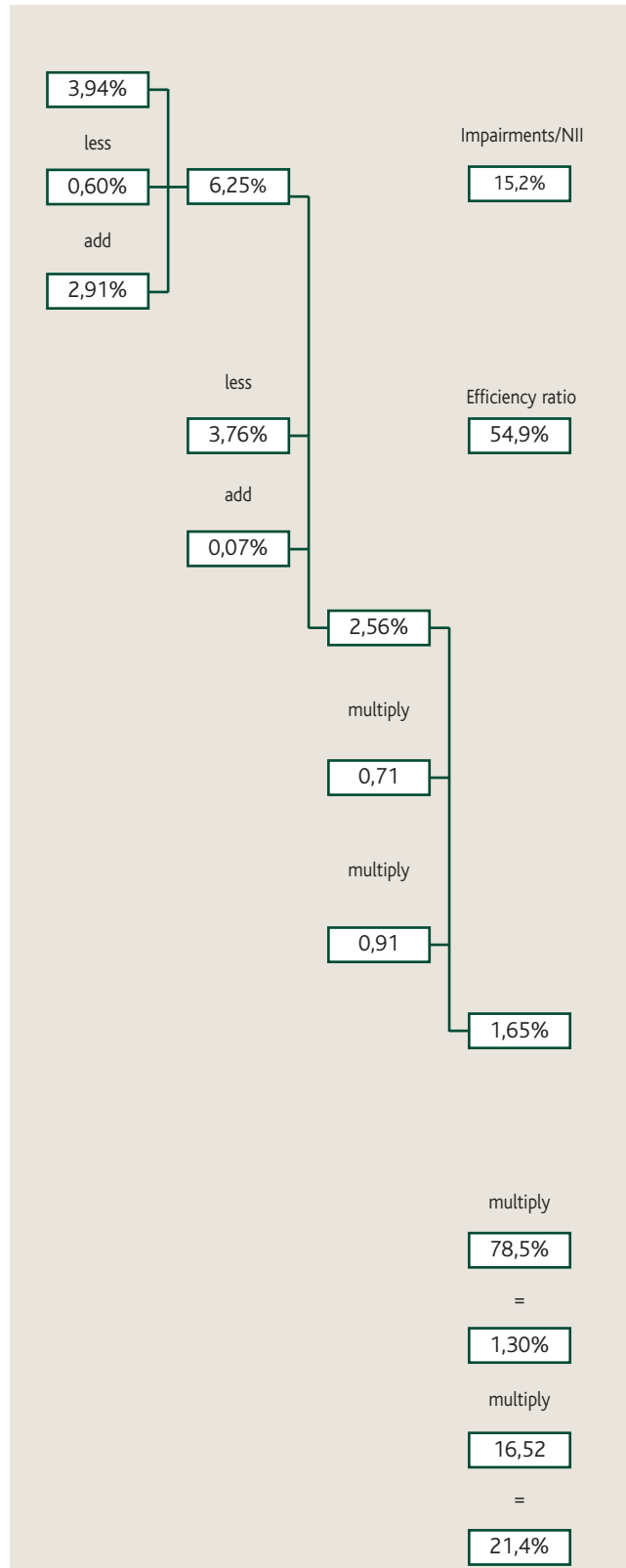
Rm	2008	2007	
Net interest income	16 170	14 146	Net interest income/average interest-earning banking assets
Impairment of loans and advances	(4 822)	(2 164)	Impairments/average interest-earning banking assets
Non-interest revenue	10 729	10 446	Non-interest revenue/average interest-earning banking assets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

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

2008



2007



OPERATIONAL SEGMENTAL REPORTING

FOR THE YEAR ENDED 31 DECEMBER

Balance sheet (Rm)	Nedbank Group		Nedbank Corporate		Nedbank Capital	
	2008	2007	2008	2007	2008	2007
Assets						
Cash and cash equivalents	18 674	18 708	2 380	1 425	2 488	4 738
Other short-term securities	18 589	25 793	756	575	8 880	17 135
Derivative financial instruments	22 321	9 047	36	3	21 972	8 982
Government and other securities	42 138	29 637	4 207	942	11 466	22 139
Advances and other accounts	434 233	373 956	191 543	153 718	47 686	51 233
Other assets	31 068	31 715	5 785	4 559	3 473	5 589
Intergroup assets	–	–	18 419	47 165	92 741	33 603
Total assets	567 023	488 856	223 126	208 387	188 706	143 419
Equity and liabilities						
Amounts owed to depositors	466 890	384 541	208 040	194 358	157 017	100 785
Other liabilities	22 262	45 432	4 689	3 925	4 844	28 483
Derivative financial instruments	23 737	11 432	35	3	23 521	11 262
Intergroup liabilities	–	–	–	–	–	–
Long-term debt instruments	14 061	12 326	172	124	–	2
Allocated capital	40 073	35 125	10 190	9 977	3 324	2 887
Total equity and liabilities	567 023	488 856	223 126	208 387	188 706	143 419
Income statement (Rm)						
Net interest income	16 170	14 146	5 898	5 175	938	545
Impairment charge on loans and advances	4 822	2 164	471	158	36	25
Income from lending activities	11 348	11 982	5 427	5 017	902	520
Non-interest revenue	10 729	10 446	2 578	3 198	1 782	2 135
Operating income	22 077	22 428	8 005	8 215	2 684	2 655
Total expenses	13 741	13 489	4 019	4 478	1 419	1 284
Operating expenses	13 547	13 341	3 987	4 446	1 387	1 253
BEE transaction expenses	194	148	32	32	32	31
Indirect taxation	374	305	43	29	24	21
Profit/(loss) from operations	7 962	8 634	3 943	3 708	1 241	1 350
Share of profits of associates and joint ventures	154	239	9	54	–	1
Profit/(loss) before direct taxation	8 116	8 873	3 952	3 762	1 241	1 351
Direct taxation	1 757	2 336	1 012	1 062	(32)	177
Profit/(loss) after taxation	6 359	6 537	2 940	2 700	1 273	1 174
Minority interest income attributable to – ordinary shareholders	257	344	16	68	7	–
– preference shareholders	337	272	–	–	–	–
Headline earnings	5 765	5 921	2 924	2 632	1 266	1 174
Selected Ratios						
Average interest-earning banking assets (Rm)	441 713	358 824	220 210	183 484	106 770	80 578
Return on average assets (%)	1,1†	1,3†	1,3	1,4	0,8	0,9
Return on risk-adjusted capital (%)	17,7†	21,4†	28,7	26,4	38,1	40,7
Interest margin (%)	3,66	3,94	2,68	2,82	0,88	0,68
Non-interest revenue to gross income (%)	39,9	42,5	30,4	38,2	65,5	79,6
Credit loss ratio (%)	1,17	0,62	0,27	0,11	0,06	0,05
Efficiency ratio (%)	51,1	54,9	47,4	53,5	52,2	47,9
Efficiency ratio (excluding BEE) (%)	50,4	54,3	47,0	53,1	51,0	46,7
Effective taxation rate (%)	21,6	26,3	25,6	28,2	(2,6)	13,2
Number of employees	27 570	26 522	6 192	6 143	693	625

† These ratios were calculated on simple average amounts.

Nedbank Retail		Imperial Bank		Shared Services		Central Management		Eliminations	
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
1 780	1 787	1 102	778	108	920	10 816	9 060		
6 935	6 976	1 563	1 106			455	1		
280	26	19	39			14	(3)		
		534	337			25 931	6 219		
150 107	133 492	44 734	35 320	94	144	69	49		
11 861	11 863	784	578	6 171	5 619	2 994	3 507		
		32	37			1 386	1 747	(112 578)	(82 552)
170 963	154 144	48 768	38 195	6 373	6 683	41 665	20 580	(112 578)	(82 552)
98 861	87 457	1 361	1 547	301	288	1 310	106		
8 330	8 233	321	358	3 428	3 109	650	1 324		
84	134	78	33			19			
52 335	47 816	42 856	32 562	1 585	2 174	15 802		(112 578)	(82 552)
2 031	2 014	792	1 000			11 066	9 186		
9 322	8 490	3 360	2 695	1 059	1 112	12 818	9 964		
170 963	154 144	48 768	38 195	6 373	6 683	41 665	20 580	(112 578)	(82 552)
7 497	6 745	1 733	1 491	(361)	(250)	465	440		
3 630	1 572	701	412	(1)	(4)	(15)	1		
3 867	5 173	1 032	1 079	(360)	(246)	480	439	-	-
5 546	4 851	88	128	362	408	449	(27)	(76)	(247)
9 413	10 024	1 120	1 207	2	162	929	412	(76)	(247)
7 973	7 367	525	489	132	115	(251)	3	(76)	(247)
7 881	7 325	525	489	90	67	(247)	8	(76)	(247)
92	42			42	48	(4)	(5)		
173	135	51	34	80	87	3	(1)		
1 267	2 522	544	684	(210)	(40)	1 177	410	-	-
146	184					(1)			
1 413	2 706	544	684	(210)	(40)	1 176	410	-	-
357	794	182	205	(178)	(25)	416	123		
1 056	1 912	362	479	(32)	(15)	760	287	-	-
54	36	181	239			(1)	1		
		15	13			322	259		
1 002	1 876	166	227	(32)	(15)	439	27	-	-
151 974	129 026	41 554	32 509	104	171	20 225	7 009	(99 124)	(73 953)
0,6	1,3	0,8	1,4						
10,8	22,1	13,2	23,9						
4,93	5,23	4,17	4,59						
42,5	41,8	4,8	7,9						
2,47	1,26	1,71	1,28						
61,1	63,5	28,8	30,2						
60,4	63,2	28,8	30,2						
25,3	29,4	33,5	30,0						
16 461	15 356	1 148	1 008	3 060	3 369	16	21		

NEDBANK CORPORATE SEGMENTAL REPORT

FOR THE YEAR ENDED 31 DECEMBER

December 2008	Corporate banking	Business banking
Headline earnings (Rm)	648	1 369
Return on risk-adjusted capital (%)	32,6	31,7
Return on average assets (%)	0,45	1,70
Credit loss ratio (%)	0,12	0,59
Efficiency ratio (%)	50,84	47,08
Total assets (Rm)	149 314	86 491
Average total assets (Rm)	144 987	80 661
Total advances (Rm)	70 541	55 322
Average total advances (Rm)	59 770	54 524
Total deposits (Rm)	124 130	74 242
Average total deposits (Rm)	124 775	71 403
Allocated capital (Rm)	1 990	4 315

December 2007	Corporate banking	Business banking
Headline earnings (Rm)	450	1 117
Return on risk-adjusted capital (%)	21,6	29,6
Return on average assets (%)	0,38	1,56
Credit loss ratio (%)	(0,01)	0,31
Efficiency ratio (%)	59,82	53,09
Total assets (Rm)	125 867	79 009
Average total assets (Rm)	117 017	71 421
Total advances (Rm)	47 943	51 801
Average total advances (Rm)	46 276	47 571
Total deposits (Rm)	114 683	69 477
Average total deposits (Rm)	97 730	64 051
Allocated capital (Rm)	2 087	3 773

* Includes Bond Choice, Lion Match, Centralised Risk, HR and Finance, Shared Services, Transactional Banking, MBCA and eliminations.

Property finance	Africa	Other*	Total
800	94	13	2 924
23,7	19,7		28,7
1,32	0,99		1,31
0,07	0,56		0,27
30,98	71,73		47,42
69 235	9 828	(91 742)	223 126
60 398	9 532	(72 094)	223 484
59 816	5 699	165	191 543
51 215	5 650	1 198	172 357
116	8 242	1 310	208 040
122	8 452	3 674	208 426
3 372	477	36	10 190

Property finance	Africa	Other*	Total
909	78	78	2 632
24,4	23,7		26,4
1,83	1,09		1,41
(0,01)	0,32		0,11
26,66	73,69		53,48
55 582	7 816	(59 887)	208 387
49 724	7 213	(59 005)	186 370
46 675	5 359	1 940	153 718
41 157	4 871	2 363	142 238
90	6 964	3 144	194 358
161	6 282	3 822	172 046
3 723	331	63	9 977

NEDBANK RETAIL SEGMENTAL REPORT

FOR THE YEAR ENDED 31 DECEMBER

	% change	Headline earnings		RORAC		Efficiency ratio	
		2008 Rm	2007 Rm	2008 %	2007 %	2008 %	2007 %
Bancassurance & Wealth	28,2	441	344	60,7	43,4	61,0	61,3
Small Business Services	17,9	389	330	47,9	48,4	42,3	51,9
Card	(10,4)	251	280	15,9	21,1	59,4	61,3
Personal loans	1,2	245	242	18,8	17,0	42,3	43,4
Transactional and Investment Products	42,9	100	70	10,4	10,1	89,0	90,8
Private Bank	7,3	88	82	24,1	22,0	65,2	71,9
Secured lending	<-100%	(617)	424	(17,6)	14,1	56,1	50,0
Vehicle Asset Finance	<-100%	(175)	(62)	(29,8)	(9,3)	72,3	91,1
Home loans	<-100%	(442)	486	(15,1)	20,6	52,4	43,8
Other	1,0	105	104				
Total	(46,6)	1 002	1 876	10,8	22,1	61,1	63,5

	Net average advances			Average deposits			Credit loss ratio	
	% change	2008 Rm	2007 Rm	% change	2008 Rm	2007 Rm	2008 %	2007 %
	18,5	14 897	12 569	19,7	17 487	14 615	0,47	0,50
	38,2	10 028	7 256	23,3	13 375	10 849	3,29	1,36
	11,7	6 839	6 120	4,6	866	828	9,41	7,29
	9,1	5 929	5 433		1		10,32	9,94
	(8,3)	1 102	1 202	10,7	52 088	47 062	12,86	9,26
	9,4	10 620	9 708	18,9	9 032	7 594	0,63	0,21
	18,1	94 057	79 675	-	-	3	1,81	0,36
	29,4	6 557	5 104				4,99	2,07
	17,2	87 500	74 571			3	1,56	0,24
	23,2	(138)	(112)		7			
	17,6	143 334	121 851	14,7	92 856	80 951	2,47	1,26

NEDBANK RETAIL – BANCASSURANCE

FOR THE YEAR ENDED 31 DECEMBER

Rm	% change	2008	2007
New business premiums			
Credit, Single Life and Simple Investment Products (Nedlife)	29,0	608,3	471,6
Short-term Insurance (Nedic and NGIB)	27,4	1 103,8	866,4
Advise-based Products (NFP)	(7,6)	4 757,7	5 150,0
Life	5,2	1 393,9	1 324,7
Non-life	(7,6)	3 272,7	3 542,1
Nedbank Preference Shares	(67,8)	91,1	283,2
Total	(0,3)	6 469,8	6 488,0
% Group via NFP		88%	89%
% OMSA via NFP		45%	57%
Advised-based Products (NFP) APE	(2,1)	645,5	659,1
Group	(4,2)	511,5	534,2
Non-group	7,3	134,0	124,9
Credit, Single Life and Simple Investment Products (Nedlife) APE	5,1	433	412

OPERATIONAL STATISTICS FOR THE YEAR ENDED 31 DECEMBER

NEDBANK RETAIL

Classification of clients

	Number of clients	Number of internet banking clients	Number of branches	Banking outlets	Private bank suites	Mobile sales
2008	4 368 552	388 387	444	42	19	101
2007	3 944 776	339 149	468	50	16	91

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

NEDBANK CORPORATE

Classification of clients

	Number of clients	Number of electronic banking clients/profiles	Number of ATMs Africa	Number of locations/branches	Number of employees
2008					
Corporate Banking (Turnover > R400 million)	523	2 831		5	302
Business Banking (Turnover > R5 million)	23 996	17 576		73	2 281
Property Finance	5 069			7	457
Africa	160 217	10 561	65	41	1 218
Other	20 693	2 956	6	5	1 934
Total	210 498	33 924	71	131	6 192
2007					
Corporate Banking (Turnover > R400 million)	523	1 625		5	268
Business Banking (Turnover > R5 million)	22 842	16 825		72	2 301
Property Finance	5 542			7	459
Africa	148 657	8 461	52	40	1 230
Other	10 954	1 621	6	5	1 885
Total	188 518	28 532	58	129	6 143

IMPERIAL BANK

Classification of clients

	Number of clients	Number of branches	Number of employees
2008	343 003	15	1 148
2007	279 521	15	1 008

GEOGRAPHICAL SEGMENTAL REPORTING

FOR THE YEAR ENDED 31 DECEMBER

Balance sheet (Rm)	South Africa*		Rest of Africa		Rest of world	
	2008	2007	2008	2007	2008	2007
ASSETS						
Cash and cash equivalents	15 376	16 856	1 670	1 274	1 628	578
Other short-term securities	9 596	17 547	764	576	8 229	7 670
Derivative financial instruments	21 353	8 793	72	2	896	252
Government and other securities	39 789	28 232	116	104	2 233	1 301
Loans and advances	409 369	354 227	5 897	7 128	18 967	12 601
Other assets	27 547	28 784	542	505	2 979	2 426
Intergroup assets	(9 468)	(1 600)	1 502	415	7 966	1 185
Total assets	513 562	452 839	10 563	10 004	42 898	26 013
Total equity	34 648	30 515	1 123	944	4 302	3 666
Derivative financial instruments	22 607	11 248	68	2	1 062	182
Amounts owed to depositors	431 906	362 745	8 298	7 091	26 686	14 705
Provision and other liabilities	21 378	44 733	403	358	481	341
Intergroup liabilities	(10 866)	(8 602)	669	1 608	10 197	6 994
Long-term debt instruments	13 889	12 200	2	1	170	125
Total liabilities	513 562	452 839	10 563	10 004	42 898	26 013
Income statement (Rm)						
Net interest income	15 182	13 336	516	441	472	369
Impairment charge on loans and advances	4 696	2 087	33	17	93	60
Income from lending activities	10 486	11 249	483	424	379	309
Non-interest revenue	10 018	9 775	281	245	430	426
Operating income	20 504	21 024	764	669	809	735
Operating expenses	12 497	12 393	469	458	581	490
BEE transaction expenses	191	145	3	3		
Indirect taxation	358	298	10	3	6	4
Profit from operations	7 458	8 188	282	205	222	241
Share of profits of associates and joint ventures	154	238		1		
Profit before direct taxation	7 612	8 426	282	206	222	241
Direct taxation	1 665	2 247	84	57	8	32
Profit after taxation	5 947	6 179	198	149	214	209
Minority interest income attributable to						
– ordinary shareholders	202	284	16	33	39	27
– preference shareholders	337	272				
Headline earnings	5 408	5 623	182	116	175	182

* Includes all group eliminations.

ASSETS UNDER MANAGEMENT

AS AT 31 DECEMBER

Rm	2008	2007
Fair value of funds under management – by type		
Unit trusts	39 242	40 070
Third party	3 192	2 832
Private clients	41 947	42 536
	84 381	85 438
Fair value of funds under management – by geography		
South Africa	68 403	70 675
Rest of World	15 978	14 763
	84 381	85 438

Rm	2008			
	Unit trusts	Third party	Private clients	Total
Reconciliation of movement in funds under management – by type				
Opening balance at 31 December 2007	40 070	2 832	42 536	85 438
Inflows	18 810	1 166	12 473	32 449
Outflows	(15 415)	(760)	(9 754)	(25 929)
Mark-to-market value adjustment	(6 291)	(66)	(3 348)	(9 705)
Foreign currency translation differences	2 068	20	40	2 128
Closing balance at 31 December 2008	39 242	3 192	41 947	84 381

Rm	2008		
	South Africa	Rest of the world	Total
Reconciliation of movement in funds under management – by geography			
Opening balance at 31 December 2007	70 675	14 763	85 438
Inflows	26 876	5 573	32 449
Outflows	(21 656)	(4 273)	(25 929)
Mark-to-market value adjustment	(7 492)	(2 213)	(9 705)
Foreign currency translation differences		2 128	2 128
Closing balance at 31 December 2008	68 403	15 978	84 381

BALANCE SHEET – BANKING/TRADING CATEGORISATION

AS AT 31 DECEMBER

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

NOTES TO THE INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

1. Average banking balance sheet and related interest

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

Where possible, averages are calculated on daily balances.

* Includes clients' indebtedness for acceptances.

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

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

NOTES TO THE INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER... continued

2 Impairment of loans and advances

Rm	2008	2007
Opening balance	6 078	5 184
Specific impairment	4 063	3 564
Specific impairment excluding discounts	3 384	2 968
Specific impairment for discounted cash flow losses*	679	596
Portfolio impairment	2 015	1 620
Income statement impairment charge (net of recoveries)	4 822	2 164
Specific impairment	4 209	1 705
Net increase in impairment for discounted cash flow losses*	297	83
Portfolio impairment	316	376
Recoveries	379	417
Amounts written off/other transfers	(3 420)	(1 687)
Specific impairments	(3 406)	(1 706)
Portfolio impairment	(14)	19
Total impairments	7 859	6 078
Specific impairment	5 542	4 063
Specific impairment excluding discounts	4 566	3 384
Specific impairment for discounted cash flow losses*	976	679
Portfolio impairment	2 317	2 015
Total advances	442 092	380 034
Total average advances	411 063	346 892

Details on segmental impairments and defaulted loans and advances are disclosed in the credit risk section on pages 81b to 89b.

* Discounted cash flow on specific impairments

Nedbank Group has restated its 'discounted cash flow loss due on specific impairments' in order to align the interest on specifically impaired financial assets and the portion of the specific impairment provision that relates to the loss due to discounting.

In previous reporting periods other methods were used to determine the loss due to discounting, which included the effect of discounting for both the specific and portfolio impairment.

The losses due to the discounting of cash flows have been recalculated for the change in the identification of when a financial asset is specifically impaired. (Refer to the reclassification between specific and portfolio impairment provisions.)

Reconciliation of specific impairment for discounted cash flow losses

Rm	2008	2007
Opening balance	679	596
Net increase in impairment for discounted cash flow losses	297	83
Release of interest on specifically impaired loans and advances	(1 174)	(708)
Net specific impairment charge for discounted cash flow losses	1 471	791
Closing balance	976	679

Reclassification of impairments – 2007

Rm	Total impairment	Specific impairment		Portfolio impairment	
		Reclassified	As previously stated	Reclassified	As previously stated
Impairment of loans and advances					
Balance at beginning of year	5 184	3 564	3 787	1 620	1 397
Income statement charge	2 164	1 788	1 843	376	321
Recoveries	417	417	417		
Amounts written off against the impairment	(1 687)	(1 706)	(1 706)	19	19
Impairment of loans and advances	6 078	4 063	4 341	2 015	1 737

The group has changed its criteria for the distinction between specific and portfolio impairments during 2008 so as to align criteria with industry standard practice. The reclassification of impairments held against loans and advances did not have any effect on the amounts reported in the group's income statement, balance sheet, statement of changes in total shareholders' equity or cash flow statement, but had an effect on the notes above for 2007 in respect of specific and portfolio impairment provision balances. Refer to the risk section on page 87b for more details.

NOTES TO THE INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER... continued

3.1 Non-interest revenue

Rm	Nedbank Group		Nedbank Corporate		Nedbank Capital	
	2008	2007	2008	2007	2008	2007
Commission and fees income	7 911	7 528	2 036	2 543	298	338
Administration fees	267	195	52	56		
Cash-handling fees	464	378	361	281		
Insurance commission	548	523	17	22		
Exchange commission	358	294	205	186		
Fees	990	1 056	284	295	296	334
Guarantees	108	83	102	77	2	2
Card income	1 846	1 695	44	36		
Service charges	1 972	1 709	437	410		
Bond originator income		578		750		
Other commission	1 358	1 017	534	430		2
Securities dealing and fair value adjustments	498	841	39	327	35	500
Securities dealing	131	836	56	303	72	518
Fair value adjustments	367	5	(17)	24	(37)	(18)
Trading income	1 553	1 334	185	121	1 333	1 172
Foreign exchange	1 156	733	185	121	914	571
Debt securities	557	342			557	342
Equities	(194)	233			(172)	233
Commodities	34	26			34	26
Rental income	51	51	16	15		
Investment income	241	159	141	22	89	108
Long-term assets sales	8	28	8	8		2
Dividends received	233	131	133	14	89	106
Sundry income	475	533	161	169	27	15
Non-banking subsidiaries	226	271		46		
Other sundry income	249	262	161	124	27	17
Total non-interest revenue	10 729	10 446	2 578	3 198	1 782	2 135

3.2 Private equity income included in NIR

Rm	Nedbank Group		Nedbank Corporate		Nedbank Capital	
	2008	2007	2008	2007	2008	2007
Security dealing	95	809	49	299	46	510
Investment income – dividends received	208	106	127	8	81	98
Total private equity NIR	303	915	176	307	127	608
Realised	261	409	128	78	133	331
Unrealised	42	506	48	229	(6)	277
Total private equity NIR	303	915	176	307	127	608

	Nedbank Retail		Imperial Bank		Shared Services		Central Management and Eliminations	
	2008	2007	2008	2007	2008	2007	2008	2007
	5 454	4 772	98	39	59	33	(34)	(197)
	150	146	70		8	7	(13)	(14)
	103	97						
	531	501						
	148	104			5	4		
	418	417		14	8	10	(16)	(14)
	4	4						
	1 802	1 659						(172)
	1 535	1 299						3
	763	545	28	25	38	12	(5)	
	1	3	(29)	-	(5)	45	457	(34)
	1	3	(29)		2	45	457	12
					(7)			(46)
	57	41	-	-	-	-	(22)	-
	57	41					(22)	
	(3)	2			37	34	1	
	5	2	-	-	-	4	6	23
	5	2				4	6	18
								5
	32	31	19	89	271	292	(35)	(66)
	32	31	19	89	226	225	(35)	(66)
					45	67		
	5 546	4 851	88	128	362	408	373	(274)

NOTES TO THE INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER... continued

4 Expenses

Rm	Nedbank Group		Nedbank Corporate		Nedbank Capital	
	2008	2007	2008	2007	2008	2007
Staff costs	7 040	7 079	1 939	1 731	671	641
Salaries and wages	7 193	6 942				
Long-term employee benefits	(239)	20				
Share-based payment expenses – employees	86	117				
Computer processing	1 841	1 673	167	170	96	75
Depreciation for computer equipment	331	288				
Amortisation of computer software	414	431				
Operating lease charges for computer equipment	146	126				
Other computer processing expenses	950	828				
Communication and travel	636	559	193	94	79	66
Depreciation for vehicles	3	3				
Other communication and travel	633	556				
Occupation and accommodation	1 122	1 068	217	182	44	32
Depreciation for owner-occupied land and buildings	71	67				
Operating lease charges for land and buildings	469	457				
Other occupation and accommodation expenses	582	544				
Marketing and public relations	877	887	105	116	37	28
Fees and insurances	1 326	1 498	345	734	92	96
Auditors' remuneration	96	93				
Bond choice		517				
Other fees and insurances	1 230	888				
Office equipment and consumables	326	296	96	44	5	8
Depreciation for furniture and other equipment	211	186				
Operating lease charges for furniture and other equipment	31	20				
Other office equipment and consumables	84	90				
Other sundries	379	284	55	55	33	25
Activity-justified transfer-pricing	–	–	870	1 320	330	282
Operating expenses	13 547	13 341	3 987	4 446	1 387	1 253
BEE transaction expenses	194	148	32	32	32	31
BEE share-based payments costs	181	147				
Fees	13	1				
Total operating expenses	13 741	13 489	4 019	4 478	1 419	1 284
Efficiency ratio (%)	51,1	54,9	47,4	53,5	52,2	47,9

	Nedbank Retail		Imperial Bank		Shared Services		Central Management and Eliminations	
	2008	2007	2008	2007	2008	2007	2008	2007
	3 283	3 136	306	294	1 145	1 289	(304)	(12)
	401	346	40	30	1 137	1 064		(12)
	286	237	33	33	79	164	(34)	(35)
	846	790	26	24	(13)	22	2	18
	454	499	16	49	294	219	(29)	(24)
	489	397	26	18	310	391	64	(138)
	171	165	13	11	42	72	(1)	(4)
	201	152	65	30	28	37	(3)	(18)
	1 750	1 603	–	–	(2 932)	(3 191)	(18)	(14)
	7 881	7 325	525	489	90	67	(323)	(239)
	92	42	–	–	42	48	(4)	(5)
	7 973	7 367	525	489	132	115	(327)	(244)
	61,1	63,5	28,8	30,2				

NOTES TO THE INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER... continued

5 Taxation charge

Rm	2008	2007
South African normal taxation		
Current	1 550	1 883
Deferred	(32)	229
Secondary taxation on companies (STC)	123	121
Foreign taxation	77	106
Current and deferred taxation on income	1 718	2 339
Prior year overprovision – current	(314)	(24)
Prior year underprovision – deferred	353	21
Total taxation on income	1 757	2 336
Tax on non-trading and capital items	111	7
Total	1 868	2 343
Effective taxation rate excluding non-trading and capital items (%)	21,6	26,3

	%	%
TAXATION RATE RECONCILIATION (EXCLUDING NON-TRADING AND CAPITAL ITEMS)		
Standard rate of South African normal taxation	28	29
Dividend income	(5)	(4)
Differences between foreign taxation rates and South African taxation rate	(1)	(1)
Non-taxable investment income		(1)
Risk provisions		1
Structured deals	(2)	(1)
STC	1	1
Other	1	2
Total taxation on income as percentage of profit before taxation (excluding non-trading and capital items)	22	26

6 Minority interest

Rm	2008		2007	
	Balance sheet	Income statement	Balance sheet	Income statement
Imperial Bank	1 520	180	1 188	239
Nedbank (Swaziland)	58	14	48	12
Nedbank (Namibia) (100% subsidiary from Jul 07)	5	1		3
Nedbank (Malawi)	2		1	
Fairbairn Private Bank (Jersey)	231	39	196	27
MBCA Bank (Zimbabwe)			2	19
The Lion Match Company (Sold)				2
Bond Choice			29	33
BoE Private Clients	57	14	42	9
AIIF Investors Trust	7	7		
Other	1	2	5	
	1 881	257	1 511	344

7 Preference shares

Dividends declared	Number of shares	Cents per share	Amount (Rm)
2008			
Nedbank – Final declared for 2007 – paid March 2008	312 781 032	51,55479	161
Imperial – Final declared for 2007 – paid March 2008	3 000 000	481,17808	14
Nedbank – Final declared for 2008 – paid Sept 2008	312 781 032	55,02049	172
Imperial – Final declared for 2008 – paid Sept 2008	3 000 000	515,31507	16
			363
Nedbank – Final declared for 2008 – payable March 2009	312 781 032	58,26844	182
Imperial – Final declared for 2008 – payable March 2009	3 000 000	545,32877	16
			198
2007			
Nedbank – Final declared for 2006 – paid March 2007	277 298 896	44,13699	122
Imperial – Final declared for 2006 – paid March 2007	3 000 000	430,93151	13
Nedbank – Interim declared for 2007 – paid Sept 2007	312 781 032	46,72603	146
Imperial – Interim declared for 2007 – paid Sept 2007	3 000 000	435,82192	13
			294

Dividends paid	Days	Rate	Amount (Rm)
2008			
Nedbank			
1 Jul 2007 – 31 Dec 2007	184		161,3
1 Jul 2007 – 19 Aug 2007	50	9,750%	41,8
20 Aug 2007 – 14 Oct 2007	56	10,125%	48,6
15 Oct 2007 – 9 Dec 2007	56	10,500%	50,4
10 Dec 2007 – 31 Dec 2007	22	10,875%	20,5
1 Jan 2008 – 30 Jun 2008	182		172,1
1 Jan 2008 – 13 Apr 2008	104	10,875%	96,7
14 Apr 2008 – 16 June 2008	64	11,250%	61,5
17 Jun 2008 – 30 Jun 2008	14	11,625%	13,9
Imperial			
1 Jul 2007 – 31 Dec 2007	184		14,4
1 Jul 2007 – 19 Aug 2007	50	9,100%	3,8
20 Aug 2007 – 14 Oct 2007	56	9,450%	4,3
15 Oct 2007 – 9 Dec 2007	56	9,800%	4,5
10 Dec 2007 – 31 Dec 2007	22	10,150%	1,8
1 Jan 2008 – 30 Jun 2008	182		15,5
1 Jan 2008 – 13 Apr 2008	104	10,150%	8,7
14 Apr 2008 – 16 June 2008	64	10,500%	5,2
17 Jun 2008 – 30 Jun 2008	14	10,850%	1,6
Total paid			363,3
Less: Dividend paid to group entities			22,1
Ordinary minority shareholders' share of dividend paid			3,9
			337,3

NOTES TO THE INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER... continued

7 Preference shares continued

Dividends paid	Days	Rate	Amount (Rm)
2007			
1 Jul 2006 – 31 Dec 2006	184		122,4
1 Jul 2006 – 3 Aug 2006	34	8,250%	21,3
4 Aug 2006 – 15 Oct 2006	73	8,630%	47,8
16 Oct 2006 – 10 Dec 2006	56	9,000%	38,3
11 Dec 2006 – 31 Dec 2006	21	9,375%	15,0
1 Jan 2007 – 30 Jun 2007	181		145,9
1 Jan 2007 – 10 Jun 2007	161	9,375%	126,9
11 Jun 2007 – 30 Jun 2007	20	9,750%	19,0
Imperial			
22 Jun 2006 – 31 Dec 2006	193		12,9
22 Jun 2006 – 3 Aug 2006	43	7,700%	2,7
4 Aug 2006 – 15 Oct 2006	73	8,050%	4,8
16 Oct 2006 – 10 Dec 2006	56	8,400%	3,9
11 Dec 2006 – 31 Dec 2006	21	8,750%	1,5
1 Jan 2007 – 30 Jun 2007	181		13,1
1 Jan 2007 – 10 Jun 2007	161	8,750%	11,6
11 Jun 2007 – 30 Jun 2007	20	9,100%	1,5
Total paid			294,3
Less: Cumulative dividend paid			9,5
Ordinary minority shareholders' share of dividend paid			12,9
			271,9

NOTES TO THE BALANCE SHEET

AS AT 31 DECEMBER

8 Loans and advances

SEGMENTAL BREAKDOWN Rm	Nedbank Group		Nedbank Corporate		Nedbank Capital	
	2008	2007	2008	2007	2008	2007
Homeloans	143 342	123 980	16 817	14 796		
Commercial mortgages	73 031	60 045	66 103	53 225		
Properties in possession	791	308	21	30		
Credit cards	7 248	7 109	53	53		
Overdrafts	12 461	12 514	10 112	10 252	3	44
Term loans	64 144	39 835	50 541	29 022	4 518	2 059
Personal Loans	7 187	6 912	299	343		
Other term loans	56 957	32 923	50 242	28 679	4 518	2 059
Overnight loans	15 760	18 336	15 723	18 331	36	4
Other loans to clients	44 187	47 786	10 543	8 073	29 956	36 837
Foreign client lending	8 433	13 734	2 850	2 084	5 582	11 649
Remittances in transit	229	196	171	140		
Other loans*	35 525	33 856	7 522	5 849	24 374	25 188
Leases and instalment debtors	61 362	52 568	17 620	16 869	217	230
Preference shares and debentures	15 667	9 377	5 767	4 346	9 689	4 828
Factoring accounts	394	494	394	494		
Deposits placed under reverse repurchase agreements	2 630	5 839			2 630	5 839
Trade, other bills and bankers' acceptances	1 075	1 843		64	1 070	1 776
Loans and advances before impairments	442 092	380 034	193 694	155 555	48 119	51 617
Impairment of advances	(7 859)	(6 078)	(2 151)	(1 837)	(433)	(384)
Total loans and advances	434 233	373 956	191 543	153 718	47 686	51 233
Comprises:						
– Loans and advances to clients	428 189	361 668	193 235	155 226	37 316	35 621
– Loans and advances to banks	13 903	18 366	459	329	10 803	15 996
Loans and advances before impairments	442 092	380 034	193 694	155 555	48 119	51 617

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

	Nedbank Retail		Imperial Bank		Shared Services		Central Management and Eliminations	
	2008	2007	2008	2007	2008	2007	2008	2007
	120 992	105 788	5 668	3 549			(135)	(153)
	952	857	6 125	6 089			(149)	(126)
	770	278						
	7 195	7 056						
	2 340	2 204			6	3		11
	8 283	8 369	801	385			1	
	6 888	6 569	801	385			1	
	1 395	1 800						
	1	1						
	3 148	2 338	52	11	88	143	400	384
	1	1						
	58	28				28		
	3 089	2 309	52	11	88	115	400	384
	10 797	9 453	32 778	26 064			(50)	(48)
	89	78	122	125				
	5	3						
	154 572	136 425	45 546	36 223	94	146	67	68
	(4 465)	(2 933)	(812)	(903)		(2)	2	(19)
	150 107	133 492	44 734	35 320	94	144	69	49
	151 931	134 412	45 546	36 223	94	118	67	68
	2 641	2 013				28		
	154 572	136 425	45 546	36 223	94	146	67	68

NOTES TO THE BALANCE SHEET

AS AT 31 DECEMBER... continued

9 Investment securities	2008	2007
Rm		
LISTED INVESTMENTS	525	598
Private-equity portfolio	489	482
Other	36	116
UNLISTED INVESTMENTS	2 087	1 874
Endowment policies	27	245
Dr Holsboer Investment Portfolio	177	240
Morning Tide Investments 168 (Pty) Limited	86	94
Strate Limited	28	16
Private-equity portfolio	1 085	916
Other	684	363
Total listed and unlisted investments	2 612	2 472
Listed policyholder investments at market value	4 987	5 178
Equity other than property	274	419
Government, public and private sector stock	187	196
Unit trusts	4 526	4 563
Unlisted policyholder investments at directors' valuation	892	703
Equities other than property	2	7
Negotiable certificates of deposit, money market and other short-term funds	890	696
Policyholder liabilities	(36)	(35)
Total policyholder investments	5 843	5 846
Total investment securities	8 455	8 318
Summary of total private equity investments		
PROPERTY INVESTMENTS	488	428
Listed investments	401	338
Unlisted investments	87	90
OTHER INVESTMENTS	1 086	970
Listed investments	88	144
Unlisted investments	998	826
	1 574	1 398
Shareholder loans included in advances	1 957	1 345

NOTES TO THE BALANCE SHEET

AS AT 31 DECEMBER... continued

10 Investments in associate companies and joint ventures

Name of company and nature of business	Percentage holding		Acquisition date
	2008	2007	
Unlisted			
Joint Ventures			
BoE (Pty) Limited	50	50	Jan 03
Nedgroup Life Assurance Company Limited	50	50	Jan 03
Associates			
Access Africa Property Group (Pty) Limited ***		40	Jan 06
Acturis Limited *** †		53	Mar 01
African Spirit Trading 306 (Pty) Limited	33	33	Oct 06
Ballywood Properties 1 (Pty) Limited	49		Nov 05
Bond Choice (Pty) Limited ††	29		Jun 02
Capricorn Business and Technology Park (Pty) Limited	41	42	Nov 98
Clidet No 683 (Pty) Limited	49	49	Aug 06
Consep Developments (Pty) Limited	25		Dec 07
Eagle Creek Investments 265 (Pty) Limited***		25	Aug 07
Emergent Investments (Pty) Limited	43	43	Jul 07
Erf 7 Sandown (Pty) Limited	35		Oct 06
Falcon Forest Trading 85 (Pty) Limited	30	30	Mar 05
Firefly Investments 74 (Pty) Limited	35	35	Oct 06
Friedshelf 113 (Pty) Limited	20	20	Aug 02
G & C Shelf 31 (Pty) Limited	30	40	May 04
Golden Pond Trading 350 (Pty) Limited	20	20	Jul 06
Hazeldean Retreat (Pty) Limited	20	20	Mar 07
Kimberly Clark SA Holdings (Pty) Limited**			Aug 04
Lyric Rose (Pty) Limited	49	49	Oct 00
Masingita Property Investment Holdings (Pty) Limited	35	35	Aug 05
Moorivier Mall (Pty) Limited	30	30	Nov 06
Nedglen Property Development (Pty) Limited	35	35	Nov 04
Newmarket Property Developments JV	40	40	Aug 06
Odyssey Developments (Pty) Limited	49	49	Nov 07
Off The Shelf Investment Forty One (Pty) Limited	33	33	Dec 00
Oukraal Developments (Pty) Limited	30		Jan 08
SafDev Tanganani (Pty) Limited	25		Oct 08
Sandton Square Portion 8 (Pty) Limited***		25	Nov 02
TBA Genomineerdes (Pty) Limited	30	30	Jan 03
The Waterbuck Trust	40	40	Oct 07
The Woodlands Property Trust	20	20	Jan 05
Visigro Investments (Pty) Limited	30	30	Jun 06
Whirlprops 33 (Pty) Limited	49	49	Sep 06
XDV (Pty) Limited	25	25	Nov 06
Other			

* Represents amounts less than R1 million.

** Disposed of during 2007.

*** Disposed of during 2008.

† Investment in preference shares which do not carry voting rights, therefore accounted for as an associate.

†† No longer a subsidiary; shareholding changed from 62,0% to 28,5% as from January 2008.

Year-end	Date to which equity income accounted for	Equity-accounted earnings		Carrying amount		Market value/Directors' valuation		Net indebtedness of loans to/(from) associates	
		2008	2007	2008	2007	2008	2007	2008	2007
		145	184	247	230	247	230	-	-
Dec	Dec 08	76	133	183	182	183	182		
Dec	Dec 08	69	51	64	48	64	48		
		9	55	920	748	920	748	577	505
Feb					9		9		6
Sep					9		9		
Dec				22	20	22	20	20	20
Feb				11		11			
Feb	Dec 08	5		27		27			
Sep				14	17	14	17	10	13
Feb				254	211	254	211	166	166
Feb				21		21		14	
Feb					20		20		11
Feb				85	72	85	72	66	66
Feb				17		17		4	
Feb				10	8	10	8	2	2
Feb				18	13	18	13	2	2
Feb				10	10	10	10		
Feb				*	46	*	46		(99)
Feb				9	4	9	4	*	*
Feb				12	*	12	*	12	
Dec	Jun 07		14						
Feb				*	12	*	12		2
Feb				30	27	30	27	33	28
Feb				11	29	11	29	34	29
Jun				8	6	8	6		
Dec				22	*	22	*	22	*
Jun				110	110	110	110	26	110
Feb				9	8	9	8	7	7
Jun				16		16		15	
Jun				15		15			
Apr					20		20		8
Jun				12	7	12	7	3	3
Feb				11	8	11	8	14	8
Feb				11	4	11	4		
Feb				110	48	110	48	2	2
Feb	Dec 08	3	40	*	*	*	*		
Jun				19	10	19	10	(20)	10
	Dec 08	1	1	26	20	26	20	145	111
		154	239	1 167	978	1 167	978	577	505

NOTES TO THE BALANCE SHEET

AS AT 31 DECEMBER... continued

11 Intangible assets

11.1 Computer software and capitalised development costs – carrying amount

Rm	Amortisation periods	2008	2007
Computer software	2 – 5 years	933	923
Customer product systems		415	501
Infrastructure and supporting systems		314	271
Risk management systems		204	140
Channel systems			9
Customer information systems			2
Capitalised development costs	none*	674	426
Customer product systems		290	194
Infrastructure and supporting systems		314	112
Risk management systems		70	120
		1 607	1 349
Computer software			
Opening balance		923	945
Additions		92	110
Commissioned during period		328	308
Disposals		(1)	(4)
Foreign exchange and other moves		9	(5)
Amortisation charge for the period		(414)	(431)
Impairments		(4)	
Closing balance		933	923
Capitalised development costs			
Opening balance		426	321
Additions		583	414
Commissioned during period		(328)	(308)
Impairments		(7)	(1)
Closing balance		674	426

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

11.2 Goodwill – carrying amount

Rm	2008	2007
Carrying amount at beginning of period	3 898	3 695
Arising on business combinations		225
Realised through disposals	(2)	(21)
Foreign currency translation	(2)	(1)
Carrying amount at end of period	3 894	3 898

Rm	Percentage holding	2008			2007		
		Cost	Accumulated amortisation and impairments	Carrying amount	Cost	Accumulated amortisation and impairments	Carrying amount
Major subsidiaries							
Fairbairn Private Bank/Fairbairn Trust Company	70	447	138	309	449	138	311
Peoples Mortgage Limited	100	198	198	–	198	198	–
Imperial Bank	50	285	25	260	285	25	260
Nedbank Limited	100	3 563	739	2 824	3 565	739	2 826
Nedcor Investment Bank	100	375	375	–	375	375	–
Old Mutual Bank	100	206		206	206		206
Nedbank Namibia Limited	100	134	2	132	134	2	132
Capital One		82		82	82		82
American Express		81		81	81		81
		5 371	1 477	3 894	5 375	1 477	3 898

12 Intangible assets – ratios

Rm	2008	2007
Total assets	567 023	488 856
Ordinary shareholders' equity	34 913	30 193
Intangible assets	5 501	5 247
Capitalised software (Refer note 11.1)	1 607	1 349
Goodwill (Refer note 11.2)	3 894	3 898
Intangible assets/Total assets (%)	0,97	1,07
Intangible assets/Ordinary shareholders' equity (%)	15,8	17,4

NOTES TO THE BALANCE SHEET

AS AT 31 DECEMBER... continued

13 Amounts owed to depositors

SEGMENTAL BREAKDOWN Rm	Nedbank Group		Nedbank Corporate		Nedbank Capital	
	2008	2007	2008	2007	2008	2007
Current accounts	45 188	45 920	19 588	20 983	100	74
Savings accounts	14 303	13 925	643	567		
Other deposits and loan accounts	292 768	251 424	182 582	167 411	49 633	33 128
Call and term deposits	192 557	153 684	144 009	122 338	13 478	3 875
Fixed deposits	25 983	24 377	1 802	2 356	1 195	909
Cash management deposits	36 149	41 910	35 565	41 876	2	
Other deposits	38 079	31 453	1 206	841	34 958	28 344
Foreign client liabilities	6 226	8 230	4 241	4 976	1 703	3 053
Negotiable certificates of deposit	87 377	56 166	986	421	85 900	55 914
Deposits received under repurchase agreements	21 028	8 876			19 681	8 616
Total amounts owed to depositors	466 890	384 541	208 040	194 358	157 017	100 785

	Nedbank Retail		Imperial Bank		Shared Services		Central Management and Eliminations	
	2008	2007	2008	2007	2008	2007	2008	2007
	25 405	24 794			1	3	94	66
	13 625	13 300					35	58
	59 549	49 162	1 361	1 547	9	25	(366)	151
	34 810	27 293	110	239	9	8	141	(69)
	22 972	20 794	12	20			2	298
	590	31					(8)	3
	1 177	1 044	1 239	1 288		17	(501)	(81)
	282	201					491	(169)
					291	260	1 056	
	98 861	87 457	1 361	1 547	301	288	1 310	106

NOTES TO THE BALANCE SHEET

AS AT 31 DECEMBER... continued

14 Long-term debt instruments	Rm	Nominal value	Instrument terms	2008	2007
SUBORDINATED DEBT				10 627	10 787
Rand-denominated	(Rm)			10 625	10 785
Callable bonds repayable on 4 December 2008 (IPB1) + Callable bonds repayable on 30 December 2010 (IPB2) (a)	515	13,5% per annum*			528
Callable bonds repayable on 4 December 2013 (IPB3) (b)	500	8,38% per annum*		488	472
Callable notes repayable on 24 April 2016 (NED 05) (c)	300	JIBAR + 2,5% per annum**		152	
Callable notes repayable on 20 September 2018 (NED06) (d)	1 500	7,85% per annum*		1 480	1 406
Callable notes repayable on 8 February 2017 (NED07) (c)	1 800	9,84% per annum*		1 869	1 844
Callable notes repayable on 8 February 2019 (NED08) (d)	650	9,03% per annum*		671	641
Callable notes repayable on 6 July 2022 (NED 09) (f)	1 700	8,90% per annum*		1 718	1 667
Callable notes repayable on 15 August 2017 (NED10) (c)	2 000	JIBAR +0,47% per annum**		2 060	2 050
Callable notes repayable on 17 September 2020 (NED11) (e)	500	JIBAR + 0,45% per annum**		508	507
Callable notes repayable on 14 December 2017 (NED12A) (c)	1 000	10,54% per annum*		1 051	1 048
Callable notes repayable on 14 December 2017 (NED12B) (c)	500	JIBAR + 0,70% per annum**		503	503
	120	10,38% per annum*		125	119
Namibian dollar-denominated	(NAM\$m)			2	2
Long-term debenture repayable on 15 September 2030	40	17% per annum until 15 September 2000 – thereafter zero coupon		2	2
HYBRID SUBORDINATED DEBT				1 839	–
Rand-denominated	(Rm)			1 839	–
Callable notes repayable on 20 November 2018 (NEDH1A) (g)	487	15,05% per annum*		550	
Callable notes repayable on 20 November 2018 (NEDH1B) (g)	1 265	JIBAR + 4,75% per annum**		1 289	
SECURITIZED LIABILITIES				1 420	1 409
Rand-denominated	(Rm)			1 420	1 409
Callable notes repayable on 18 November 2039 (GRN1A1) (h)	291	JIBAR + 0,25% per annum**		295	293
Callable notes repayable on 18 November 2039 (GR1A2A) (h)	1 407	JIBAR + 0,60% per annum**		999	991
Callable notes repayable on 18 November 2039 (GRN1B) (h)	98	JIBAR + 0,85% per annum**		75	75
Callable notes repayable on 18 November 2039 (GRN1C) (h)	76	JIBAR + 1,1% per annum**		51	50
OTHER				175	130
Rand-denominated	(Rm)			5	5
Unsecured debentures repayable on 30 November 2029	200	Zero coupon		5	5
US dollar-denominated	(US\$m)			170	125
Guaranty loan repayable on 31 August 2009	18	1,5 bps below 6-month Libor on nominal value		170	125
Total long-term debt instruments in issue				14 061	12 326

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

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

* Interest on these notes is payable biannually.

** Interest on these notes is payable quarterly.

† The debt instrument was redeemed on its call date 4 December 2008.

- (a) Callable by the issuer, Imperial Bank Limited, after approximately five years from the date of issue, being 30 March 2006 (ie 30 December 2010), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 2,67%.
- (b) Callable by the issuer, Imperial Bank Limited, after five years from the date of issue, being 4 December 2008 (ie 4 December 2013), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 3,75%.
- (c) Callable by the issuer, Nedbank Limited, after five years from the date of issue, being 24 April 2006, 8 February 2007, 15 August 2007, 14 December 2007 and 14 December 2007 (ie 24 April 2011, 8 February 2012, 15 August 2012, 14 December 2012 and 14 December 2012), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 1,70%, 1,95%, 1,45%, 1,70% and 1,70% respectively.
- (d) Callable by the issuer, Nedbank Limited, after seven years from the date of issue, being 20 September 2006 and 8 February 2007 (ie 20 September 2013 and 8 February 2014), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 2,05% and 2,17% respectively.
- (e) Callable by the issuer, Nedbank Limited, after eight years from the date of issue, being 17 September 2007 (ie 17 September 2015), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 2,85%.
- (f) Callable by the issuer, Nedbank Limited, after ten years from the date of issue, being 6 July 2007 (ie 6 July 2017), at which time the interest will step up by 1,00% to a floating three-month JIBAR rate, plus a spread of 1,47%.
- (g) Callable by the issuer, Nedbank Limited, after ten and a half years from the date of issue, being 20 May 2008 (ie 20 Nov 2018), at which time the interest converts to a floating three-month JIBAR rate, plus 712,5bps in perpetuity unless called.
- (h) Callable by the issuer, Greenhouse Funding (Pty) Limited, after approximately five years from the date of issue, being 10 December 2007 (ie 18 November 2012), at which time the interest rate on the notes (GRN1A1, GR1A2A, GRN1B, GRN1C) will step up to three-month JIBAR rate, plus a spread of 0,40%, 0,80%, 1,10% and 1,35% respectively.

Tier 3 capital

At 31 December 2007 R300 million was included in deposits that qualified as Tier 3 capital. The debt instrument was redeemed on 22 September 2008.

NOTES TO THE BALANCE SHEET

AS AT 31 DECEMBER... continued

15 BEE: Estimated future dilutive shares and IFRS 2 charge

These are purely illustrative scenarios for the period 2008 – 2017 of the dilutive potential ordinary shares and the IFRS 2 charge as at the end of each year. The first scenario is at an illustrative annual share price growth of 10% and dilutive sensitivity is illustrated by assuming other growth rates. These examples are not based on any share price growth expectations.

	Actual 2005	Actual 2006	Actual 2007
15.1 Estimated future dilutive shares as at end of each year ('000)			
Dilutive shares at 10% share price growth:			
SA BEE transaction	1 408	8 144	9 812
Black Business Partners	764	2 992	2 631
Non-executive directors	21	116	225
Retail	12	685	2 051
Corporate	581	3 164	3 243
Black Executives	11	209	377
Black Management	19	978	1 285
Namibia BEE transaction	–	–	10
Black Business Partners			
Affinity Groups			
Education			
Discretionary			
LTIP			
Black Management			10
	1 408	8 144	9 822
Dilutive shares at share price growth of:			
SA BEE transaction			
5%	1 408	8 144	9 812
15%	1 408	8 144	9 812
20%	1 408	8 144	9 812
30%	1 408	8 144	9 812
Namibia BEE transaction			
5%			10
15%			10
20%			10
30%			10

	Actual 2008	Illustrative forecast 2009	Illustrative forecast 2010	Illustrative forecast 2011	Illustrative forecast 2012	Illustrative forecast 2013	Illustrative forecast 2014	Illustrative forecast 2015	Illustrative forecast 2016	Illustrative forecast 2017
	2 094	1 928	2 761	2 013	1 584	1 859	2 035	1 165	879	361
	81	196	186		48	151	259			
	1 065	700	1 153							
	226	267	354	451	406	394	419	348	253	143
	722	765	1 068	1 562	1 130	1 314	1 357	817	626	218
	6	47	50	67	77	58	46	43	–	–
		17	18	20	22	24	26	29		
		19	18	18	17	16	15	14		
	6	11	13	18	19	5	5			
	2 100	1 975	2 811	2 080	1 661	1 917	2 081	1 208	879	361
	2 094	1 325	1 648	1 549	1 046	1 053	1 080	816	623	212
	2 094	2 480	4 351	3 432	3 474	4 076	4 352	1 427	1 068	468
	2 094	3 254	5 921	4 782	5 054	5 804	6 080	1 626	1 208	545
	2 094	4 628	8 641	7 018	7 431	8 252	8 383	1 901	1 395	645
	6	46	49	66	76	57	45	42		
	6	48	51	68	78	59	47	44		
	6	49	52	69	79	60	48	45		
	6	51	54	71	81	62	50	47		

NOTES TO THE BALANCE SHEET

AS AT 31 DECEMBER... continued

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

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

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

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

	December 2008			
	5%	10%	15%	20%
SA BEE transaction	1 143,2	1 358,0	1 374,8	1 392,5
Pegged cost for instruments allocated to date	1 021,8	1 021,8	1 021,8	1 021,8
Future costs dependent on share price growth	121,4	336,2	353,0	370,7
Namibia BEE transaction	30,3	29,6	30,4	30,4
Pegged cost for instruments allocated to date	29,6	29,6	29,6	29,6
Future costs dependent on share price growth	0,7		0,8	0,8
	1 173,5	1 387,6	1 405,2	1 422,9

2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
133,9	116,9	94,0	50,2	41,5	33,0	26,6	25,4	22,3	1 358,0
9,9	10,9	12,0	13,2	14,5	16,0	17,6	19,4	21,3	377,4
11,0									30,6
7,0									149,3
59,0	59,0	36,0							335,3
12,0	12,0	13,0	11,0	9,0	6,0	3,0	1,0		92,1
35,0	35,0	33,0	26,0	18,0	11,0	6,0	5,0	1,0	245,7
									127,6
1,7	1,8	1,3	0,7	0,3	0,3	0,3	0,3	0,3	29,6
									9,0
									3,3
									4,4
0,3	0,3	0,3	0,3	0,3	0,3	0,3	0,3	0,3	2,7
0,4	0,5	0,4	0,1						1,4
1,0	1,0	0,6	0,3						3,8
									5,0
135,6	118,7	95,3	50,9	41,8	33,3	26,9	25,7	22,6	1 387,6

30%	December 2007				
	5%	10%	15%	20%	30%
1 429,6	1 500,4	1 341,2	1 549,6	1 576,1	1 633,4
1 021,8	1 140,5	1 140,5	1 140,5	1 140,5	1 140,5
407,8	359,8	200,7	409,1	435,6	492,9
30,4	33,7	32,3	30,9	30,0	29,3
29,6	25,1	25,1	25,1	25,1	25,1
0,8	8,6	7,2	5,8	4,9	4,2
1 460,0	1 534,1	1 373,5	1 580,5	1 606,1	1 662,7

NEDBANK GROUP – SHARE-BASED PAYMENTS

ANALYSIS OF BEE SCHEMES – ILLUSTRATIVE ROLL OF SHARES – BASED ON A 10% INCREASE IN SHARE PRICE: 31 DECEMBER 2008

Illustrative vesting outside of group	Inception	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Illustrative forecast 2009	Illustrative forecast 2010	Illustrative forecast 2011
Opening balance		–	1 471 700	1 559 493	1 713 617	3 744 050	9 483 245	10 647 061
SA BEE transaction		1 471 700	47 977	154 124	2 030 433	5 739 195	1 138 947	14 197 498
BBP								
NED								789 130
Retail – For sale			19 965	65 280	2 024 091	3 192 834		
Retail – Free shares						1 767 390		
Corporate Non-Aka								10 160 049
Corporate Aka								1 676 901
Community								
Black executives						161 040	224 907	301 155
Black management			28 012	88 844	6 342	617 931	914 040	1 270 263
Broad-based		1 471 700						
Evergreen								
Namibia BEE transaction		–	39 816	–	–	–	24 869	65 744
BBP								
AG								
Education								
Discretionary								
LTIP								40 875
Black Management							24 869	24 869
Broad-based			39 816					
		1 471 700	1 559 493	1 713 617	3 744 050	9 483 245	10 647 061	24 910 303
Treasury shares i.e. in Trusts considered to be inside group								
Opening balance		–	39 796 430	40 374 079	40 219 955	38 189 522	32 450 327	31 286 511
Inception								
SA BEE transaction	41 268 130	(1 471 700)	(47 977)	(154 124)	(2 030 433)	(5 739 195)	(1 138 947)	(14 197 498)
BBP	7 891 300							
NED	789 130							(789 130)
Retail – For sale	5 302 170		(19 965)	(65 280)	(2 024 091)	(3 192 834)		
Retail – Free shares	1 767 390					(1 767 390)		
Corporate Non-Aka	10 160 049							(10 160 049)
Corporate Aka	1 676 901							(1 676 901)
Community	1 531 551							
Black Executives	2 093 521					(161 040)	(224 907)	(301 155)
Black Management	7 661 076		(28 012)	(88 844)	(6 342)	(617 931)	(914 040)	(1 270 263)
Broad-based	1 471 700	(1 471 700)						
Evergreen	923 342							
Namibia BEE transaction	665 442	–	(39 816)	–	–	–	(24 869)	(65 744)
BBP	199 929							
AG	74 048							
Education	98 730							
Discretionary	81 452							
LTIP	81 749							(40 875)
Black Management	89 718						(24 869)	(24 869)
Broad-based	39 816		(39 816)					
		39 796 430	40 374 079	40 219 955	38 189 522	32 450 327	31 286 511	17 023 269
Illustrative cap/issued/ purchased shares			815 960	2 150 413	3 666 988	3 666 988	3 666 988	3 666 988
		39 796 430	41 190 039	42 370 368	41 856 510	36 117 315	34 953 499	20 690 257

Illustrative forecast 2012	Illustrative forecast 2013	Illustrative forecast 2014	Illustrative forecast 2015	Illustrative forecast 2016	Illustrative forecast 2017	Illustrative forecast 2018	Total	Illustrative cap shares	Illustrative call option	Illustrative shares
24 910 303	26 342 517	27 759 011	29 087 246	37 716 590	38 537 343	39 397 229	–			
1 360 954	1 411 771	1 323 362	8 629 344	448 046	859 886	–	38 813 237	10 044 620	(13 423 288)	35 434 569
			7 891 300				7 891 300	5 955 644	(5 947 106)	7 899 838
							789 130	405 341	(561 862)	632 609
							5 302 170			5 302 170
							1 767 390			1 767 390
							10 160 049	3 067 271	(5 750 891)	7 476 429
							1 676 901	616 364	(1 163 429)	1 129 836
230 093	239 789	260 739	304 710	231 378	139 710		2 093 521			2 093 521
1 130 861	1 171 982	1 062 623	433 334	216 668	720 176		7 661 076			7 661 076
							1 471 700			1 471 700
71 260	4 723	4 873	–	372 707	–	81 452	665 444	327 455	(412 697)	580 202
				199 929			199 929	119 714	(173 426)	146 217
				74 048			74 048	29 499	(44 200)	59 347
				98 730			98 730	39 332	(58 933)	79 129
						81 452	81 452	138 910	(136 138)	84 224
40 875							81 750			81 750
30 385	4 723	4 873					89 719			89 719
							39 816			39 816
26 342 517	27 759 011	29 087 246	37 716 590	38 537 343	39 397 229	39 478 681	39 478 681	10 372 075	(13 835 985)	36 014 771
17 023 269	15 591 055	14 174 561	12 846 326	4 216 982	3 396 229	2 536 343				
(1 360 954)	(1 411 771)	(1 323 362)	(8 629 344)	(448 046)	(859 886)	–	2 454 893			
			(7 891 300)							
							1 531 551			
(230 093)	(239 789)	(260 739)	(304 710)	(231 378)	(139 710)					
(1 130 861)	(1 171 982)	(1 062 623)	(433 334)	(216 668)	(720 176)					
							923 342			
(71 260)	(4 723)	(4 873)	–	(372 707)	–	(81 452)	(2)			
				(199 929)						
				(74 048)						
				(98 730)						
(40 875)						(81 452)				
(30 385)	(4 723)	(4 873)								
15 591 055	14 174 561	12 846 326	4 216 982	3 396 229	2 536 343	2 454 891	2 454 891			
3 666 988	3 666 988	3 666 988	3 666 988	3 666 988	3 666 988	3 666 988	3 666 988			
19 258 043	17 841 549	16 513 314	7 883 970	7 063 217	6 203 331	6 121 879	6 121 879			

NEDBANK GROUP – SHARE-BASED PAYMENTS

Illustrative roll of shares – SA BEE transaction

	Inception	2005	2006	2007	2008	2009	2010
Issued outside group	–	1 471 700	1 519 677	1 673 801	3 704 234	9 443 429	10 582 376
Treasury shares	41 268 130	39 796 430	39 748 453	39 594 329	37 563 896	31 824 701	30 685 754
Original BEE allocation	41 268 130	41 268 130	41 268 130	41 268 130	41 268 130	41 268 130	41 268 130
Cap/issued/purchased shares	–	116 659	747 199	1 024 777	1 175 328	1 292 861	1 422 148
– BBP		96 214	289 466	442 266	540 487	594 536	653 990
– NED			28 021	35 439	55 999	61 599	67 759
– Corporate		20 445	429 712	547 072	578 842	636 726	700 399
	41 268 130	41 384 789	42 015 329	42 292 907	42 443 458	42 560 991	42 690 278
Call option shares	–	–	–	–	–	–	–
– BBP							
– NED							
– Corporate							
Shares expected at end	41 268 130	41 384 789	42 015 329	42 292 907	42 443 458	42 560 991	42 690 278
Weighted dilutive shares		1 406 976	8 143 756	9 811 687	2 093 953	1 858 811	2 748 652

Illustrative roll of shares – Namibia BEE transaction

	Inception	2005	2006	2007	2008	2009	2010
Issued outside group	–	–	39 816	39 816	39 816	39 816	64 685
Treasury shares	665 442	–	625 626	625 626	625 626	625 626	600 757
Original BEE allocation	665 442	–	665 442	665 442	665 442	665 442	665 442
Cap shares	–	–	16 478	18 698	30 242	31 183	32 169
– BBP			9 605	10 067	10 550	11 057	11 588
– AG			2 002	2 514	2 635	2 761	2 894
– Education			2 669	3 352	3 513	3 682	3 858
– Discretionary			2 202	2 765	13 544	13 683	13 829
	665 442	–	681 920	684 140	695 684	696 625	697 611
Call option shares	–	–	–	–	–	–	–
– BBP							
– AG							
– Education							
– Discretionary							
Shares expected at end	665 442	–	681 920	684 140	695 684	696 625	697 611
Weighted dilutive shares				10 065	5 796	47 165	50 723

2011	2012	2013	2014	2015	2016	2017	2018	Total
24 779 874	26 140 828	27 552 599	28 875 961	37 505 305	37 953 351	38 813 237	38 813 237	38 813 237
16 488 256	15 127 302	13 715 531	12 392 169	3 762 825	3 314 779	2 454 893	2 454 893	2 454 893
41 268 130	41 268 130	41 268 130	41 268 130	41 268 130	41 268 130	41 268 130	41 268 130	41 268 130
1 564 363	873 317	870 461	957 507	-	-	-	-	10 044 620
719 389	791 328	870 461	957 507					5 955 644
74 535	81 989							405 341
770 439								3 683 635
42 832 493	42 141 447	42 138 591	42 225 637	41 268 130	41 268 130	41 268 130	41 268 130	51 312 750
(7 476 150)	-	-	(5 947 106)	-	-	-	-	(13 423 256)
			(5 947 106)					(5 947 106)
(561 830)								(561 830)
(6 914 320)								(6 914 320)
35 356 343	42 141 447	42 138 591	36 278 531	41 268 130	41 268 130	41 268 130	41 268 130	37 889 494
1 988 181	1 583 747	1 859 444	2 034 412	1 164 673	879 331	360 780	-	-
2011	2012	2013	2014	2015	2016	2017	2018	Total
130 429	201 689	206 412	211 285	211 285	583 992	583 992	665 442	665 442
535 013	463 753	459 030	454 157	454 157	81 450	81 450	-	-
665 442	665 442	665 442	665 442	665 442	665 442	665 442	665 442	665 442
33 204	34 288	35 424	36 614	37 862	10 646	10 646	-	327 454
12 145	12 728	13 340	13 981	14 653				119 714
3 033	3 179	3 331	3 491	3 659				29 499
4 044	4 238	4 442	4 655	4 879				39 332
13 982	14 143	14 311	14 487	14 671	10 646	10 646		138 909
698 646	699 730	700 866	702 056	703 304	676 088	676 088	665 442	992 896
-	-	-	-	-	(325 178)	-	(87 519)	(412 697)
					(173 426)			(173 426)
					(44 200)			(44 200)
					(58 933)			(58 933)
					(48 619)		(87 519)	(136 138)
698 646	699 730	700 866	702 056	703 304	350 910	676 088	577 923	580 199
67 429	76 485	57 919	45 805	42 454				

NEDBANK GROUP – BEE DEAL ASSUMPTIONS

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

Changes in assumptions Timing of initial grant*	Forecast December 2008 August 2005	December 2007 August 2005
Share price	'R87,90 for initial grants R95,50 at Dec 2008 + 10% pa for future allocations.'	'R87,90 for initial grants R136,00 at Dec 2007 + 10% pa for future allocations.'
Timing of allocations	Greater number allocated later (ie at higher share price) in line with latest fact pattern.	Greater number allocated later (ie at higher share price) in line with latest fact pattern.
Expected vesting criteria (Management Schemes)	Expected life to mirror experience in current employee schemes. Evenly spread between vesting and expiry dates at 50/50.	Expected life to mirror experience in current employee schemes. Evenly spread between vesting and expiry dates at 50/50.
Pricing of allocations	Instrument values based on share price on grant date and not R74,75. Corporate and Non-executive Directors scheme issue price based on R74,75 plus interest for all anticipated grants.	Instrument values based on share price grant date and not R74,75. Corporate and Non-executive Directors scheme issue price based on R74,75 plus interest for all anticipated grants.
Dividend yield	Illustrative dividend yields.	Illustrative dividend yields.
Participant drop-off rates	Refined per scheme based on historical data – Increased for some.	Refined per scheme based on historical data – Increased for some.

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

NEDBANK GROUP EMPLOYEE INCENTIVE SCHEMES

AS AT 31 DECEMBER

	2008	2007
Movements		
Options outstanding at beginning of period	21 174 877)	20 384 608
Granted	2 812 982)	6 557 583
Exercised	(2 351 454)	(3 503 475)
Expired	(1 313 279)	(173 313)
Forfeited	(1 404 848)	(2 090 526)
Options outstanding at end of the period	18 918 278	21 174 877
Analysis		
Performance-based options – 1994 Scheme	715 035 ^p	1 311 740 ^p
Non-performance-based options – 1994 Scheme	1 155 352	2 960 131
Performance-based options – 2005 Scheme	8 095 501 ^p	6 227 766 ^p
Non-performance-based options – 2005 Scheme	8 357 220	10 078 478
Performance-based options – matched shares 2005 Scheme	297 585	298 381
Non-performance-based options – matched shares 2005 Scheme	297 585	298 381
	18 918 278	21 174 877
Summary: by scheme		
Nedcor Group (employee incentive scheme) (1994)	1 822 476	3 971 572
Options granted in respect of the rights offer (1994 scheme)	47 911	271 409
Ex-NIB share incentive scheme – now part of Necor share incentive trust (1994 scheme)		28 890
Nedbank Group (2005) share option, matched and restricted share scheme	16 452 721	16 306 244
Matched shares	595 170	596 762
Options outstanding at end of the period	18 918 278	21 174 877

Nedcor Group (employee incentive trust) (1994)

The following options granted had not been exercised at 31 December 2008

Option expiry date	Number of shares	Issue price R	Option expiry date	Number of shares	Issue price R
			b/f	143 790	
25-Feb-09	54 750	102,19	28-Jan-10	2 875 ^p	60,01
30-Mar-09	650	60,01	1-Mar-10	5 000	60,01
30-Mar-09	650 ^p	60,01	1-Mar-10	5 000 ^p	60,01
21-May-09	1 000	60,01	1-Apr-10	5 000	60,01
21-May-09	1 000 ^p	60,01	1-Apr-10	5 000 ^p	60,01
12-Jun-09	3 750	69,20	1-May-10	11 500 ^p	60,01
29-Aug-09	12 000	74,40	11-May-10	609 988 ^p	60,01
1-Oct-09	11 840 ^p	69,20	11-May-10	453 023	60,01
1-Oct-09	46 900	69,20	10-Aug-10	56 000 ^p	55,75
1-Dec-09	5 000	60,01	10-Aug-10	198 950	55,75
1-Dec-09	5 000 ^p	60,01	20-Apr-11	326 350	74,40
1-Jan-10	1 250 ^p	60,01			
	143 790		Total	1 822 476	

Options granted in respect of the rights offer (1994 scheme)

Option expiry date	Number of shares	Issue price R
25-Feb-09	21 876	45,00
12-Jun-09	1 563	45,00
1-Oct-09	19 540	45,00
1-Oct-09	4 932 ^p	45,00
Total	47 911	

^p Performance-based options

NEDBANK GROUP EMPLOYEE INCENTIVE SCHEMES

AS AT 31 DECEMBER

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

Share options:

The following options granted had not been exercised at 31 December 2008

Option expiry date	Number of shares	Issue price R	Option expiry date	Number of shares	Issue price R	Option expiry date	Number of shares	Issue price R
31-Jan-09	12 700	110,98	b/f	96 600		b/f	212 200	
31-Jan-09	4 000 ^p	134,30	1-May-09	15 000	110,98	7-Oct-09	1 000	76,79
31-Jan-09	18 000 ^p	144,30	1-May-09	7 100	84,68	1-Nov-09	10 000	76,79
1-Feb-09	7 000	76,79	1-Jun-09	4 000	76,79	1-Nov-09	17 500	110,98
23-Feb-09	2 500	76,79	1-Jul-09	2 000	76,79	1-Nov-09	15 000 ^p	144,30
28-Feb-09	2 000	76,79	1-Jul-09	1 000	110,98	1-Dec-09	5 000	76,79
28-Feb-09	9 400	84,68	1-Jul-09	2 000 ^p	144,30	1-Dec-09	8 000	110,98
28-Feb-09	11 000	110,98	2-Jul-09	5 000	76,79	1-Dec-09	6 000 ^p	144,30
28-Feb-09	9 500 ^p	144,30	2-Jul-09	2 000	110,98	30-Jun-10	3 026 040	76,79
6-Mar-09	500	76,79	2-Jul-09	2 000 ^p	144,30	8-Aug-10	356 900	84,68
31-Mar-09	1 000	76,79	1-Sep-09	20 000	76,79	28-Feb-11	4 394 980	110,98
18-Apr-09	1 000	76,79	1-Oct-09	11 000	76,79	3-Mar-11	2 173 651 ^p	*
22-Apr-09	1 000	76,79	1-Oct-09	25 000	110,98	10-Aug-11	376 100	107,03
30-Apr-09	5 000	76,79	1-Oct-09	12 000 ^p	144,30	11-Aug-11	195 231 ^p	*
30-Apr-09	2 000	110,98	2-Oct-09	4 500	110,98	27-Feb-12	4 963 119 ^p	144,30
1-May-09	10 000	76,79	2-Oct-09	3 000 ^p	144,30	10-Aug-12	692 000 ^p	134,30
	96 600			212 200		Total	16 452 721	

* Restricted shares issued at a market price for no consideration to participants and held by the scheme until expiry date (subject to achievement of performance conditions). Participants have full rights and receive dividends.

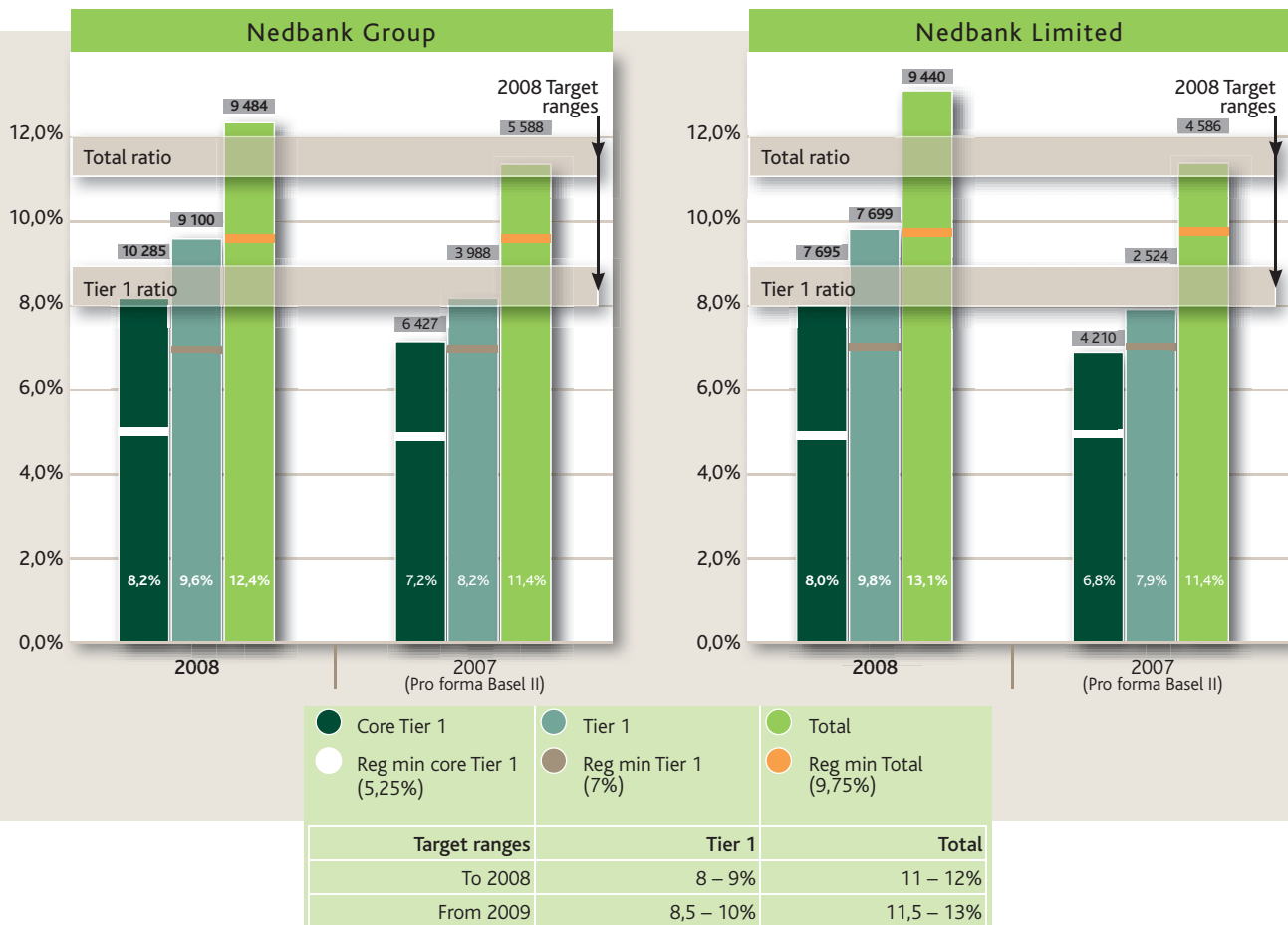
Matched shares:

The obligation to deliver the following matched shares, subject to time and performance criteria, exists at 31 December 2008

Option expiry date	Number of shares
1-Apr-09	136 243
31-Mar-10	168 593
1-Apr-11	290 334
Total	595 170

RISK AND CAPITAL MANAGEMENT REVIEW

BASEL II REGULATORY CAPITAL ADEQUACY*



* includes unappropriated profits
 ● = Surplus in Rm

Nedbank Group has strengthened its regulatory capital ratios significantly, with a Tier 1 capital adequacy ratio of 9,6% (December 2007: 8,2% pro forma Basel II) and a total capital adequacy ratio of 12,4% (December 2007: 11,4% pro forma Basel II). The core Tier 1 capital adequacy ratio was 8,2% (December 2007: 7,2% pro forma Basel II).

Nedbank Limited has also strengthened its regulatory capital ratios, even more so than group, with a Tier 1 capital adequacy ratio of 9,8% (December 2007: 7,9% pro forma Basel II) and a total capital adequacy ratio of 13,1% (December 2007: 11,4% pro forma Basel II). The core Tier 1 capital adequacy ratio was 8,0% (December 2007: 6,8% pro forma Basel II).

BACKGROUND

In the wake of the global financial crisis in which shareholder value around the world has been eroded in momentous proportions and many large financial institutions have either gone insolvent, been taken over and/or received significant

government support, considerable blame has been directed at poor risk management and corporate governance within the financial services industry, and at inadequate regulation and prudential supervision by related governments.

This has extended across the broad sphere of the entire financial system where some financial activities and institutions were either inadequately regulated or not at all. Fair value or mark-to-market accounting rules share some blame for exaggerating the write-downs and deepening the crisis.

In this Risk and Capital Management Review we summarise our:

- Evaluation of the origins of the crisis, resultant lessons learnt and a perspective on the role of the Basel II principles.
- Views on the impact of the crisis on South Africa, and Nedbank in particular.
- Strong risk and capital management culture which together with sound corporate governance has helped us maintain a prudent, conservative risk appetite. We will illustrate this by

RISK AND CAPITAL MANAGEMENT REVIEW

reference to a summary of Nedbank's current risk profile and capital adequacy.

Importantly, we highlight that capital adequacy levels must be seen in relation to a bank's unique risk profile and risk appetite, which should be transparent. This is a core objective of Basel II, namely not to measure banks on a "one-size-fits-all" basis but rather that banks with higher risk profiles should have commensurately higher capital ratios. This was reinforced by the Basel Committee in January 2009.

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

The requirements of regulation 43 are aligned with International Financial Reporting Standards (IFRS) but significantly extend the public disclosure requirements, in terms of both content and frequency, relating to risk and capital management. This extension of disclosure is embodied in what is commonly known as 'Pillar 3' of the Basel II Accord.

Basel II and the revised regulations were effective in South Africa, and introduced successfully in Nedbank, from 1 January 2008.

This review contains the salient features of our risk and capital management for the year ended 31 December 2008, released together with our financial results. Nedbank's full Pillar 3 disclosure update will follow shortly on our website (www.nedbankgroup.co.za) with an executive summary contained within the group's 2008 Annual Report.

ORIGINS OF AND LESSONS LEARNT FROM THE GLOBAL FINANCIAL CRISIS

History has shown that the key risks that cause a bank to fail are:

- The quality of a bank's board and/or executive management, and/or their failure to endorse sound risk management
- Liquidity risk (banks borrow short, lend long)
- Concentration risk(s) – especially credit risk and associated poor quality lending
- Poor governance, risk management and/or internal controls
- Lack of transparency (and undue complexity)
- Reputational risk (and any erosion of the bank's franchise value).

In this crisis all these key risks and more have materialised, exacerbated by several additional key factors, all acting in concert, resulting in what some refer to as the "perfect storm". Our summary of the origins of the crisis includes:

- **Liquidity, asset quality, leverage and valuation**
 - Excess liquidity and low interest rates leading to cheap credit and poor quality/sub-prime lending
 - Excessive risk taking and "originate and sell" strategies, fuelled by aggressive remuneration practices, and a strong push for growth
 - Excessive leverage facilitated by complex, unregulated exotic credit derivatives, as well as a lack of international supervision over reckless lending, gearing and excessive consumer debt
 - This resulted in undue concentration risk in poor quality/sub-prime credit exposure leading to large write-downs following the economic slowdown and leading to global recession
 - Exacerbated by the accounting fair value (mark-to-market "MTM") rules which require assets and liabilities of firms to be measured at current market prices rather than their accrued value, where they are designated as such or held for trading, and as liquidity dried up in the financial markets and the crisis deepened such market prices dropped to "fire-sale" levels resulting in significant valuation difficulties and further write-downs of significant magnitude that may not ever represent "fair value".
- **Regulation and prudential supervision, and risk management and governance in banks**
 - Aside from the credit derivatives market in the United States, investment banks and other non-deposit-taking institutions were insufficiently regulated.

Generally international prudential supervision was found wanting mainly due to the extent of globalisation and regulators from different jurisdictions and/or authorities not working together optimally. This meant that the supervision of systemic risk, critical to macro-economic financial stability, fell short especially in a severely stressed environment
 - Weak risk cultures, governance and risk management in some banks, together with an underestimation of certain risks and certain weaknesses in Basel II.

We believe these deficiencies related to:

- Poor liquidity risk measurement and management
 - Excessive leverage
 - Excessive concentration risks around:
 - Certain credit portfolios
 - Wholesale funding for liquidity
 - Assets and liabilities subject to mark-to-market fair value accounting
 - Poor credit underwriting and over-reliance on inappropriate use of and/or incorrect assumptions and valuation techniques used in quantitative risk models, especially in the trading book, complex credit derivatives and securitisations, and a failure to overlay the quantitative science with qualitative information, common sense and experience
 - An over-reliance on external rating agencies who themselves were left unregulated
 - Counterparty credit risk management, including securitisation and other off-balance sheet activities
 - Over-reliance on VaR models to measure market trading risk, which models underestimate risk in a stressed environment
 - Inadequate stress and scenario testing, and the resultant inadequacy of capital buffers
 - Poor data quality, and risk information technology infrastructure and systems
 - Lack of a clearly articulated risk appetite in financial terms, embedded in strategic plans and monitored
 - Inadequate enterprise-wide risk governance, including ineffective challenge and debate, and insufficient understanding of risk from board level to the front office, together with lack of a clear mandate of the group risk function.
- **Integration of risk, capital, strategy and reward, and the principles of Basel II**
 - While the crisis has shown up some shortcomings in Basel II, these need to be put in perspective. A line was drawn in the sand in 2006 in order that Basel II could be implemented and it was clear that many aspects would continue to be enhanced and added to over time. Additionally, it is unfortunate that Basel II was only fully effective in some jurisdictions from 2008 while others, including the United States, delayed implementation.

Those banks that truly embraced the spirit of Basel II, and so have adequate risk and capital management,

generally will have weathered this “perfect storm” better

- Basel II, and accompanying supervisory guidance, specifically requires in its Pillar 2 that banks shall have a comprehensive “Internal Capital Adequacy Assessment Process” (ICAAP) that is subject to a “Supervisory Review and Evaluation Process” (SREP) by its banking regulator.

The main ICAAP components require of banks:

- Effective board and management oversight
 - Comprehensive risk assessment and management processes
 - Sound capital assessment and capital management
 - Monitoring and reporting
 - Internal control review
- Properly implemented and consistently applied ICAAP should provide the transparency and management information to manage, control and optimise risk and at the same time maximise financial sustainability. For a large bank it should be aligned with best practice “enterprise-wide risk management” and be forward looking, enforcing the essential integration of risk, capital, strategy and reward.
 - This effectiveness, however, is pervasively influenced by a bank’s risk culture and governance, active and consistent executive management and board support, and the operating business model.
- **Remuneration practices**
 - These have been too short-term focussed and not aligned with long-term sustainability and shareholder value creation principles. Here IFRS accounting rules (“point-in-time”) are at odds with Basel II principles (“through-the-cycle”)
 - Have encouraged excessive risk-taking
 - Often have no claw-back provisions
 - Risk department remuneration out of line with front office staff remuneration
 - Limited application of risk-adjusted performance measures in reward schemes.
 - **Transparency and disclosure**
 - Generally disclosure has been inadequate, exacerbated by undue complexity and lack of regulation in certain financial activities and transactions.

RISK AND CAPITAL MANAGEMENT REVIEW

IMPACT OF THE GLOBAL FINANCIAL CRISIS ON SOUTH AFRICA AND NEDBANK

South Africa's banking industry has remained structurally sound and stood up extremely well amidst the crisis. We are currently experiencing cyclical financial stress and an economic slowdown in a banking cycle and are indirectly impacted by the crisis, but not on a scale comparable with the unprecedented storms in the international financial system.

South Africa has been sheltered to a large degree from the crisis due to factors that include:

- Sound regulation of financial services, especially the banking sector
- The extent of the "originate and sell" mentality and use of complex credit derivatives resulting in excessive leverage in some foreign banks was not followed in South Africa
- Government never allowed interest rates to fall so low for so long as in the United States, encouraging excessive borrowing and untenable levels of household debt. South Africa has not had negative real interest rates
- The National Credit Act was successfully implemented in South Africa to help minimise irresponsible lending practices, overgearing and excessive consumer debt
- Exchange controls prevented large flows of funds from local institutions out of the country
- Rand liquidity has remained stable, with the interbank market operating normally
- Good risk and capital management in the South African banks
- Basel II was successfully implemented and embraced in South Africa
- Lessons learned from the 2002/3 SA banking crisis.

In Nedbank specifically, we emphasise what we have messaged in our annual reports over the past few years with respect to our strong risk and capital management culture and commitment:

- Since 2004 the Nedbank vision has been 'to become southern Africa's most highly rated and respected bank ... by our staff, clients, shareholders, regulators and communities'. The vision is supported by our group's 10 deep green aspirations which include becoming 'Worldclass at Managing Risk'
- Aligned with the successful recovery and turnaround of the Nedbank Group completed in 2007, we followed a business-based approach to our Basel II implementation, not only to comply with Basel II, but also to elevate the group's risk management, capital management and performance measurement to worldclass standards.

Nedbank successfully implemented Basel II, in line with the revisions to the Banks Act and the revised Basel II-based banking regulations introduced in South Africa, effective 1 January 2008

- Nedbank's Capital Management Framework embraces the integration of risk, capital, strategy, performance measurement and incentive schemes across the group.

Nedbank received favourable outcomes from the SREP of our group's ICAAP by SARB, and an External Audit of our regulatory returns and associated processes, both of which were concluded in the latter half of 2008. In addition we employed an independent audit firm to review our ICAAP submission.

While striving to become worldclass at managing risk is a journey not a destination, and there are always areas for us to improve upon, we fully embraced the spirit of Basel II commencing back in 2004 and this has assisted in our sound financial performance and sustainability amidst the crisis and South Africa's economic downturn.

The protracted international crisis and its continuing developments in early 2009 as well as increasing concerns in the more traditional loan books of banks are naturally of major concern to us. Nevertheless, our continuing sound profitability albeit at marginally lower levels, and the successful turnaround of the group have generated strong capital levels and appropriately positioned us to weather the challenges prevailing in the environment.

There is a proliferation of studies and responses to the international crisis. Most pertinent to Nedbank is the Basel Committee on international banking supervision based in Switzerland who, following a G20 summit late last year, announced a "comprehensive strategy" in the form of an "8 point plan" to address the fundamental weaknesses revealed by the crisis related to regulation, supervision, risk and capital management. A summary of this and other pertinent international responses to the crisis will be provided in our full Pillar 3 disclosure update.

For Nedbank in 2009, aside from continuing with our 2008 focus on strengthening capital ratios and liquidity, selective asset growth and growing market share based on economic profit, we will pro-actively respond to the international recommendations, guidance and other requirements, and address gaps that may remain as part of Nedbank's ongoing journey to be "Worldclass at Managing Risk".

In so far as Nedbank's capital levels are concerned, and in line with general global expectations and increased conservatism, we have revised upward our target capital adequacy ranges from 8% – 9% (Tier 1) and 11% – 12% (total), to 8,5% – 10% (Tier 1) and 11,5% – 13% (total). Our objective is to move towards the top end of these revised ranges. Refer to page 103b onwards for more details on Nedbank's capital adequacy ratios.

NEDBANK'S CONSERVATIVE RISK APPETITE AND STRONG CAPITAL ADEQUACY

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

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

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

- No direct exposure to US sub-prime credit assets nor associated credit derivative transactions.
- Conservative credit underwriting practices which have culminated in a high quality, well collateralised wholesale book and further tightening of our retail book since 2007 in anticipation of the economic downturn and introduction of the National Credit Act.
- Reasonable credit concentration risk levels.
 - Large individual exposure risk is low. Refer page 93b for details
 - Geographic exposure risk is high (refer page 94b which highlights that 94% of the group's loans and advances originate in South Africa), but in reality this concentration was positive for Nedbank given the current international crisis and reflects focus on an area of core competence
 - Industry exposure risk is reasonably well diversified. Refer page 94b for details.

At first sight our property exposure appears high but this is in line with our domestic peer group and most banks world-wide. As a result of this perceived risk, we undertook a more detailed analysis of our commercial property exposures.

With the assistance of leading consultants we undertook this analysis to assess the level of economic risk in our commercial property portfolio in light of concerns stemming from the devaluation of commercial

property in several overseas countries, with a view not only to improving our risk management practices but also to improving our strategic business options.

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

- potential credit losses in a stressed scenario would remain within the Bank's risk appetite
- the portfolio is well balanced, but there are higher risk loans that require closer monitoring
- the most appropriate business strategy is one of selective origination, sacrificing business volumes and market share growth for risk-based pricing, economic profit and margin management. This is broadly in line with our approach over the last few years.

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

The analysis has been useful not only from the business perspective of shaping our commercial property loan origination and deal pricing approach for the future, but also from the credit risk management perspective of providing us with additional relevant benchmarks against which to monitor our commercial property exposures and of highlighting risky exposures on which to focus increased risk management.

- Counterparty credit risk is almost exclusively restricted to non-complex banking transactions. There is continued emphasis on the use of credit risk mitigation strategies, such as netting and collateralisation of exposures.

Credit derivatives activities have been restricted to single-name trades of South African exposures and biased towards providing risk mitigation. Refer page 90b for further details on our relatively low counterparty credit risk exposure.

- A strong, well diversified funding deposit base and a low reliance on off-shore funding. Additionally, Nedbank's reliance on its top 10 depositors is not unduly concentrated.

Refer to page 78b onwards for our analysis in support of this and our prudent liquidity risk management.

- Low level of securitisation exposure which reduced during 2008.

Refer page 95b for summary detail on this exposure.

- Low leverage ratio (total assets to shareholder equity) of 16,2 times which compares very favourably on an international benchmarking basis.

RISK AND CAPITAL MANAGEMENT REVIEW

- High risk-weighted assets (RWAs) to total assets ratio of 62,7% indicative of our conservative Basel II implementation and measurement of risk which again compares favourably on a local and international benchmarking basis.
- Low level of net assets and liabilities exposed to the volatility of IFRS fair value (MTM) accounting.

– Banking Book

In terms of IAS 39, an entity has the option to designate a financial instrument at fair value provided that any one of the following criteria is met:

- the fair value through profit or loss designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from using a different basis to measure and recognise the gains and losses on financial assets and financial liabilities, or
- the instrument forms part of a group of financial instruments that is managed, evaluated and reported to the appropriate level of management using a fair value basis in accordance with a documented risk management or investment strategy, or
- the financial instrument contains an embedded derivative that significantly modifies the cashflows of the host contract or the embedded derivative clearly requires separation.

Nedbank meets the first and second criteria when designating financial instruments at fair value through profit and loss.

With regard to the first criteria, Nedbank has entered into a large number of fixed rate deals both for assets and liabilities. When a fixed rate deal is entered into an interest rate risk arises and is hedged with an interest rate swap derivative. This process is controlled and monitored by the Group Asset and Liability and Executive Risk Committee (Group ALCO).

In terms of IAS 39, all derivatives are to be carried at fair value and the mark-to-market of these hedging derivatives cause an accounting mismatch as discussed in the first criterion above. In order to eliminate the accounting mismatch, the underlying financial instrument is designated fair value through profit and loss and subsequently fair-valued. All fair value adjustments in this regard are recognised as profits and losses and disclosed within non-interest revenue.

It is important to note that these profits and losses will not be realised and will merely unwind over time as the various financial instruments mature. The financial instruments are effectively fully hedged on an interest

rate risk basis. The present volatility that is being seen in the income statement on the designated fair value line is a result of basis risk and because IAS 39 requires an entity to fair value its own credit for fair value through profit and loss designated financial liabilities.

With regard to the second criterion, Nedbank carries all its investment securities, both listed and unlisted, at fair value. There are no material hedges in place for these investment securities and they are designated fair value through profit and loss, as management reports and manages these investment securities on this basis. Please refer to the "investment" table on page 102b for details.

Refer page 20b "Nedbank Group: categories of financial instruments" for detail on the above.

– Trading Book

The trading book is fair-valued and all adjustments taken through the income statement.

The crisis and the consequent impact on the South African sovereign credit spreads has impacted on the value of certain assets within the trading portfolio. However, Nedbank's holding of foreign assets in the trading portfolio has been constrained by our low risk appetite for foreign credit risk, and consequently the portfolio was and remains relatively small with mainly shorter-dated assets with a bias to financial institutions and large corporate exposures.

These mark-to-market adjustments are included in the current year trading revenue. Our bond portfolio in London was £273 million as at 31 December 2008.

The trading portfolio has limited exposure to the credit derivatives market and has been focused mainly on the provision of protection on South African corporate names. This, coupled with our conservative risk appetite, has restricted losses incurred in the portfolio in the current period.

In the Lehman Brothers collapse, Nedbank held incidental exposure (approximately US\$1 million), which had been marked to market during the run-up to their 15 September 2008 Chapter 11 filing. All other exposures in Lehman Brothers were covered by margining agreements and were successfully unwound in terms of the supporting legal documents.

Refer page 20b "Nedbank Group: categories of financial instruments" and page 36b "Balance sheet banking/trading categorisation" for further details.

- Market trading risk is small in relation to total bank operations (economic capital held is only 1,4% of total and is conservatively based on limits rather than utilisation, plus a 10% buffer).

The risk appetite within the trading business has remained largely unchanged over the past two years. Trading activities have focussed on the domestic market with a bias towards local interest rate and equity products. Subsequent to exiting from the Macquarie business alliance in 2007, the risk appetite for complex equity derivatives was significantly curtailed. Risk appetite is subject to periodic review but there was no material change in trading limits during the 2008 financial year.

The overall performance of the trading business was sound for 2008, an indication that the impacts from the "credit crunch" and difficult equity markets were successfully navigated, and our risk systems sound.

Refer page 99b onwards for more details.

- Low interest rate risk in the banking book as reflected by the sensitivity analysis provided on page 97b.
- Low equity (investment) risk exposure. The total equity risk exposure, including our private equity business, is R3,8 billion comprising only 0,7% of total assets. Further, within this a wide range of individual investments exist and many are linked to a wider client relationship.

Refer page 102b for further details.

- Non-core asset disposal strategy successfully executed as part of the group's strategic turnaround completed in 2007. Currently assets non-core to the business of banking are immaterial.
- Low foreign currency translation risk to rand volatility, which is in line with Nedbank's appropriate offshore capital structure.

Refer page 98b for more details.

- Well diversified earnings streams. Most of the group's earnings are generated by traditional, vanilla, annuity-based income in wholesale and retail banking, and specialised finance.

Refer to pages 26b of our "Operational Segmental Reporting" for an analysis of this.

- Well diversified subordinated debt profile, with no maturity of any existing Tier 2 regulatory capital until 2011 (Nedbank Limited) and 2010 (Imperial Bank Limited).

Refer page 108b for details.

- Comprehensive stress and scenario testing to confirm the adequacy of our capital ratios and accompanying capital buffers.

Our stress testing strategy is performed, duly overseen by a strong governance process, across three levels:

- Specific risk type testing such as for credit, liquidity, trading and equity risks

- Macro-economic factor modelling, involving stressing capital levels in at least four scenarios:

- mild stress
- high stress
- severe stress
- positive scenario (better than expected base case)

- Specific event scenario analysis. The four events currently chosen are:

- severe recession
- liquidity crisis
- property value crash
- default of two and three large exposures (credit concentration risk).

- Since 2005 we also measure and express risk appetite in terms of quantitative risk metrics as well as qualitatively. The quantitative metrics include earnings-at-risk (EaR) (based on earnings volatility) and, related to this, the 'chance of regulatory insolvency', 'chance of experiencing a loss' and economic capital adequacy. These comprise our 'group-level risk appetite metrics' and the current risk profiles of the group are all within the ranges approved by the board and as previously reported.

In addition, a large variety of risk limits, triggers, ratios, mandates, targets and guidelines are in place for all the financial risks (eg credit, market and ALM risks). One of these that we are currently in excess of is the credit loss ratio range of 0,55% – 0,85%, the ratio being 1,17% at 31 December 2008. Prudent provisioning for this is reflected in our credit impairments, details of which may be found from page 81b. We currently expect to remain outside the range in 2009 as well.

Qualitatively, we also express risk appetite in terms of policies, procedures, statements and controls to limit risks that may or may not be quantifiable.

- In our pro-active response to the deepening international crisis we have had a strong focus since the beginning of 2008 on strengthening our capital ratios and liquidity, and selective asset growth. Details on our significantly strengthened capital and liquidity positions are provided on page 103b and below, respectively.

In view of all the above, we believe that our capital levels (both regulatory capital and our internal capital assessment, economic capital) and provisioning for credit impairments are appropriate and conservative, and that Nedbank Group, Nedbank Limited and other subsidiaries are strongly capitalised relative to our business activities, strategy, risk appetite, risk profile and the external environment in which we operate. Additionally, we are currently not holding excess capital for acquisitions.

RISK AND CAPITAL MANAGEMENT REVIEW

REVIEW OF NEDBANK'S RISK PROFILE

Liquidity risk

There are two types of liquidity risk, being market liquidity risk and funding liquidity risk.

The international market turbulence that has and continues to affect many financial markets around the world has sharply focussed attention on the crucial role liquidity plays in assuring the effective functioning of the banking sector and related markets. The significant reduction of liquidity in short-term international money markets and virtual drying-up of liquidity in the securitisation and covered bonds market, coupled with problems in accessing funding in the secured financing markets, even for highly-rated assets, has caused severe liquidity difficulties for many international companies in funding their on- and off-balance sheet requirements. This has prompted significant action by central banks and governments around the world including equity stakes, special liquidity facilities and the acquisition of tainted assets.

The change in market liquidity since the start of this crisis has highlighted how quickly liquidity can evaporate and how illiquidity can last for prolonged periods of time, having catastrophic consequences on what have been seen as strong, mature organisations as well as economic growth rates. This crisis has further highlighted that many banks around the world failed to adopt basic principles of sound liquidity risk management.

In February 2008 the Basel Committee on Banking Supervision noted that financial innovation and global market developments had transformed the nature of liquidity risk in recent years, highlighting that:

- There had become a greater reliance on capital markets, a more volatile source of funding
- Growth in securitisation had lead to:
 - An increase in 'originate-to-distribute' assets
 - More wholesale funding
 - An increase in trading vs. banking book activity that meant more volatility in earnings/capital

- An increase in the complexity of financial instruments resulting in a lack of transparency
- An increase in real time payments and settlements, heightening intraday liquidity risk management
- An increase in cross-border business resulting in events in one market moving quickly to other markets.

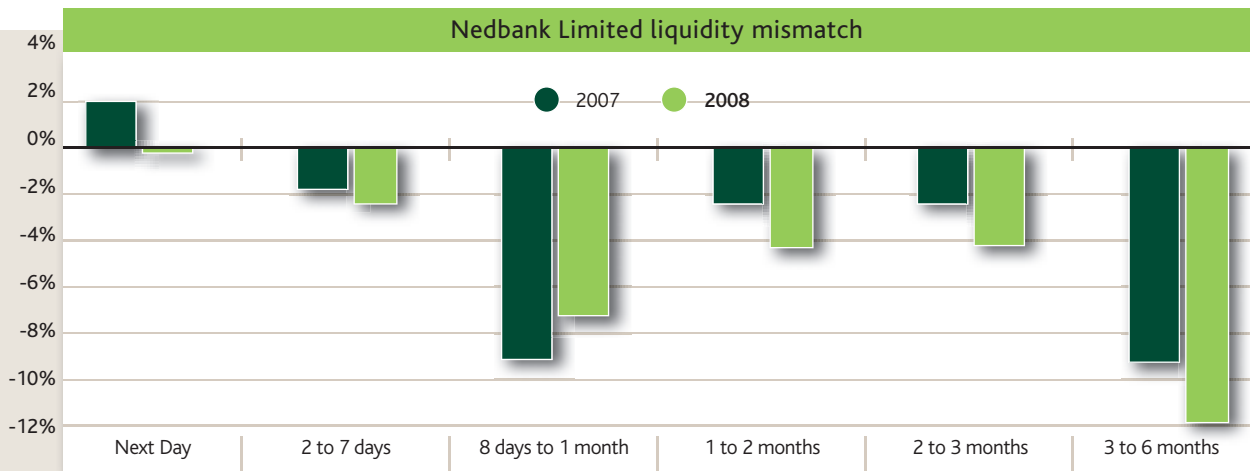
As these events continue to develop and unfold the result continues to play out with devastating consequence. This had led to financial institutions increasing capital bases (including significant de-leverage); unprecedented government intervention and support; a refocus on the money-in side of the business and a shift back to vanilla banking books and products (rather than complex financial products).

By contrast the South African banking system has remained resilient to these adverse global market conditions and remains structurally sound in a tough economic and financial environment. To date, global contagion has largely been restricted to the domestic capital markets and has significantly reduced domestic banks' access to the foreign funding markets. This has resulted in a repricing of securitised funding and a decline in appetite for this asset class and has caused Tier 1 and Tier 2 capital initiatives to become a lot more expensive as well as reduced their programme sizes.

Importantly, the domestic financial market continues to clear efficiently and effectively as the South African banks have not lost trust in one another and the regulatory framework remains robust.

Specifically in Nedbank:

- Liquidity management is a vital risk management function in all entities across all jurisdictions and currencies, and is a key focus of the Nedbank Group.
- A bank's role in financial intermediation is the transformation of short-term deposits into longer-term loans. This makes Nedbank inherently susceptible to liquidity mismatches that are managed through a combination of strategic initiatives.

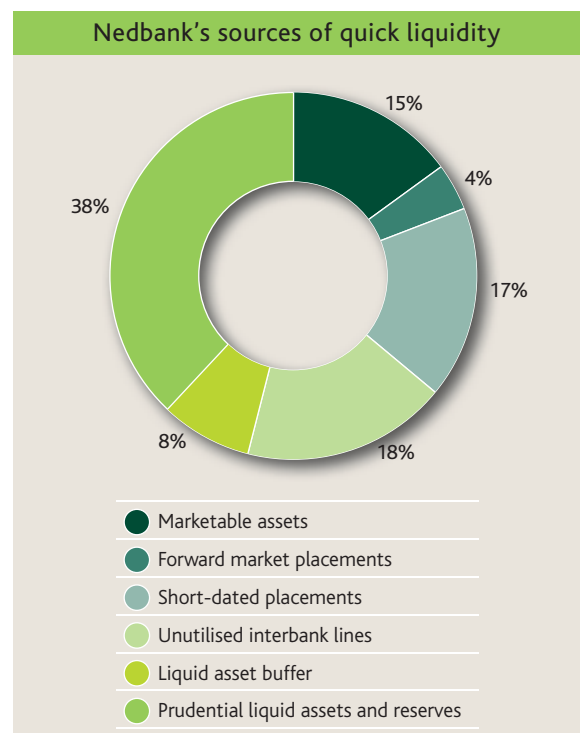


(Expressed on total assets and based on maturity assumptions but before rollovers and risk management)

- The impact of the global liquidity events on Nedbank has not been material to date – primarily because these events have not impacted the domestic funding market. Nedbank has an immaterial foreign-funding requirement, a small international footprint and a small conduit business that has no foreign balance sheet components. Nedbank has no direct exposure to the US sub-prime market.
- Although the impact of these ongoing global liquidity developments has not been significant for the Nedbank Group, the appropriate risk management resources and forums continue to monitor these developments closely to identify any early signs of contagion within the South African markets in order to manage such risk appropriately.
- Ultimate responsibility for liquidity risk management rests with the board of directors, which has approved an appropriate liquidity risk management framework for the management of the group’s funding requirements and liquidity mismatches. This framework includes, inter alia, appropriately constituted non-executive and executive risk committees, a funding strategy forum, a centralised funding desk and divisional pricing/interest rate committees. It also includes appropriately defined charters for these forums as well as supporting policies and limits defining risk appetite.
- The group’s daily liquidity requirements are managed by an experienced centralised funding team in Group Treasury.
- Strategic liquidity initiatives are motivated to and approved by Group ALCO before execution.
- Group ALCO monitors all liquidity strategies to ensure compliance with the Liquidity Risk Management Framework and their successful implementation.
- Nedbank has established a number of liquidity contingency triggers, which are monitored regularly to facilitate early

warning. This process is supported by an appropriate liquidity risk contingency plan and framework to ensure an immediate response and process should the need arise.

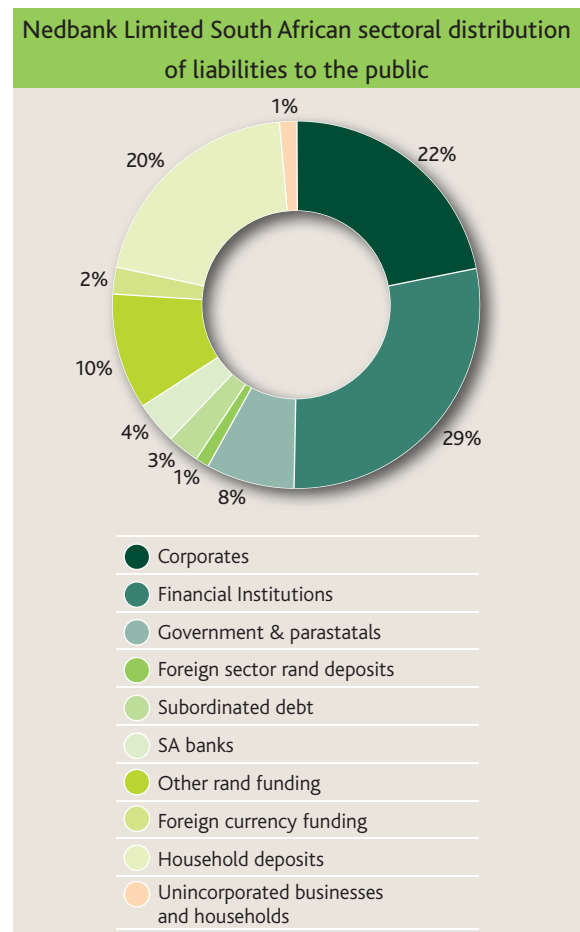
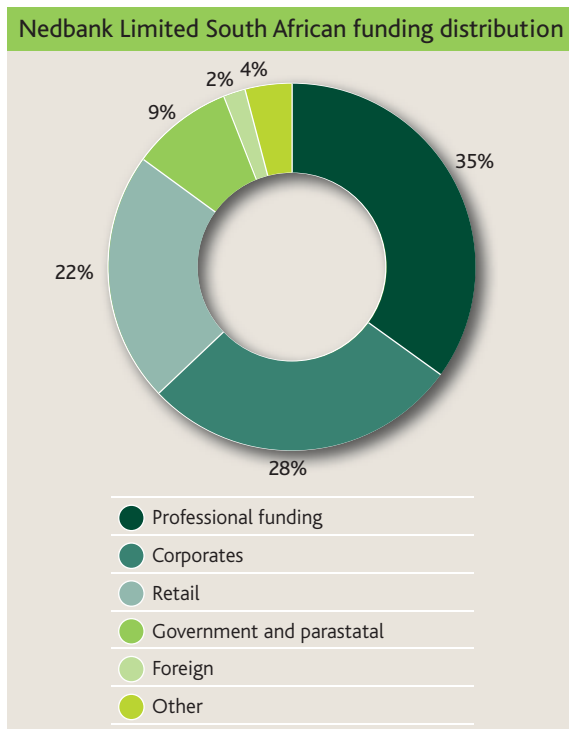
- Group ALCO separately identifies deposits that are deemed to be potential funds at risk. These funds are adequately covered by sources of quick liquidity, including prudential reserves and liquid assets. Sources of quick liquidity totalled R76,6 billion at year end including prudential liquidity holdings of R29,5 billion and an additional liquid asset buffer of approximately R6 billion, which is actively used to create liquidity in the carry market.



RISK AND CAPITAL MANAGEMENT REVIEW

- Liquidity risk reporting, including appropriately designed dashboards, provides the Group ALCO, as well as the board's Group Risk and Capital Management Committee, with appropriate liquidity risk information. This includes measures of compliance with approved policies and limits.
- Behavioural modelling and stress analysis to identify business as usual as well as potential stress cashflow requirements are carried out regularly.
- Portfolios of marketable and highly liquid assets that can be liquidated to meet unforeseen or unexpected funding requirements are held in the group in terms of the Liquidity Risk Management Framework (refer pie chart on previous page).
- Net daily funding requirements are forecast by estimating daily rollovers and withdrawals, managing pipeline deal flow and actively managing daily settlements.
- The centralised funding desk maintains regular interaction with the group's larger depositors to understand and manage their cashflow requirements.
- Close liaison is maintained with the retail banking, business banking and corporate banking deposit-raising activities, through separate direct dealing desks within this team, ensuring that stable sources of funds are maximised and priced correctly, and client rollovers and flows are understood. Nedbank has strong retail, business banking and corporate deposit bases.

- Funding mismatches are managed by currency denomination and a focus is placed on managing short-term funding maturities, daily settlements and collateral management processes. Nedbank Group has very little funding mismatches in its foreign operations.
- Liabilities are appropriately diversified, including by product, market and maturity.
- Funding is sourced from a large variety of depositors representing a cross-section of South African public and private economic sectors, industries, commercial enterprises and individuals with a wide range of maturities and using a large number of investment and transactional banking products. Concentration risk within the deposit base is appropriately diversified.



- Scenario analysis is used in the management of the bank's liquidity risk, including plausible stress scenarios.
- The management of liquidity risk and particularly cash flows is strongly focused on the short to medium term to ensure that risk management is quick to respond to the immediate cashflow requirements under different stress scenarios.

CREDIT RISK

The South African banking environment is experiencing the effects of a rapidly slowing domestic economic cycle coupled with political uncertainty and the secondary effects of the global financial crisis and economic downturn. However, in spite of this challenging economic environment, infrastructure spending and moderate fiscal stimulus are still expected to provide some opportunities for growth in the year ahead.

Credit quality deteriorated throughout 2008, with Nedbank Retail's impairments worsening significantly while the wholesale banking portfolio showed a moderate deterioration in the second half of 2008. While impairments have increased, the impact on earnings was partially offset by prudent cost management.

The credit loss ratio increased from 0,62% in 2007 to 1,17% for the year. The growth in loans and advances and the increase in the credit loss ratio are reflected in a 122,8% increase in the impairments charge from R2 164 million to R4 822 million. Retail credit loss ratios have worsened since June 2008 and remain above expected through-the-cycle levels, largely as a result of continued increases in defaulted loans and advances in the Home Loan and Vehicle and Asset Finance divisions. Wholesale banking credit loss ratios remain below expected through-the-cycle levels, although the credit loss ratio in Business Banking has increased as expected. The credit quality in the wholesale book remains good but is expected to be impacted by worsening credit quality in the year ahead. Notwithstanding seasonal effects, the unsecured retail portfolio reflected encouraging signs of improvement in the latter part of 2008.

Retail cluster impairments

Rm	Specific impairment	Portfolio impairment	Total
Opening balance (1 January 2008)	2 383	550	2 933
Move to 30 day impairment event	125	(125)	–
Move to align with SARB Basel II requirements	(403)	403	–
Revised opening balance	2 105	828	2 933
Adjusted gross income statement charge	3 835	47	3 882
Write-offs and other moves	(2 326)	(24)	(2 350)
Closing balance (31 December 2008)	3 614	851	4 465

This reclassification of retail-specific impairments held against loans and advances did not have any effect on the amounts reported in the group's income statement, balance sheet, statement of changes in total shareholders' equity or cash flow statement, but had an effect on restating the related notes for 2007. (Refer note 2, page 38b.)

Defaulted advances increased by 90% from R9 088 million to R17 301 million and the impairment provisions increased by 29,3% from R6 078 million to R7 859 million. The group's credit loss ratio is anticipated to remain above the medium- to long-term target range of between 0,55% and 0,85% for 2009. Nedbank Group's long-run average EL (on an EAD-weighted basis) for its credit portfolio is estimated at 0,70%, consistent with the prior year.

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

During 2008 the group changed the criteria for the distinction between specific and portfolio impairments in Nedbank Retail. In view of the deteriorating economic climate and rising retail impairments, and to be more conservative, we changed the specific impairment trigger for retail from 60 days to 30 days past due. However, subsequent to this and in order to adhere to the SARB's new Basel II requirements and align with the banking industry on the definition of non-performing loans, we reclassified retail impairments raised in the 30 to 90 days past due window as "portfolio impairment" instead of "specific impairment". The 2007 comparatives have been restated accordingly. These reclassifications only pertain to retail as all other credit portfolios in the group are already in line with the SARB's requirements.

A reconciliation of this two step change during 2008 is provided below.

RISK AND CAPITAL MANAGEMENT REVIEW

The following tables summarise Nedbank Group's credit portfolio quality and level of impairments at 31 December 2008.

SUMMARY OF LOANS AND ADVANCES

Rm	Annualised % change	2008	2007
Homeloans	15,6	143 342	123 980
Commercial mortgages	21,6	73 031	60 045
Properties in possession	>100	791	308
Term loans	61,0	64 144	39 835
Credit cards	2,0	7 248	7 109
Overnight loans	(14,0)	15 760	18 336
Overdrafts	(0,4)	12 461	12 514
Other loans to clients	(7,7)	44 581	48 280
Leases and instalment sales	16,7	61 362	52 568
Preference shares and debentures	67,1	15 667	9 377
Trade and other bills	(41,7)	1 075	1 843
Reverse repurchase agreements	(55,0)	2 630	5 839
Gross loans and advances	16,3	442 092	380 034
Impairment of loans and advances	29,3	(7 859)	(6 078)
Net loans and advances	16,1	434 233	373 956

SUMMARY OF IMPAIRMENT CHARGE AND CREDIT LOSS RATIO (%)

Year ended	% of average loans and advances	2008	2007
Impairment charge (Rm)		4 822	2 164
As % of NII		29,8	15,2
As % of average loans and advances	100,0	1,17	0,62
Nedbank Capital	13,7	0,06	0,05
Nedbank Corporate	41,6	0,27	0,11
Nedbank Retail	35,0	2,47	1,26
Imperial Bank	9,7	1,71	1,28

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

2008 Rm	Nedbank Corporate	Nedbank Capital ²	Nedbank Retail	Imperial Bank	Central Management	Total
Regulated						
Advanced internal rating-based approach (AIRB)	216 331	85 231	143 103	–	25 195	469 860
Corporate	107 345	28 688	5		63	136 101
Specialised lending – high volatility commercial real estate	8 301					8 301
Specialised lending – income-producing real estate	38 502	5				38 507
Specialised lending – object finance		449				449
Specialised lending – commodities finance		62				62
Specialised lending – project finance		2 897				2 897
SME – corporate	23 626	172				23 798
Purchased receivable – corporate						–
Public sector entities	7 784	3 622			1 299	12 705
Local governments and municipalities	2 067	377				2 444
Sovereign		4 276			23 377	27 653
Banks	823	42 048			455	43 326
Securities firms	2	2 088			1	2 091
Retail mortgages	5 224	3	114 626			119 853
Retail revolving credit			6 832			6 832
Retail – other	5 449	13	18 058			23 520
SME – retail	17 208	301	3 582			21 091
Purchased receivable – retail						–
Securitisation exposure		230				230
Standardised approach	6 740		15 255	45 697		67 692
Corporate	1 160			468		1 628
SME corporate	1 137			11 592		12 729
Public sector entities	21					21
Local government and municipalities	22			4		26
Sovereign	152			2 093		2 245
Banks	57			161		218
Securities firms	303		10 238			10 541
Retail mortgages	2 000					2 000
Retail revolving credit			1 286			1 286
Retail other	1 433			27 874		29 307
SME retail	455		1 371	3 222		5 048
Securitisation exposure				283		283
Other			2 360			2 360
Properties in possession	21		770			791
Non-regulated	8 065	18 675	3 139	–	602	30 481
On-balance sheet exposure (Basel II)	231 157	103 906	162 267	45 697	25 797	568 824
Less assets included in Basel II asset classes						(87 224)
Cash on call and deposits with monetary institutions						(2 232)
Derivatives						(25 218)
Government stock and other dated securities						(34 105)
Short-term securities						(13 969)
Other assets net of fair value adjustments on assets						(11 700)
Set-off of accounts within IFRS total gross loans and advances ¹						(39 508)
Total gross loans and advances						442 092

1. The set-off mainly relates to the 'Corporate' asset class within Nedbank Corporate cluster in respect of cash management accounts.

2. Nedbank Capital includes London branch (AIRB approach).

RISK AND CAPITAL MANAGEMENT REVIEW

SUMMARY OF ADVANCED INTERNAL RATINGS-BASED APPROACH (AIRB) FOR NEDBANK LIMITED SOLO

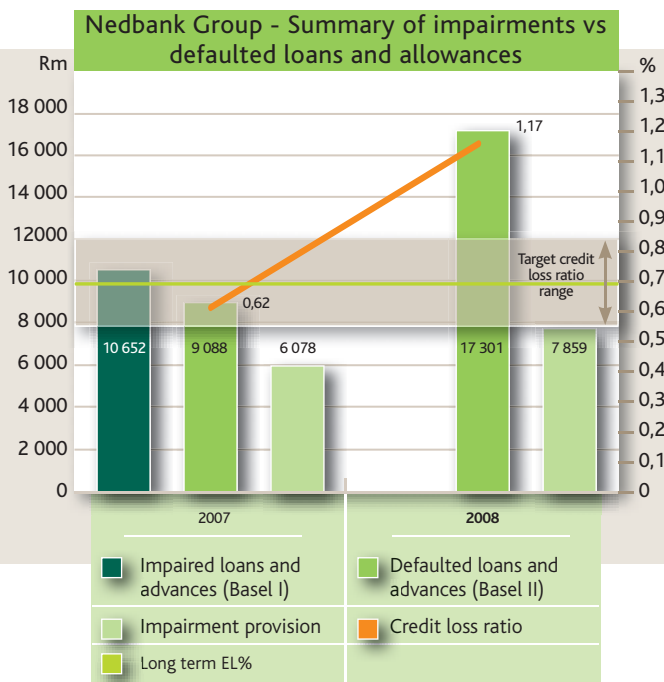
BASEL II CREDIT EXPOSURES BY BUSINESS AND ASSET CLASS

2008

Rm	AIRB on- balance sheet exposure	AIRB off- balance sheet exposure	Repurchase and resale exposure	Derivative exposure
Nedbank Corporate	216 331	83 360	–	–
Corporate	107 345	54 215		
Specialised lending – high volatility commercial real estate	8 301	1 948		
Specialised lending – income-producing real estate	38 502	2 957		
SME corporate	23 626	7 958		
Public sector entities	7 784	5 293		
Local government and municipalities	2 067	447		
Sovereign		5		
Banks	823	1 269		
Security firms	2	110		
Retail mortgages	5 224	1 337		
Retail other	5 449	773		
SME retail	17 208	7 048		
Nedbank Capital	38 875	13 356	2 630	23 854
Corporate	12 786	300	403	3 131
Specialised lending – income-producing real estate	5			
Specialised lending – object finance	449			
Specialised lending – commodities finance	62			
Specialised lending – project finance	2 897			
SME corporate				172
Public sector entities	2 536		725	237
Local government and municipalities	377			
Sovereign	3 227			
Banks	16 288	3 106	459	19 053
Security firms	18	1 838	1 043	945
Retail mortgages				2
Retail other				13
SME retail				301
Securitisation exposure	230	8 112		
Nedbank Retail	143 103	41 660	–	–
Corporate	5	241		
Retail mortgages	114 626	14 432		
Retail revolving credit	6 832	20 781		
Retail other	18 058	4 919		
SME retail	3 582	1 287		
Central Management	25 194	–	–	1
Corporate	63			
Public sector entities	1 299			
Sovereign	23 377			
Banks	455			
Security firms				1
Intercompany	71 629	–	–	–
Total	495 132	138 376	2 630	23 855
* Total credit extended is AIRB on-balance sheet exposure, derivatives and off-balance sheet exposures (includes unutilised facilities)				
Downturn expected loss (AIRB approach)				
IFRS impairment on loans and advances				
Excess of downturn expected loss over eligible provisions				

Total credit extended*	Exposure at default (EAD)	Downturn expected loss (performing)	Best estimate of expected loss (non-performing)
299 691	249 198	1 268	689
161 560	111 020	365	23
10 249	10 483	94	13
41 459	43 465	119	94
31 584	31 506	262	135
13 077	11 200	4	
2 514	2 529	1	
5	3		
2 092	1 518	1	
112	158		
6 561	6 629	65	39
6 222	6 315	103	41
24 256	24 372	254	344
78 715	57 959	144	17
16 620	16 614	111	17
5	5		
449	467	3	
62	65		
2 897	3 032	10	
172	227	1	
3 498	2 817		
377	390		
3 227	3 229	1	
38 906	22 531	13	
3 844	1 069		
2	2		
13	17		
301	299	4	
8 342	7 195	1	
184 763	173 069	2 302	3 171
246	198	5	
129 058	133 780	1 164	1 108
27 613	10 541	366	533
22 977	23 250	661	1 265
4 869	5 300	106	265
25 195	25 714	3	-
63	74	2	
1 299	1 299		
23 377	23 885	1	
455	455		
1	1		
71 629	66 520	71	-
659 993	572 460	3 788	3 877
			7 665
			6 489
			1 176

RISK AND CAPITAL MANAGEMENT REVIEW



The key definitions related to credit risk are set out below.

DEFAULTED LOANS AND ADVANCES

Any advance or group of loans and advances that has triggered the Basel II definition of default criteria and which is in line with the revised South African banking regulations, effective 1 January 2008. For retail portfolios this is product-centric and therefore a default would be specific to a client-or-borrower account (a specific advance). For all other portfolios it is client-or-borrower centric, meaning that should any transaction within a borrowing group default, then all transactions within the borrowing group would be treated as defaulted.

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

IMPAIRED LOANS AND ADVANCES AND SPECIFIC IMPAIRMENTS

Impaired loans and advances are defined as loans and advances in respect of which the bank has raised a specific impairment (accounting/IFRS 39 definition). A specific impairment is raised in respect of an asset that has triggered a loss event where the collateral held against the advance is insufficient to cover the total expected losses. Such a loss event may be, for example, significant financial difficulty of the issuer or obligor, a breach of contract, such as a default or delinquency in interest or principal payments, with ageing arrears as the primary driver.

PORTFOLIO IMPAIRMENT

The standard portfolio represents all the loans and advances that have not been impaired. These loans and advances have not yet individually evidenced a loss event, but loans and advances exist within the standard portfolio which may have an impairment without the bank being aware of it yet. A period of time will elapse between the occurrence of an occurred impairment event and objective evidence of the impairment becoming evident. This period is generally known as the emergence period. For each standard portfolio an emergence period is estimated as well as the probability of the loss-trigger and the loss-given events occurring. These estimates are applied to the total exposures of the standard portfolio to calculate the portfolio impairment. Alternatively the portfolio impairment is known as the impairment calculation based on "incurred but not yet reported" (IBNR) methodology.

NON-PERFORMING LOANS AND ADVANCES

Non-performing loans and advances are the same as defaulted loans and advances (as defined above). To adhere to the SARB's Basel II requirements and align with the banking industry, we have reclassified retail impairments raised in the 30 to 90 days past due window as "portfolio impairment" instead of "specific impairment".

SUMMARY OF IMPAIRMENTS AND DEFAULTED LOANS AND ADVANCES – NEDBANK GROUP

Rm						Central	2008	2007
	Nedbank Corporate	Nedbank Capital	Nedbank Retail	Imperial Bank	Management			
Opening balance	1 837	384	2 933	903	21	6 078	5 184	
Specific impairment	820	362	2 105	752	24	4 063	3 564	
Specific impairment excluding discounts	576	361	1 763	660	24	3 384	2 968	
Specific impairment for discounted cash flow losses	244	1	342	92		679	596	
Portfolio impairment	1 017	22	828	151	(3)	2 015	1 620	
Income statement impairment charge (net of recoveries)	471	36	3 630	701	(16)	4 822	2 164	
Specific impairment	290	7	3 324	604	(16)	4 209	1 705	
Net increase in impairment for discounted cashflow losses	38	(1)	259	1		297	83	
Portfolio impairment	143	30	47	96		316	376	
Recoveries	90	18	252	18	1	379	417	
Amounts written off/other transfers	(247)	(5)	(2 350)	(810)	(8)	(3 420)	(1 687)	
Specific impairments	(256)	(5)	(2 326)	(810)	(9)	(3 406)	(1 706)	
Portfolio impairment	9		(24)		1	(14)	19	
Total impairments	2 151	433	4 465	812	(2)	7 859	6 078	
Specific impairment	982	381	3 614	565	–	5 542	4 063	
Specific impairment excluding discounts	700	381	3 013	472		4 566	3 384	
Specific impairment for discounted cashflow losses	282		601	93		976	679	
Portfolio impairment	1 169	52	851	247	(2)	2 317	2 015	
Total loans and advances	193 694	48 119	154 572	45 546	161	442 092	380 034	
Total average loans and advances	174 340	57 492	146 764	40 933		411 063	346 892	
Defaulted loans and advances								
Residential mortgage loans and advances	807		9 126	36		9 969	4 267	
Commercial mortgage loans and advances	731		19	139		889	421	
Lease and instalment debtors	429		687	723		1 839	1 446	
Credit card balances	10		573			583	454	
Personal loans	24		1 010	1		1 035	1 052	
Properties in possession	21		770			791	308	
Other loans and advances	774	816	586	19		2 195	1 961	
Total defaulted loans and advances	2 796	816	12 771	918	–	17 301	9 909	
Less: Security and expected recoveries	1 814	435	9 157	353		11 759	5 846	
Net uncovered position after discounting	982	381	3 614	565	–	5 542	4 063	
Specific impairments	982	381	3 614	565	–	5 542	4 063	
Specific impairments on defaulted loans and advances	700	381	3 013	472		4 566	3 384	
Specific impairments for discounted cashflow losses	282		601	93		976	679	
Value at risk	–	–	–	–	–	–	–	

RISK AND CAPITAL MANAGEMENT REVIEW

SUMMARY OF IMPAIRMENTS AND DEFAULTED LOANS AND ADVANCES – NEDBANK GROUP CONTINUED

	Nedbank Corporate	Nedbank Capital	Nedbank Retail	Imperial Bank	Central Management	2008	2007
Ratios (%)							
Impairments to total loans and advances	1,11	0,90	2,89	1,78	–	1,78	1,60
Specific impairments to total loans and advances	0,51	0,79	2,34	1,24	–	1,26	1,07
Portfolio impairments to total loans and advances	0,60	0,11	0,55	0,54	–	0,52	0,53
Credit loss ratio	0,27	0,06	2,47	1,71	–	1,17	0,62
Credit loss ratio – specific	0,19	0,01	2,44	1,48	–	1,09	0,51
Credit loss ratio – portfolio	0,08	0,05	0,03	0,23	–	0,08	0,11
Defaulted loans and advances to total loans and advances	1,44	1,70	8,26	2,02	–	3,91	2,61
Properties in possession to total loans and advances	0,01	–	0,50	–	–	0,18	0,08
Properties in possession (Rm)							
Balance at beginning of period	30		278			308	131
Disposal/write-downs/revaluations	(13)		(63)			(76)	(107)
PIPs acquired during the period	4		555			559	284
Balance at end of period	21		770			791	308
Unsold	17		638			655	199
Sold awaiting transfer	4		132			136	109

Product analysis – 2008	Residential mortgage loans and advances	Commercial mortgage loans and advances	Lease and instalment debtors	Credit card balances	Personal loans and advances	Other loans and advances	Total loans and advances
Rm							
Defaulted loans and advances	9 969	889	1 839	583	1 035	2 986	17 301
Securities and expected recoveries	8 220	556	770	38	422	1 753	11 759
Net uncovered position before discounting	1 749	333	1 069	545	613	1 233	5 542
Specific impairments	1 749	333	1 069	545	613	1 233	5 542
Specific impairment on defaulted loans and advances	1 300	240	924	541	411	1 150	4 566
Specific impairment for discounted cashflows	449	93	145	4	202	83	976
Value at risk	–	–	–	–	–	–	–
Securities and expected recoveries as a % of defaulted loans and advances	81	63	42	7	41	63	68

Product analysis – 2007	Residential mortgage loans and advances	Commercial mortgage loans and advances	Lease and instalment debtors	Credit card balances	Personal loans and advances	Other loans and advances	Total loans and advances
Rm							
Defaulted loans and advances	4 267	421	1 446	454	1 052	2 269	9 909
Securities and expected recoveries	3 619	267	667	87	519	687	5 846
Net uncovered position before discounting	648	154	779	367	533	1 582	4 063
Specific impairments	648	154	779	367	533	1 582	4 063
Specific impairment on defaulted loans and advances	492	90	639	359	295	1 509	3 384
Specific impairment for discounted cashflow losses	156	64	140	8	238	73	679
Value at risk	–	–	–	–	–	–	–
Securities and expected recoveries as a % of defaulted loans and advances	85	63	46	19	49	30	55

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

Regulated Rm	Nedbank Corporate	Nedbank Capital	Nedbank Retail	Imperial Bank	Central Management	2008
Advanced internal ratings-based approach (AIRB)	2 580	205	11 925			14 710
Corporate	58	205				263
Specialised lending – high volatility commercial real estate	202					202
Specialised lending – income producing real estate	335					335
SME – corporate	468					468
Retail mortgages	123		8 450			8 573
Retail revolving credit			427			427
Retail – other	273		2 070			2 343
SME – retail	1 121		978			2 099
Standardised approach				918		918
SME – corporate				142		142
Retail mortgages				36		36
Retail other				632		632
SME – retail				108		108
Other regulated entities	149		76			225
Properties in possession	21		770			791
Non-regulated	46	611				657
Total defaulted loans and advances	2 796	816	12 771	918		17 301
Less: security and expected recoveries	1 814	435	9 157	353		11 759
Net uncovered position after discounting	982	381	3 614	565		5 542
Specific impairments	982	381	3 614	565		5 542
Specific impairments on defaulted loans and advances	700	381	3 013	472		4 566
Specific impairments for discounted cashflow losses	282		601	93		976
Value at risk	–	–	–	–	–	–

RISK AND CAPITAL MANAGEMENT REVIEW

COUNTERPARTY CREDIT RISK

Credit derivatives activities have been restricted to single-name trades of South African exposures and biased towards providing risk mitigation. Nedbank Group has no direct exposure to US sub-prime credit assets, nor involvement in any related credit derivative transactions or structures.

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

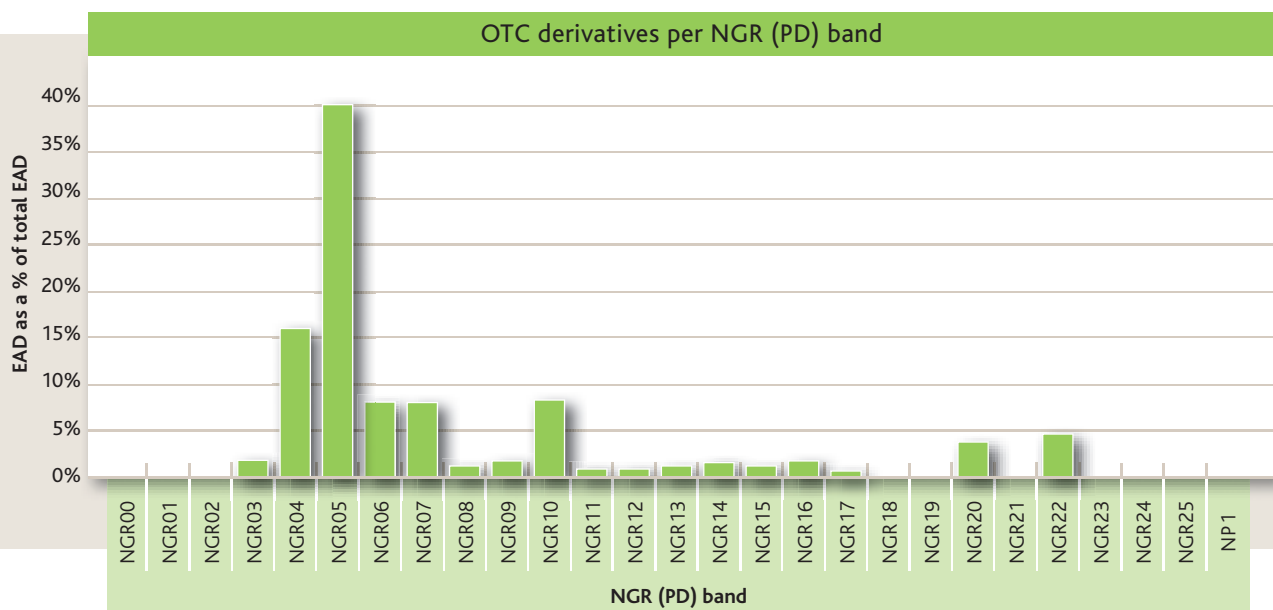
Over-the-counter (OTC) derivatives for Nedbank Limited solo and London branch

OTC derivative products	Notional value Rm	Gross positive fair value Rm
2008		
Credit-default swap	2 104	2
Equities	4 497	778
FX and gold	215 724	14 807
Interest rates	324 480	8 598
Other commodities	13	599
Precious metals except gold	4	36
Total	546 822	24 820

OTC derivative products	Gross positive fair value Rm	Current netting benefits Rm	Netted current credit exposure (pre- mitigation) Rm	Collateral amount Rm	Netted current credit exposure (post- mitigation) Rm	EAD value Rm	Risk- weighted exposure Rm
2008							
Total	24 820	13 272	10 581	1 796	8 996	12 861	3 138

OTC derivatives per NGR (PD) band

2008	Notional value Rm	Gross positive fair value Rm	EAD value Rm
NGR01	–	–	–
NGR02	–	–	–
NGR03	12 741	241	236
NGR04	187 234	8 198	2 187
NGR05	239 191	10 601	5 114
NGR06	33 544	1 885	990
NGR07	23 213	896	968
NGR08	2 846	123	142
NGR09	4 216	163	181
NGR10	10 093	909	994
NGR11	4 154	162	178
NGR12	1 878	108	121
NGR13	2 561	145	116
NGR14	2 955	142	168
NGR15	3 566	123	143
NGR16	5 861	109	201
NGR17	1 546	58	74
NGR18	797	15	19
NGR19	135	6	7
NGR20	9 506	367	444
NGR21	144	3	5
NGR22	72	539	539
NGR23	190	15	17
NGR24	319	2	6
NGR25	2	–	–
NP1	58	10	11
Total	546 822	24 820	12 861

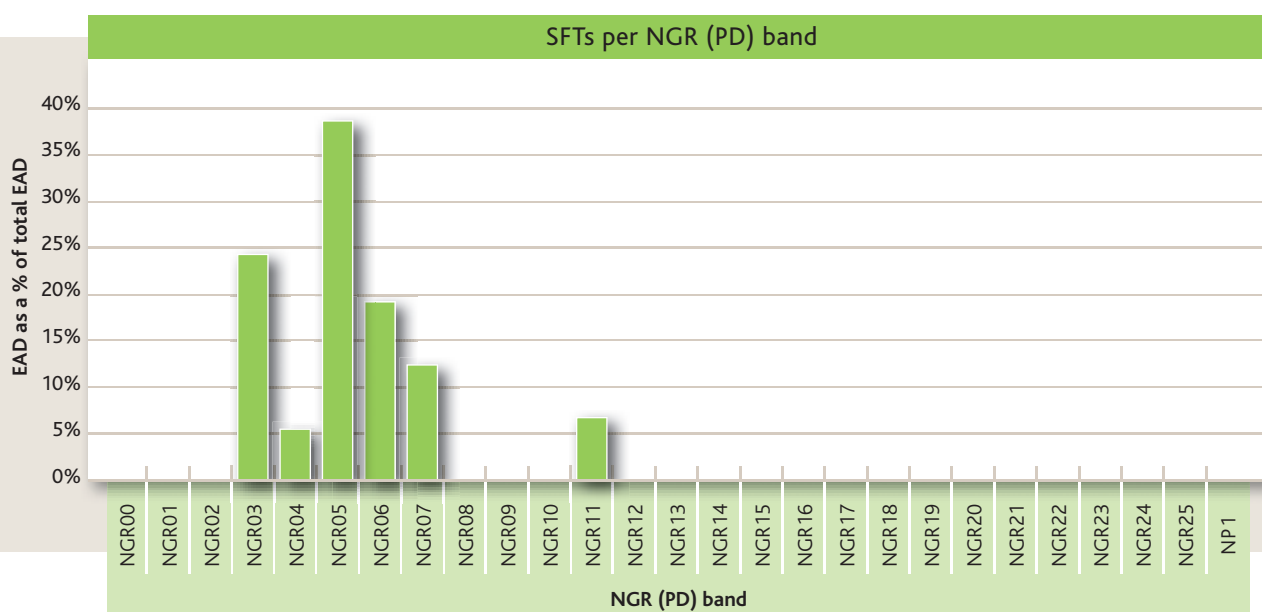


RISK AND CAPITAL MANAGEMENT REVIEW

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

SFTs	Gross positive fair value	Collateral value after haircut	Netted current credit exposure (post-mitigation)	EAD value	Risk weighted exposure
Repurchase agreements (repos)	2 630	2 529	101	101	8
Securities lending	4 686	4 672	14	14	1
Total	7 316	7 201	115	115	9

SFTs per NGR (PD) band	Gross exposure Rm	EAD value Rm
2008		
NGR03	725	27
NGR04	185	6
NGR05	5 155	41
NGR06	729	21
NGR07	430	13
NGR08	10	–
NGR11	82	7
Total	7 316	115



CREDIT CONCENTRATION RISK

Single-name credit concentration

Our 'top 20' exposure analysis, in particular the 'percentage of total group credit economic capital' by individual borrower, confirms that Nedbank does not have undue single-name credit concentration risk. Nedbank's credit concentration risk measurement incorporates the asset size of obligors/borrowers into its calculation of credit economic capital. We also include stress testing of single-name large exposures, and their potential impact on capital ratios, in our stress and scenario testing in assessing capital buffers.

Top 20 Nedbank Group exposures

31 December 2008			
No.	Internal NGR (PD) rating	EAD value Rm	% of total group credit ECap %
1	NGR03	27 054	0,13
2	NGR04	3 770	0,09
3	NGR09	3 141	0,20
4	NGR03	3 282	0,02
5	NGR04	2 704	0,02
6	NGR15	2 674	0,29
7	NGR05	2 793	0,04
8	NGR09	2 564	0,04
9	NGR03	2 976	0,01
10	NGR04	2 750	0,05
11	NGR05	2 345	0,02
12	NGR02	2 073	0,01
13	NGR08	2 329	0,15
14	NGR03	2 050	0,01
15	NGR13	1 975	0,28
16	NGR10	1 943	0,12
17	NGR05	1 837	0,02
18	NGR04	1 842	0,04
19	NGR10	1 609	0,12
20	NGR08	1 603	0,06
Total of top 20 exposures		73 315	1,72

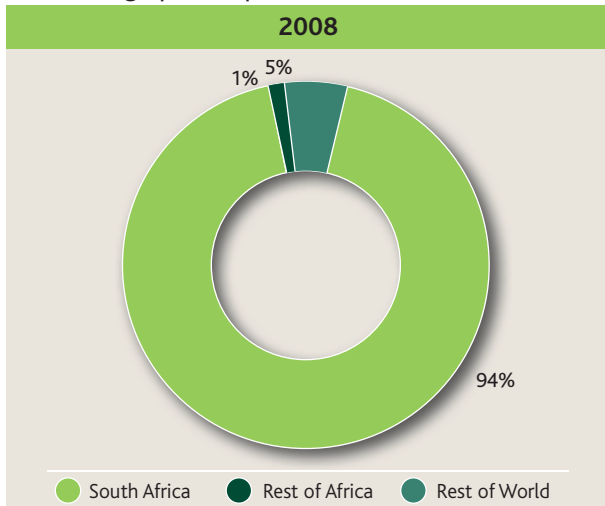
The largest exposure (No. 1 above) is to the South African government and is in respect of government bonds, treasury bills and other similar paper arising in the ordinary course of business.

RISK AND CAPITAL MANAGEMENT REVIEW

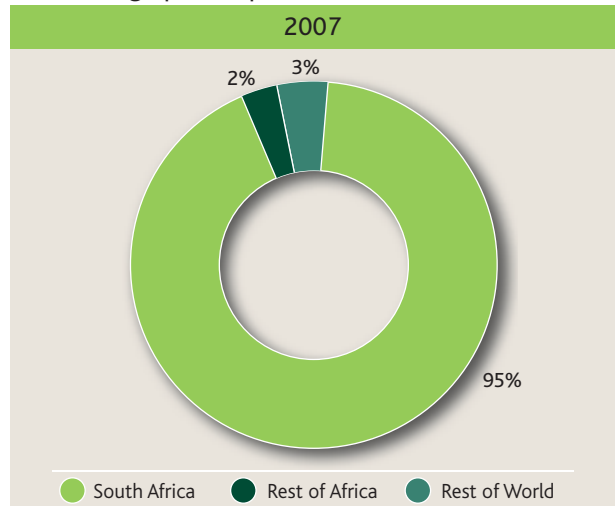
Geographic concentration risk

Geographically, almost all of Nedbank group's credit exposure originates in South Africa (non-South African exposure is approximately 6%). This geographical and industry concentration risk is built into Nedbank's concentration risk measurement for economic capital purposes. Refer page 34b for a detail analysis of our geographical segmental analysis.

Geographical split of loans and advances

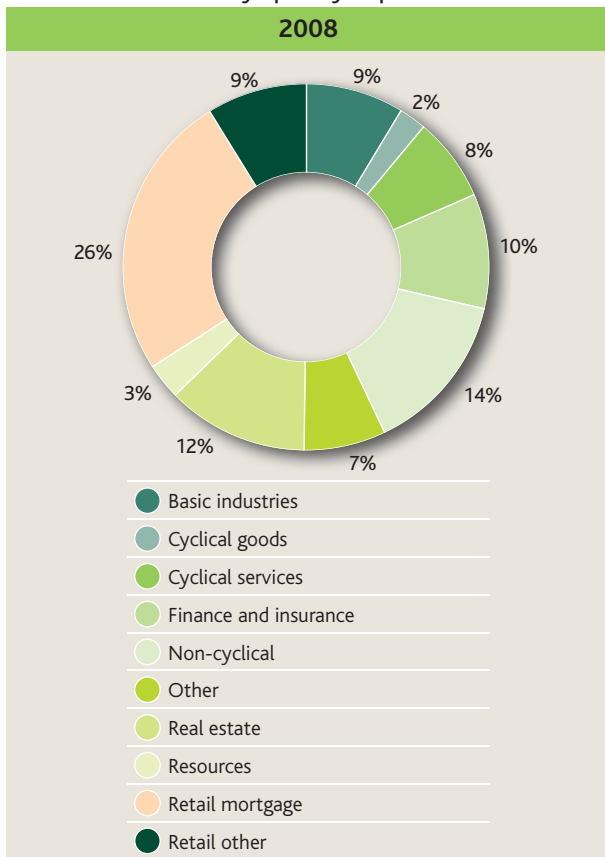


Geographical split of loans and advances

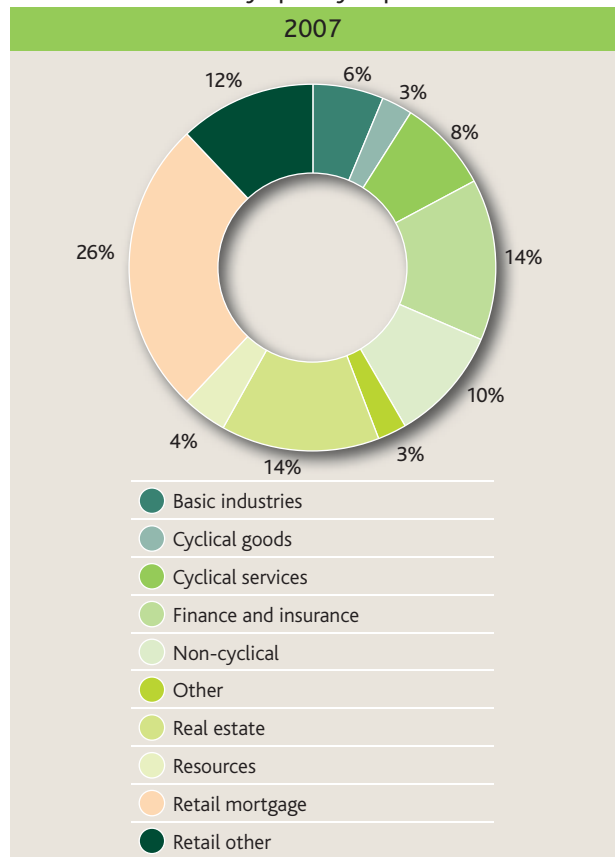


Industry concentration risk

Industry split by exposure



Industry split by exposure



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

SECURITISATION RISK

Nedbank primarily uses securitisation as a funding diversification tool and to assist with the management of asset-liability mismatches.

During the year under review, no new securitisation transactions were concluded by the group. Nedbank concluded two securitisation transactions in 2007, namely GreenHouse Funding (Pty) Ltd ("GreenHouse"), a residential mortgage-backed securitisation programme and Octane ABS 1 (Pty) Ltd ("Octane"), a securitisation programme of motor vehicle loans advanced by subsidiary Imperial Bank Limited. Nedbank also has an asset-backed commercial paper mortgage programme, Synthesis Funding Limited ("Synthesis") which was established in 2004. These vehicles are the full extent of the group's current securitisation exposure.

During the year, amidst the adverse external environment, although credit quality deteriorated, all securitisation vehicles continued to perform within the specified parameters detailed in the transaction documentation applicable to the respective transactions and no securitisation assets were subject to early amortisation. As a consequence the group has not suffered any losses in respect of these securitisation exposures.

The group's securitisation initiatives are ultimately overseen by the Group ALCO. All securitisation transactions are subject to the stringent South African regulatory securitisation framework.

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

On-balance sheet securitisation exposure

Transaction Rm	Year initiated	Rating agency	Transaction type	Asset type	2008		2007	
					Assets securitised	Carrying amount of assets	Assets securitised	Carrying amount of assets
GreenHouse	2007	Moody's and Fitch	Traditional securitisation	Retail mortgages	2 000	1 972	2 000	183
Octane	2007	Fitch	Traditional securitisation	Auto loans	2 000	1 781	2 000	1 806
Total					4 000	3 753	4 000	1 989

Off-balance sheet securitisation exposure

Transaction Rm	Transaction type	Exposure type	Exposure	
			2008	2007
<i>Own transactions</i>				
Synthesis	ABCP Conduit	Liquidity facility	7 806	9 390
<i>Third parties</i>				
Private Residential Mortgages (Pty) Ltd	Securitisation	Liquidity facility	100	100
Private Mortgages 2 (Pty) Limited	Securitisation	Liquidity facility	40	40
Private Mortgages 2 (Pty) Limited	Securitisation	Redraw facility	436	417
Total			8 382	9 947

RISK AND CAPITAL MANAGEMENT REVIEW

The table below contains a summary of Synthesis, Nedbank's asset-backed commercial paper mortgage programme (ABCP).

Transaction Rm	Year initiated	Rating agency	Transaction type	Asset type	Programme size	Conduit size	
						2008	2007
Synthesis	2004	Moody's and Fitch	ABCP Conduit	Asset-backed securities, Corporate term loans and bonds	15 000	7 801	9 233

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

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

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

	Capital charge	
	2008 Rm	2007 Rm
AAA or A1/P1	3,9	3,9
AA+ to AA-	1,1	1,1
A+	1,0	1,0
A or A2/P2	–	–
A-	5,7	5,7
BBB+	–	–
BBB or A3/P3	7,2	9,1
BBB-	9,4	10,8
BB+	15,9	15,9
BB	–	–
BB-	–	–
Unrated	–	–
Unrated liquidity facilities to ABCP programme	44,4	55,6
Total	88,6	103,1*

* Restated

INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

The table below highlights the group's and bank's exposure to interest rate risk measured for normal and stressed interest rate changes over a 12 month period:

2008 Rm	Note	Nedbank Limited	Other group companies	Nedbank Group
Net interest income sensitivity	1			
1% instantaneous decline in interest rates		(338)	(143)	(481)
2% instantaneous decline in interest rates		(674)	(286)	(960)
Linear path space	2			
Lognormal interest rate sensitivity		(445)	n/a	n/a
Basis interest rate risk sensitivity	3			
0,25% narrowing of prime/call differential		(138)	(44)	(182)
Economic value of equity sensitivity	4			
1% instantaneous decline in interest rates		238	n/a	n/a
2% instantaneous decline in interest rates		517	n/a	n/a
Stress testing				
Net interest income sensitivity				
Instantaneous stress shock	5	(1 428)	n/a	n/a
Stress shock modelled as a ramp	6	(1 706)	n/a	n/a
Linear path space	2			
Absolute-return interest rate sensitivity		(2 284)	n/a	n/a

n/a: not modelled.

Notes

- Interest rate risk**, as currently modelled, exhibits very little convexity. In certain cases the comparative figures have been estimated assuming a linear risk relationship to the interest rate moves.
- Linear path space** is a stochastic method used to generate random interest rate paths. These paths are then modelled and a probabilistic impact of interest rate changes on NII is derived. The 'Lognormal interest rate sensitivity' uses two years of interest rate movements to derive interest rate volatility. The stress scenario 'Absolute-return interest rate sensitivity' is based on the volatility of interest rates over nine years.
- Basis interest rate risk sensitivity** is quantified using a narrowing in the prime/call interest rate differential of 0,25% and is an indication of the sensitivity of the margin to a squeeze in short-term interest rates.
- Economic value of equity sensitivity** is calculated as the net present value (npv) of asset cashflows less the net present value of liability cashflows.
- The instantaneous stress shock** is derived from the principles espoused in the bank for International Settlements paper 'Principles for the Management and Supervision of Interest Rate Risk'. For 2008 the shock scenario uses an instantaneous interest rate shock of a 4% (2007: 4%) downward shift in interest rates.
- The **stress shock modelled as a ramp** uses the same interest rate shock as the instantaneous stress shock described above, but the rate shock is phased in over a nine-month period.

Nedbank Group's interest rate risk in the banking book arises largely as a result of the non-sensitivity of its net endowment position (comprising equity, ambiguous deposits and working capital) and prime-linked (or equivalent) assets funded with a degree of fixed rate deposits and negotiable certificate of deposits. This risk is largely concentrated within Nedbank Limited.

The Group ALCO have reduced the group's sensitivity in 2008 to align with its view on interest rates. These strategies were largely completed during the first half of 2008 and better position the group for a downward rate cycle. Interest rate risk in the banking book is managed as a natural hedge against impairment sensitivity as this risk demonstrates an inverse relationship to credit risk, albeit with a lagging consequence that needs to be modelled and closely managed.

RISK AND CAPITAL MANAGEMENT REVIEW

CURRENCY TRANSLATION RISK IN THE BANKING BOOK

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

Currency translation risk remains relatively low and currently aligns with an appropriate offshore capital structure. Risk limits are based on the levels of currency-sensitive foreign capital of approximately US\$193 million at 31 December 2008 (2007: US\$254 million). The decrease in currency-sensitive capital this year has been due to further repatriations completed this year and cross-currency changes between reporting dates.

Offshore capital split by functional currency

Rm	USD equivalent (\$ millions)				Total
	I/S	Equity	FX sensitivity	Non-FX sensitivity	
US Dollar		88	88		88
Pound Sterling	3	91	94		94
Swiss Franc		6	6		6
Malawi Kwacha		5	5		5
Other				391	391
Total	3	190	193	391	584

Offshore capital earnings- and capital-at-risk

	Rm
Earnings-at-risk	10
Capital-at-risk	621

The increase in currency translation risk this year has been caused by an increase in exchange rate volatilities and not from an increase in the group's foreign exchange sensitive position. This position has in fact been further reduced in 2008 as noted above.

The effective average capitalisation rate of the foreign denominated business is 15%. The total foreign RWA as a percentage of Nedbank Group total is very low at 2,4 % (R8,5 billion out of total group RWA of R355 billion). Therefore any foreign exchange rate movement will have a minimal effect on Nedbank Group's capital adequacy ratio.

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

TRADING MARKET RISK

Risk-taking in trading activities remained within the group's market risk appetite and limits at all times during 2008. No market risk is permitted outside these board-approved limits which are monitored monthly by Group ALCO and daily by relevant senior management, including Group Risk. Hedging is an integral part of managing trading book activities on a daily basis.

Nedbank Capital may only incur trading market risk by trading in formally approved derivative products. Products and product strategies that are new to business undergo a new product review and approval process to ensure that their market risk characteristics are understood and can be properly incorporated into the risk management process.

In terms of market trading activities Nedbank is adequately capitalised. Nedbank does not have exposure to the credit derivatives that contributed to the global financial crisis and equity exposures were further reduced in 2008. In terms of our economic capital, the capital requirement is based on Value-at-Risk (VaR) trading limits which is a conservative approach as limit utilisation is generally moderate. From a regulatory capital perspective the standardised approach is used which is more conservative as it does not take any diversification into account. In addition to VaR, stress testing is applied on a daily basis to identify exposure to extreme market moves.

Group trading book VaR for 2008ⁱ

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

Group trading book VaR for 2007ⁱ

Rm Risk categories	Historical VaR (99%, one-day) by risk type			
	Average	Minimum ⁱⁱ	Maximum ⁱⁱ	Year end
Foreign exchange	2,5	0,7	6,4	4,4
Interest rate	14,5	10,4	22,0	13,8
Equity	12,6	5,7	28,7	7,5
Diversification ⁱⁱⁱ	(4,7)			(2,4)
Total VaR exposure	24,9	14,9	37,4	23,3

ⁱ Certain positions are illiquid and VaR may not always be the most appropriate measure of risk. (We summarise the other market risk measures we apply to mitigate this later on.)

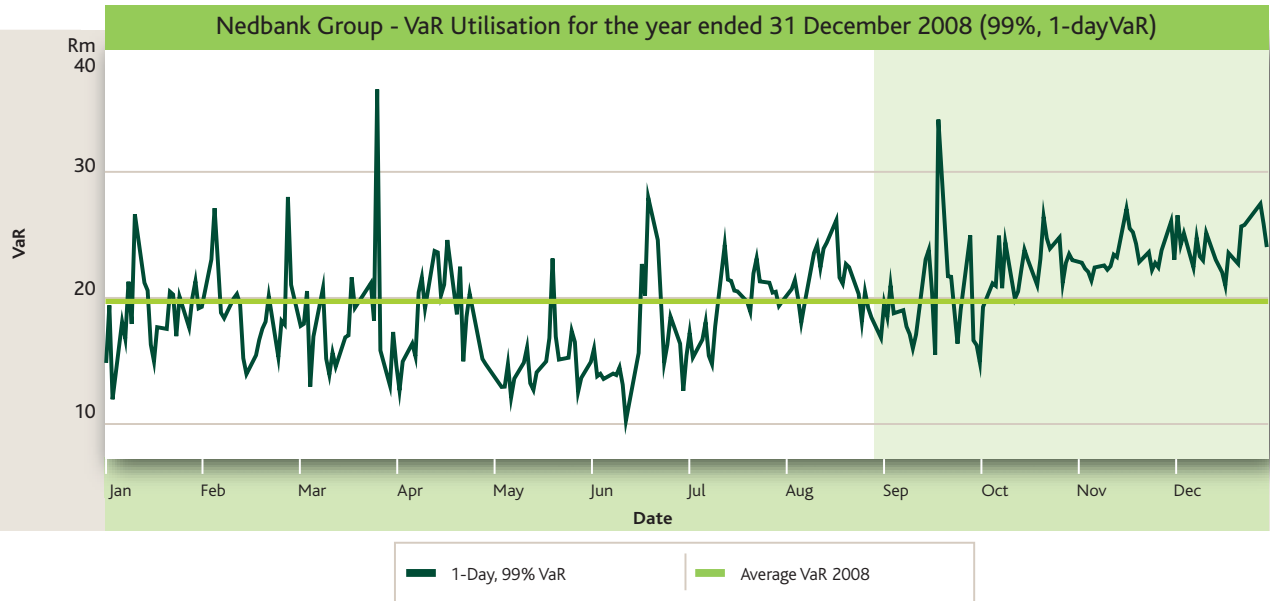
ⁱⁱ The maximum and minimum VaR values reported for each of the different risk factors did not necessarily occur on the same day. As a result a diversification number for the maximum and minimum values has been omitted from the table.

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

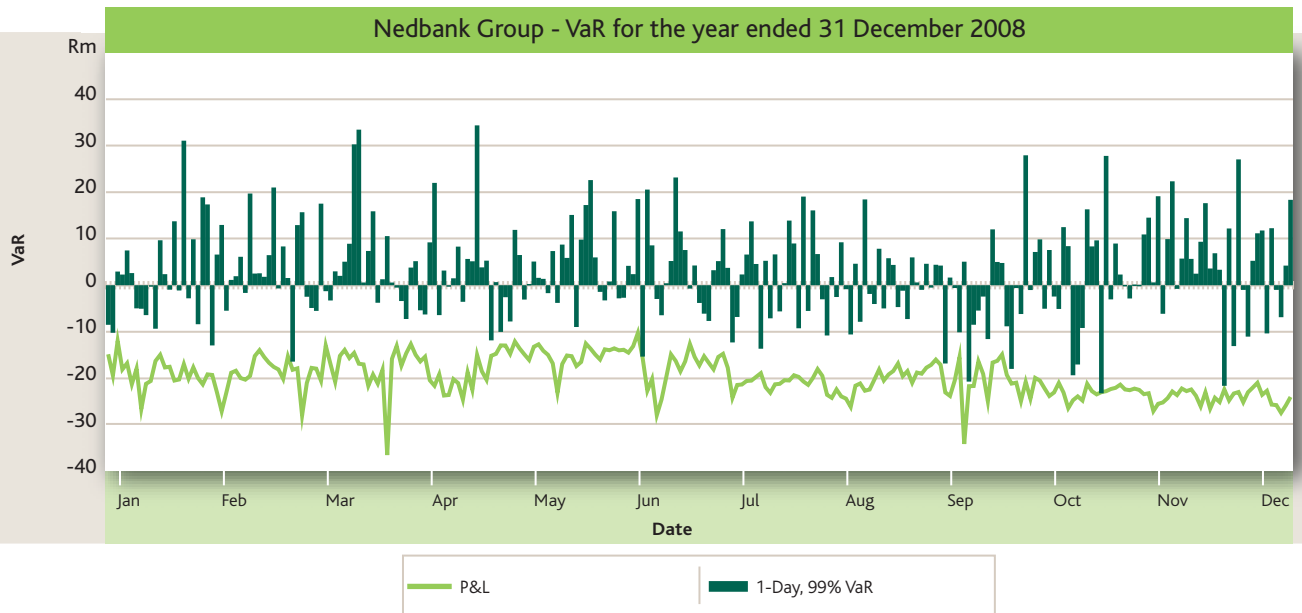
The group's trading market risk exposure, expressed as average daily VaR, decreased by 21% from R24,9 million to R19,7 million over the year. The reduction was mainly due to a strategic decision to reduce the group's exposure to equities in 2008.

RISK AND CAPITAL MANAGEMENT REVIEW

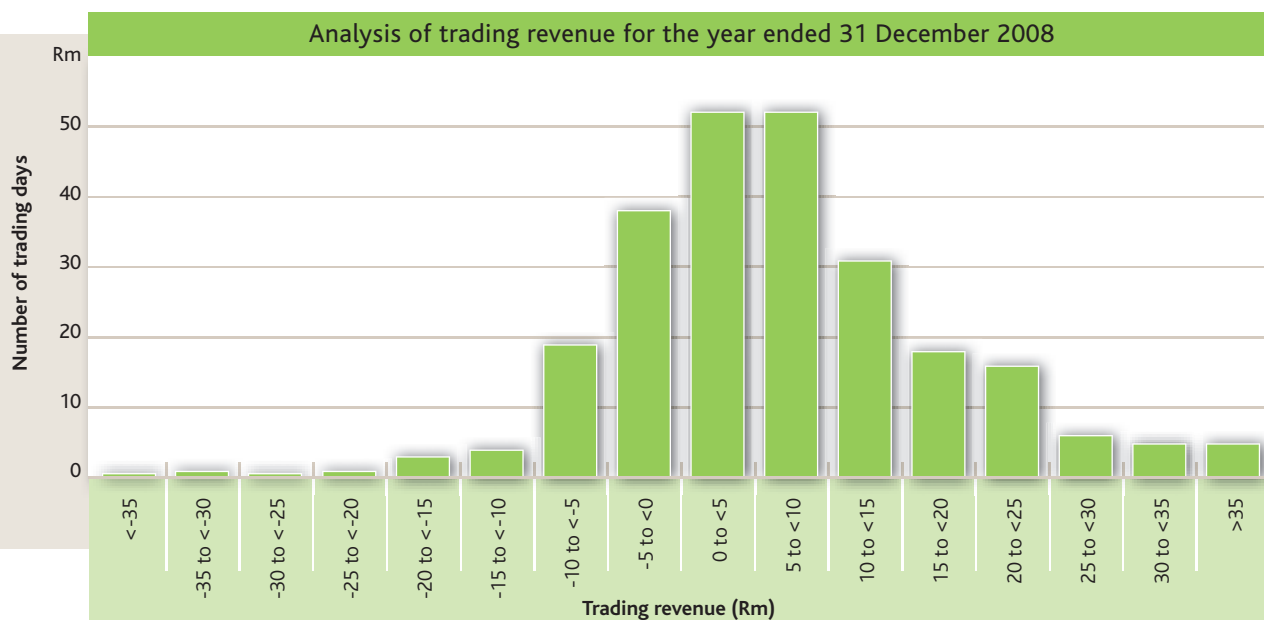
The graph below illustrates the daily VaR for the period 1 January to 31 December 2008. The daily VaR for the second half of 2008 increased due to higher levels of exposure to interest rates and credit spreads, as well as the increased levels of volatility in the market.



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



The histogram below illustrates the distribution of daily revenue during 2008 for Nedbank's trading businesses (including net interest, commissions and primary revenue income of the trading businesses). The distribution is skewed to the profit side and the graph shows that trading revenue was realised on 185 days out of a total of 251 days in the trading businesses. The average daily trading revenue generated for 2008 was R6,8 million.



A number of stress scenarios are used to measure the impact on portfolio values of extreme moves in markets, based on historical experience as well as hypothetical scenarios. The stress testing methodology assumes that all market factors move adversely at the same time and that no actions are taken during the stress events to mitigate risk, reflecting the decreased liquidity that frequently accompanies market shocks. Stress tests results are reported daily to senior management and monthly to the Trading Risk Committee and Group ALCO, all of which are monitored by Group Risk. The limits approved by the board include both VaR and stress trigger limits.

In addition, other risk measures are used to monitor the individual trading desks and these include performance triggers, approved trading products, concentration of exposures, maximum tenor limits and market liquidity constraints.

Market risk is governed by a number of policies which cover management, identification, measurement and monitoring. In addition, all market risk models are subject to periodic independent validation in terms of the Group Market Risk Management Framework.

Market risk reports are available at a variety of levels and detail ranging from individual trader level right through to a group level view.

RISK AND CAPITAL MANAGEMENT REVIEW

EQUITY RISK (INVESTMENT RISK) IN THE BANKING BOOK

The total equity portfolio for investment risk is R3 779 million (December 2007: R3 450 million). R2 716 million (December 2007: R2 285 million) is held for capital gain while the balance is mainly held as strategic investments.

Equity investments held for capital gain are generally classified as fair value through profit and loss, with fair value gains and losses reported in non-interest revenue. Strategic investments are generally classified as available for sale with fair value gains and losses recognised directly in equity. The detailed accounting policies and valuation methodologies for equity risk in the banking book are recorded in the notes to the 2008 annual financial statements.

Investments Rm	Publicly listed		Privately held		Total	
	2008	2007	2008	2007	2008	2007
Fair value disclosed in balance sheet (excluding associates and JVs)	525	598	2 087	1 875	2 612	2 473
Fair value disclosed in balance sheet (including associates and JVs)	525	598	3 254	2 852	3 779	3 450
Cumulative realised gains/(losses) arising from sales and liquidations	647	88	28	211	675	299
Total unrealised gains to income statement (fair value through profit and loss)	(94)	47	95	184	1	231

MAJOR CONCENTRATION RISKS

Credit concentration is addressed on page 93b. Another potential major concentration risk in Nedbank Group is liquidity risk. The management of this, including diversification of the funding base, contingency planning of sources of funding and related governance, is covered on page 78b.

Property concentration risk is addressed on page 75b.

Concentration risk is not considered to prevail in the group's trading, IRRBB, forex and equity risk portfolios, nor assets and liabilities subject to mark-to-market fair value accounting.

CAPITAL MANAGEMENT

Nedbank Group has significantly strengthened its capital ratios, with a Tier 1 capital adequacy ratio of 9,6% (December 2007: 8,2% pro forma Basel II) and a total capital adequacy ratio of 12,4% (December 2007: 11,4% pro forma Basel II). These ratios are now well above the group's historic target ranges. The core Tier 1 capital adequacy ratio was 8,2% (December 2007: 7,2% pro forma Basel II).

The group currently holds a surplus of R9,6 billion against its internally calculated economic capital requirements calibrated to an A-debt rating (and including a 10% capital buffer) and a surplus of R9,5 billion against its minimum regulatory capital adequacy requirements.

Nedbank Limited has also significantly strengthened its capital ratios, with a Tier 1 capital adequacy ratio of 9,8% (December 2007: 7,9% pro forma Basel II) and a total capital adequacy ratio of 13,1% (December 2007: 11,4% pro forma Basel II). The core Tier 1 capital adequacy ratio was 8,0% (December 2007: 6,8% pro forma Basel II).

Our capital adequacy ratios increased significantly due to a strong focus on the optimisation of risk-weighted assets, enabled by enhancing data quality and more selective asset growth using our economic profit-based "managing for value" philosophy, the retention of earnings, the profits made on the disposal of Visa shares and the issue of the first Hybrid Tier 1 capital instruments in South Africa (amounting to R1,75 billion). Capital adequacy ratios include unappropriated profits at year end to the extent that it is not expected to reverse and is expected to be appropriated subsequent to year end.

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

Basel II was successfully implemented by Nedbank Group. Within that our first comprehensive "Internal Capital Adequacy Assessment Process (ICAAP)" required under Pillar 2 of Basel II was successfully completed across the group in the second half of the year, and this attained a favourable outcome from the "Supervisory Review and Evaluation Process (SREP)" completed by our banking regulator.

However, on the back of the global financial crisis and the more conservative stance taken to capital, the group has increased its levels of surplus capital and extended its target regulatory capital ranges, now also including a target capital adequacy range for core Tier 1 capital. This applies to both Nedbank Group and Nedbank Limited. In the current external environment the group's objective is to move towards the top end of these new target ranges by end 2009.

Target capital ratios	Revised range %	Previous range %	Regulatory
Regulatory	from 2009	to end 2008	minimum %
Core Tier 1	7,5 – 9,0	n/a	5,25
Tier 1	8,5 – 10,0	8,0 – 9,0	7,00
Total	11,5 – 13,0	11,0 – 12,0	9,75

The global financial crisis also highlighted that the appropriate level of capital for a bank is a function of its strategy, individual risk appetite and existing risk profile. This aligns with one of the key objectives of Basel II, that is to differentiate capital requirements and capital buffers above the regulatory minimum, to reflect the unique risk profile on a bank-by-bank basis, rather than the "one-size-fits-all" approach that Basel I engendered. The Basel Committee reinforced this objective in January 2009.

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

RISK AND CAPITAL MANAGEMENT REVIEW

REGULATORY CAPITAL

Capital ratios (including unappropriated profits)

%	Nedbank Group			Nedbank Limited		
	Basel I	Basel II		Basel I	Basel II	
	2007	(pro forma Basel II) 2007	2008	2007	(pro forma Basel II) 2007	2008
Core Tier 1	7,5	7,2	8,2	6,7	6,8	8,0
Tier 1	8,5	8,2	9,6	7,8	7,9	9,8
Total	12,4	11,4	12,4	11,9	11,4	13,1
Leverage ratio	16,2 times		16,2 times			

There was a negative impact to the group's capital ratios from the transition from Basel I to Basel II on 1 January 2008.

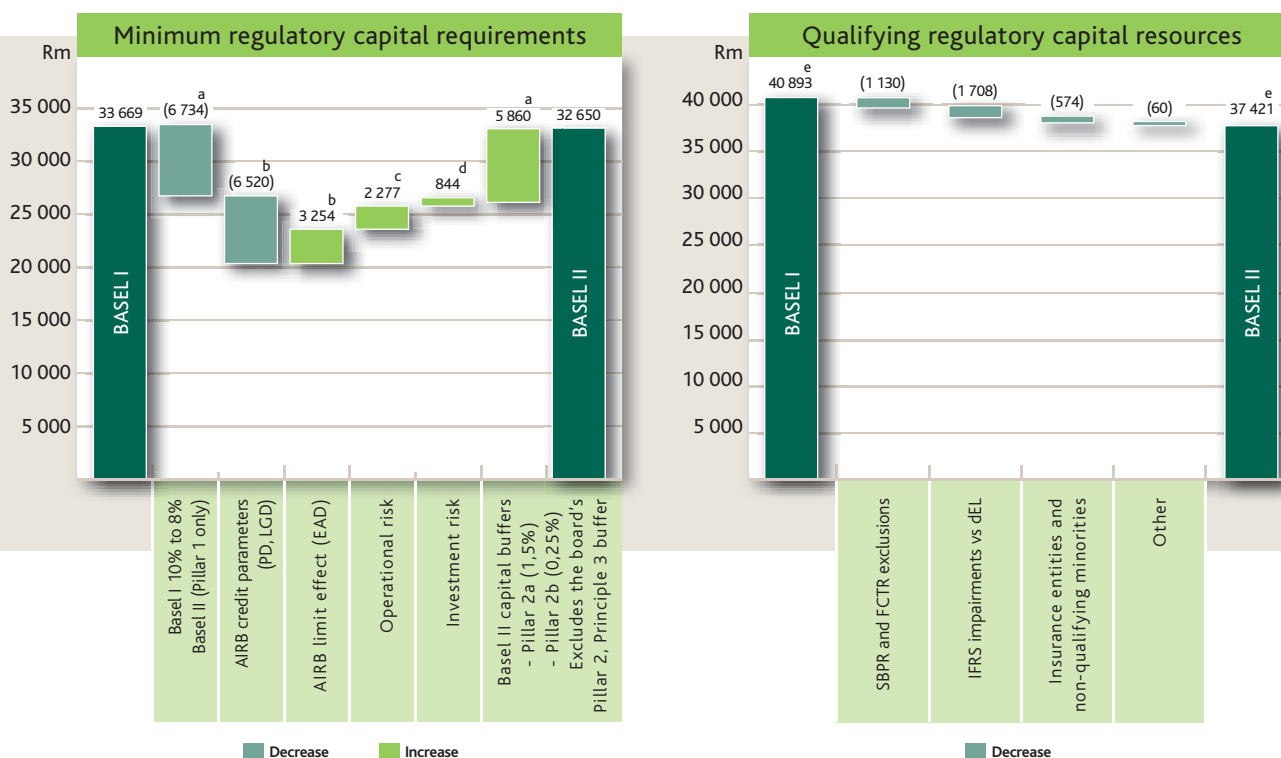
While minimum regulatory capital requirements decreased marginally, qualifying capital and reserves decreased materially mainly due to:

- The foreign currency translation reserve (FCTR) R256 million, share-based payments reserve (SBPR) R874 million and available-for-sale reserve R134 million were all no longer allowed to qualify as capital in South Africa under Basel II.

These reserves do continue to qualify as regulatory capital in certain overseas jurisdictions. At 31 December 2008 these reserves collectively amounted to R1,6 billion.

- Excess of IFRS accounting impairments over Basel II downturn expected loss (dEL) of R1 708 million having to be deducted per the AIRB approach for credit risk. At 31 December 2008 these amounted to R1 176 million.
- Surplus capital within insurance entities and certain non-qualifying minority interests of R574 million no longer allowed. At 31 December 2008 these amounted to R774 million.

Nedbank Group transition from Basel I to Basel II at 31 December 2007/1 January 2008



- a) The minimum capital ratio reduced from 10% Basel I to 9,75% Basel II. A Pillar 2, principle 3 regulatory capital buffer is also required to be set at the board's discretion and currently this is set at 10% above the minimum regulatory ratio set by SARB. However, other considerations such as rating agencies, peer benchmarking and the external environment are also taken into account in setting the target capital ratio ranges (as set out earlier) which are well above these regulatory minimum levels.
- b) Overall there was a benefit for Nedbank Limited obtaining SARB approval for the AIRB approach for credit risk under Basel II. This was offset to an extent by the new requirement to hold capital for committed, unutilised facilities (limits) under Basel II.
- c) New capital requirement for operational risk under Basel II.
- d) Much higher risk weightings (300%/400% vs 100%) for equity (investment) risk under Basel II.
- e) Excludes unappropriated profits at year end.

In line with a specific provision of the Banks Act regulations, profits do not qualify as qualifying regulatory capital unless formally appropriated by the board. Accordingly, we also show below our capital ratios excluding unappropriated profits at year end, noting that these profits could be appropriated at any time if needed.

Capital ratios (excluding unappropriated profits)

	Nedbank Group			Nedbank Limited		
	Basel I	Basel II		Basel I	Basel II	
	2007	(pro forma Basel II) 2007	2008	2007	(pro forma Basel II) 2007	2008
%						
Core Tier 1	7,2	6,9	8,0	6,5	6,6	8,0
Tier 1	8,3	8,0	9,4	7,6	7,7	9,7
Total	12,2	11,2	12,3	11,7	11,2	13,1

RISK AND CAPITAL MANAGEMENT REVIEW

Summary of risk-weighted assets (by risk type)

Risk type	Nedbank Group		Nedbank Limited	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Credit risk	285 457	267 010	221 969	222 126
Credit portfolios subject to AIRB approach (ie Nedbank Limited)	238 480	220 396	218 142	215 170
<i>Corporate, sovereign, bank (incl SME)</i>	131 955	117 413	114 050	112 187
<i>Residential mortgage</i>	70 401	58 712	67 968	58 712
<i>Qualifying revolving retail</i>	6 554	7 562	6 554	7 562
<i>Other retail</i>	29 570	36 709	29 570	36 709
Credit portfolios subject to Standardised Approach	42 829	39 598	–	–
<i>Corporate, sovereign, bank</i>	16 849	19 007		
<i>Retail exposures</i>	25 980	20 591		
Counterparty credit risk	3 169	6 184	3 109	6 124
Securitisation exposures (IRB approach)	979	832	718	832
Equity risk (Market-based Simple Risk Weight Approach)	13 035	17 141	10 190	14 630
– <i>Listed (300% risk weighting)</i>	1 574	538	1 471	459
– <i>Unlisted (400% risk weighting)</i>	11 461	16 603	8 719	14 171
Market risk (Standardised Approach)	7 049	4 632	5 445	3 470
Operational risk (Standardised Approach)	36 497	28 462	30 559	25 131
Other assets (100% risk weighting)	13 197	17 632	10 170	9 416
Total risk-weighted assets	355 235	334 877	278 333	274 773
Total minimum regulatory capital requirements (@9,75%)	34 635	32 651	27 137	26 790
Total qualifying regulatory capital and reserves*	44 119	38 239	36 577	31 376
Total surplus capital over minimum requirements	9 484	5 588	9 440	4 586
Analysis of total surplus capital				
Tier 1 capital (primary)	9 100	3 988	7 699	2 524
Core Tier 1 capital	10 285	6 427	7 695	4 210
Total	9 484	5 588	9 440	4 586

* Includes unappropriated profits

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

Risk type and business cluster	2008 Rm	Mix %
Credit risk	285 457	81
Nedbank Corporate	112 568	32
Nedbank Capital	17 309	5
Nedbank Retail	87 721	25
Imperial Bank	35 377	10
Africa and UK	32 482	9
Equity risk	13 035	4
Market risk	7 049	2
Operational risk	36 497	10
Other assets	13 197	3
Total risk-weighted assets	355 235	100

Summary of qualifying capital and reserves

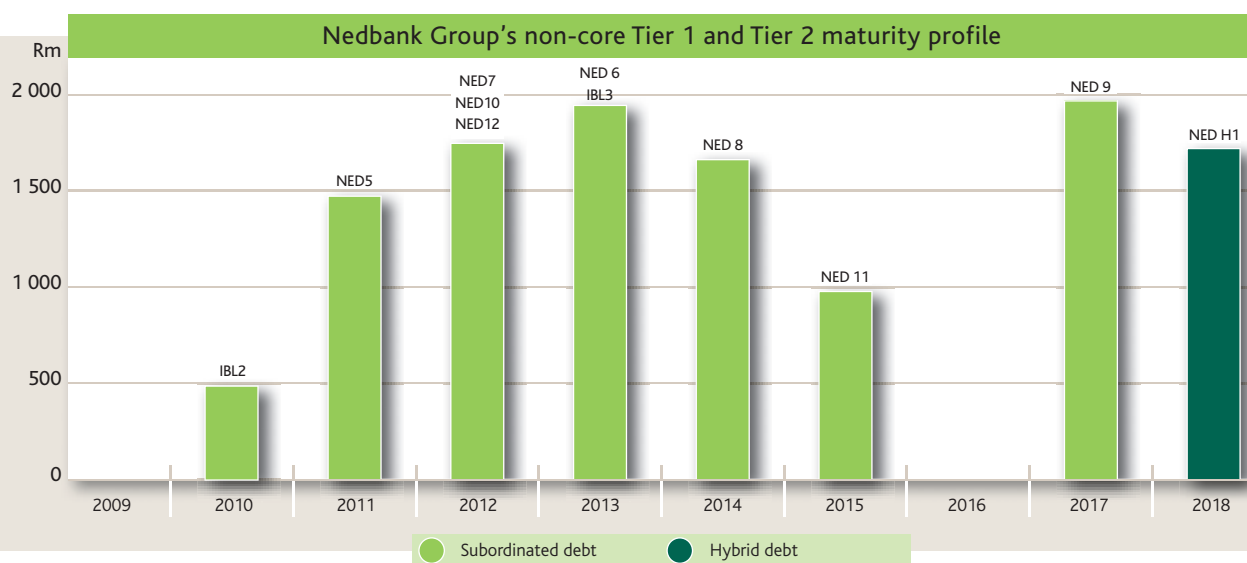
	Nedbank Group		Nedbank Limited	
	2008	2007	2008	2007
	Rm	Rm	Rm	Rm
Tier 1 capital (primary)	33 458	26 611	27 031	21 188
Core Tier 1 capital	28 427	23 190	22 156	18 066
Ordinary share capital	410	402	27	27
Ordinary share premium	11 370	10 721	14 433	14 434
Reserves	23 133	19 070	14 298	10 488
Minority interest: ordinary shareholders	1 881	1 511	–	–
Deductions	(8 367)	(8 514)	(6 602)	(6 883)
<i>Impairments</i>	(6)	(8)	(3 608)	(3 498)
<i>Goodwill</i>	(3 894)	(3 898)	(1 126)	(1 126)
<i>Excess of expected loss over eligible provisions (50%)</i>	(588)	(854)	(588)	(793)
<i>Unappropriated profits</i>	(658)	(852)	(300)	(604)
<i>Foreign currency translation reserves</i>	(545)	(256)		
<i>Share-based payment reserves</i>	(949)	(874)	(281)	(9)
<i>Property revaluation reserves</i>	(951)	(848)	(668)	(592)
<i>Surplus capital held in insurance entities (50%)</i>	(387)	(287)		
<i>Other regulatory differences</i>	(389)	(637)	(31)	(261)
Non-core Tier 1 capital	5 031	3 421	4 874	3 122
Preference share capital and premium	3 279	3 421	3 122	3 122
Hybrid debt capital instruments	1 752		1 752	
Tier 2 capital (secondary)	10 153	10 510	9 395	9 318
Long-term debt instruments	10 464	10 873	9 812	9 815
Revaluation reserves (50%)	476	424	334	296
Deductions	(787)	(787)	(751)	(793)
<i>Surplus capital held in insurance and financial entities (50%)</i>	(387)	(287)		
<i>Excess of expected loss over eligible provisions (50%)</i>	(588)	(854)	(588)	(793)
<i>General allowance for credit impairment</i>	212	350		
<i>Other regulatory differences</i>	(24)	4	(163)	
Tier 3 capital (tertiary)	–	300	–	300
Total capital	43 611	37 421	36 426	30 806

Including unappropriated profits*	Nedbank Group		Nedbank Limited	
	2008	2007	2008	2007
	Rm	Rm	Rm	Rm
Tier 1 capital (primary)	33 966	27 429	27 182	21 758
Core Tier 1 capital	28 935	24 008	22 307	18 636
Total capital	44 119	38 239	36 577	31 376

* Includes unappropriated profits at year end to the extent that they are not expected to reverse and are expected to be appropriated subsequent to year end.

RISK AND CAPITAL MANAGEMENT REVIEW

Summary of non-core Tier 1 and Tier 2 capital maturity profile



Nedbank has achieved its objective of a smoothed, well diversified non-core Tier 1 and Tier 2 capital maturity profile, removing the maturity concentration risk previously associated with the NED1 (R2 billion) and NED2 (R4 billion), in 2006 and 2007 respectively. Further capital issues will continue to build on this. There are no maturities until 2011 (Nedbank Limited) and 2010 (Imperial Bank Limited).

During 2008 Nedbank successfully issued hybrid debt capital, raising R1,75 billion.

Summary of capital adequacy by banking subsidiary

Banking subsidiary	Country CARs %	2008	Capital ratio %	2007	Capital ratio %
		Risk-weighted assets Rm		Risk-weighted assets Rm	
(solo supervision)					
Nedbank Limited	9,75	278 333	13,1	274 773	11,2
Imperial Bank Limited	9,75	38 074	11,1	33 909	10,6
Nedbank (Namibia) Limited	10,00	3 264	13,9	3 147	11,9
Fairbairn Private Bank (IOM) Limited	10,00	2 526	16,1	2 919	12,8
Fairbairn Private Bank Limited	10,00	1 722	14,5	1 504	14,7
Nedbank (Swaziland) Limited	8,00	619	17,4	582	19,3
Nedbank (Lesotho) Limited	8,00	320	23,3	453	21,2
Nedbank (Malawi) Limited	8,00	80	23,0	97	12,8

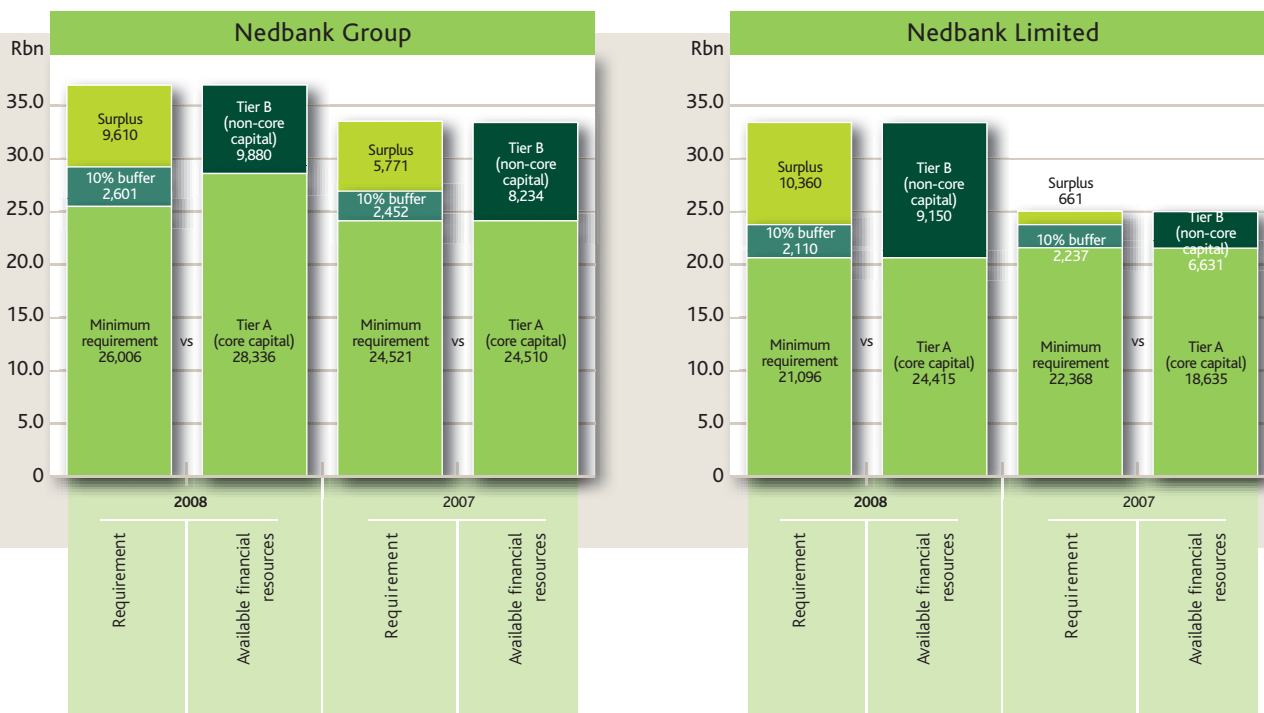
Dividend cover

The group has a dividend cover policy range of 2.25 – 2.75, covered by headline earnings per share. Historically the effective cover has been higher as a result of take up under a scrip dividend alternative and also the reinvestment of dividend proceeds by BEE shareholder trusts.

ECONOMIC CAPITAL

Detail on Nedbank's economic capital methodology is available in our current Pillar 3 disclosure, which will be updated shortly to 31 December 2008. Below we provided the results of the group and bank's economic capital adequacy and capital allocation to the group's businesses.

SUMMARY OF ECONOMIC CAPITAL



Economic capital requirements and available financial resources

	Nedbank Group				Nedbank Limited			
	2008		2007		2008		2007	
By risk type	Rm	%	Rm	%	Rm	%	Rm	%
Credit risk*	15 605	60	16 018	65	13 197	63	14 367	64
Transfer (sovereign) risk	166	0,6	317	1,3	25	0,1	321	1,4
Market risk	3 066	12	2 472	10	1 598	8	2 177	10
Trading risk	352	1,4	353	1,4	137	0,6	353	1,6
IRRBB risk	33	0,1	31	0,1	21	0,1	31	0,1
Property risk	1 019	3,9	919	3,7	765	3,6	722	3,2
Investment risk	1 635	6,3	1 139	4,6	675	3,2	1 053	4,7
Forex translation risk	27	0,1	30	0,1	0	0,0	18	0,1
Operational risk	1 682	6	1 099	4	1 510	7	1 071	5
Business risk	4 798	18	3 885	16	4 168	20	3 875	17
Other assets	689	3	730	3	598	3	557	2
Minimum economic capital requirement + Capital buffer (10%)	26 006	100	24 521	100	21 096	100	22 368	100
	2 601		2 452		2 110		2 237	
= Total economic capital requirement vs Available financial resources	28 607		26 973		23 206		24 605	
	38 216		32 744		33 566		25 266	
Tier A capital (shareholders' equity)	28 336		24 510		24 415		18 635	
Tier B capital (non-core)	9 880		8 234		9 150		6 631	
= Surplus available	9 610		5 771		10 360		661	

* Credit risk economic capital incorporates counterparty credit risk and securitisation risk.

RISK AND CAPITAL MANAGEMENT REVIEW

Summary of minimum economic capital requirement at year end (by business cluster)

Risk type	Nedbank Group		Nedbank Corporate		Nedbank Capital		Nedbank Retail	
	2008	2007	2008	2007	2008	2007	2008	2007
Rm								
Credit risk*	15 605	16 018	7 078	7 854	934	703	6 122	6 231
Transfer (sovereign) risk	166	317	64	9	102	308	0	0
Market risk	3 066	2 472	542	288	1 218	883	413	330
Trading risk	352	353			352	353		
IRRBB risk	33	31	16		2		14	
Property risk	1 019	919	40	19			212	85
Investment risk	1 635	1 139	484	262	853	524	174	227
Forex translation risk	27	30	2	7	11	6	13	18
Operational risk	1 682	1 099	560	413	251	185	803	471
Business risk	4 798	3 885	1 421	1 092	1 241	1 018	2 009	1 666
Other assets	689	730	211	205	21	55	174	153
Total	26 006	24 521	9 876	9 861	3 767	3 152	9 521	8 851

* Credit risk economic capital incorporates counterparty credit risk and securitisation risk.

COST OF EQUITY

The cost of equity has been revised to 13.25% for the year end 2008 as a result of a lower 10 year risk-free rate expected for the year. In line with international trends, long-term government rates have been trending downwards in South Africa. This is due to the higher than normal risk aversion and the expectation of lower rates on the back of lower inflation expectations, both of which can be ascribed to the current global financial crisis.

Cost of capital is the weighted average of the cost of the various equity components, ordinary, preference shares and hybrid debt capital.

	Weighting	2008	2007
Cost of ordinary shares (after tax)			
– Capital Asset Pricing Model*	89%	13,25	13,92
Cost of preference shares			
– Preference shares (75% of Nedbank prime interest rate plus STC)	8%	11,25	10,81
– Hybrid debt capital (average 4% below cost of ordinary shares)	3%	9,25	–
	100%	12,84	13,61

Capital Asset Pricing Model	*Risk-free rate (R157)	Beta	Equity risk premium	After-tax cost of ordinary shares
30 June 2005	8,25%	1,00	5,44%	13,69%
31 December 2005	7,46%	1,00	5,13%	12,59%
30 June 2006	8,65%	1,00	5,13%	13,78%
31 December 2006	7,73%	1,02	5,30%	13,14%
30 June 2007	8,03%	1,02	5,30%	13,43%
31 December 2007	8,43%	1,00	5,44%	13,87%
30 June 2008	8,43%	1,00	5,44%	13,87%
31 December 2008	7,75%	1,00	5,50%	13,25%

	Imperial Bank		Central Management and Shared Services	
	2008	2007	2008	2007
	1 450	1 229	20	1
	–	–	–	–
	13	13	879	959
	13	13	755	31
			123	802
			1	126
				0
	51	29	18	1
	127	109	–	–
	1	8	282	308
	1 642	1 388	1 199	1 269

RISK AND CAPITAL MANAGEMENT REVIEW

EXTERNAL CREDIT RATINGS

In December 2008 Moody's investors Service affirmed Nedbank's national scale short-term deposit rating of Prime- 1.za and long-term deposit of Aa 1.za.

Nedbank Limited received a rating upgrade from Fitch Ratings in November 2007 and this rating was reaffirmed in July 2008. In November 2008 Fitch maintained the ratings but changed the outlook for a number of the local banks on the back of a rating outlook adjustment for South Africa, including changing the outlook for Nedbank for its international sovereign rating from stable to negative. No adjustment was made to Nedbank's local ratings or outlooks and the Fitch Ratings national short-term rating remains F1+ (zaf).

Nedbank Limited also registered a European Domestic Medium-Term Note Program (EMTN) during December 2008. This program was separately rated by both Moody's and Fitch. Moody's have assigned an A2 foreign currency rating together with a positive outlook to both senior and subordinated notes. Fitch have assigned BBB+ and BBB foreign currency ratings to the long-term senior and subordinated debt, respectively.

Fitch ratings	Nedbank Group 2008	Nedbank Limited 2008	Imperial Bank Limited 2008
Individual	B/C	B/C	
Support	2	2	
Foreign currency			
Short-term	F3	F2	
Long-term	BBB	BBB+	
Long-term rating outlook	Negative	Negative	Stable
Local currency			
Long-term senior	BBB	BBB+	
Long-term rating outlook	Negative	Negative	Stable
National			
Short-term	F1+ (zaf)	F1+ (zaf)	F1+ (zaf)
Long-term	AA- (zaf)	AA (zaf)	AA- (zaf)

Individual and support

B = A strong bank with strong profitability, balance sheet integrity, franchise, management, operating environment or prospects.

C = An adequate bank which, however, possesses one or more troublesome aspects.

2 = A bank for which there is a high probability of external support, and the potential provider of support is highly rated in its own right.

Foreign and local currency (capped by sovereign risk limits of BBB+ for foreign long-term, F2 for foreign short-term and A for local long-term)

F2 = Good credit quality. The capacity for timely payment of financial commitments is satisfactory.

F3 = Fair credit quality. The capacity for timely payment of financial commitments is adequate.

BBB = Good credit quality. Indicates that there is currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate.

The modifiers '+' or '-' denote relative status within major categories.

National

F1 = Indicates the strongest capacity for timely payment of financial commitments relative to other issuers or issues in the same country.

AA = Denotes a very strong credit risk relative to other issuers or issues in the same country.

The modifiers '+' or '-' denote relative status within major rating categories

Moody's Investors Service	Nedbank Limited 2008	Imperial Bank Limited 2008
Bank financial strength rating	C	
Outlook – financial strength rating	Stable	
Global local currency – long-term deposits	Aa3	Aa3
Global local currency – short-term deposits	Prime-1	Prime-1
Foreign currency – long-term bank deposits	Baa1	
Foreign currency – short-term bank deposits	Prime-2	
Outlook – foreign current deposit rating	Positive	
National scale rating – long-term deposits	Aa1.za	
National scale rating – short-term deposits	Prime-1.za	

Bank financial strength rating

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

Long-term (capped by sovereign rating)

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

Baa = Obligations rated Baa are subject to moderate credit risk. They are considered medium grade and as such may possess certain speculative characteristics.

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

Short-term

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

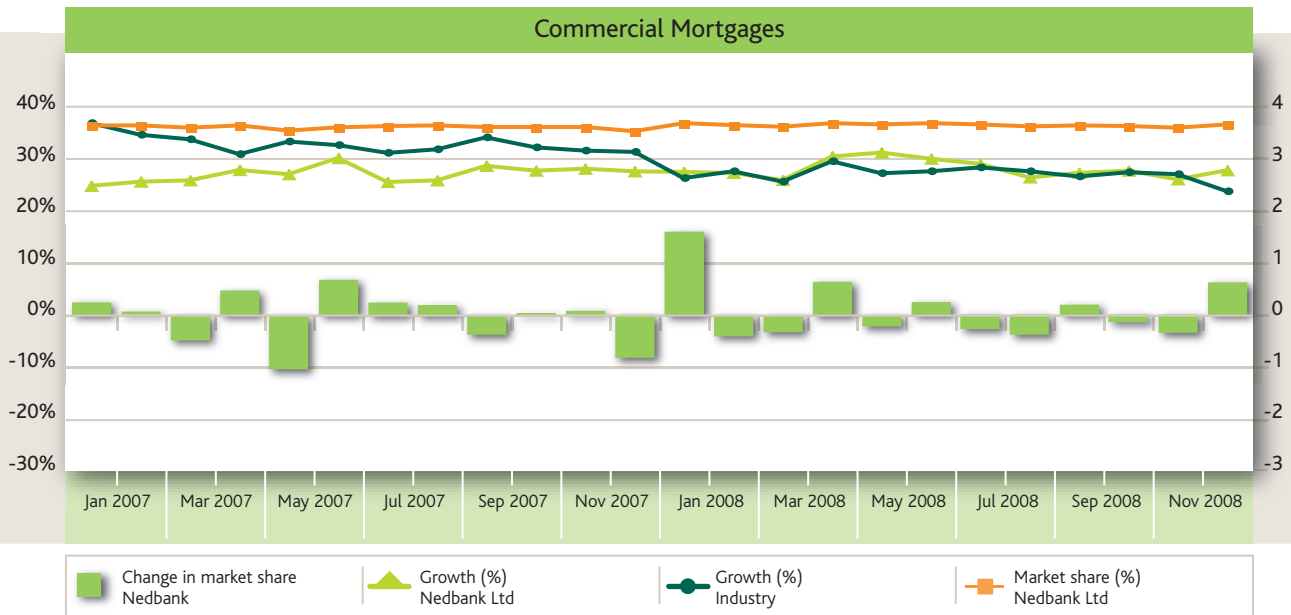
P-2 = Issuers rated Prime-2 have a strong ability to repay short-term debt obligations.

SUMMARISED DTI CODES AND FSC SCORECARDS

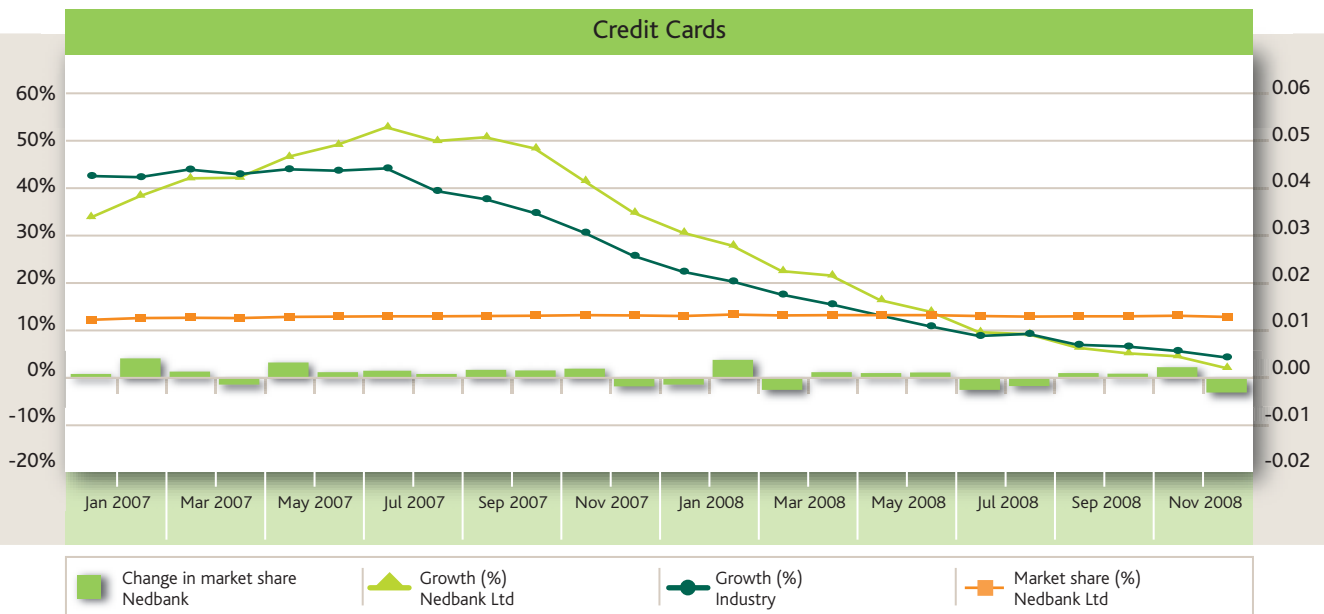
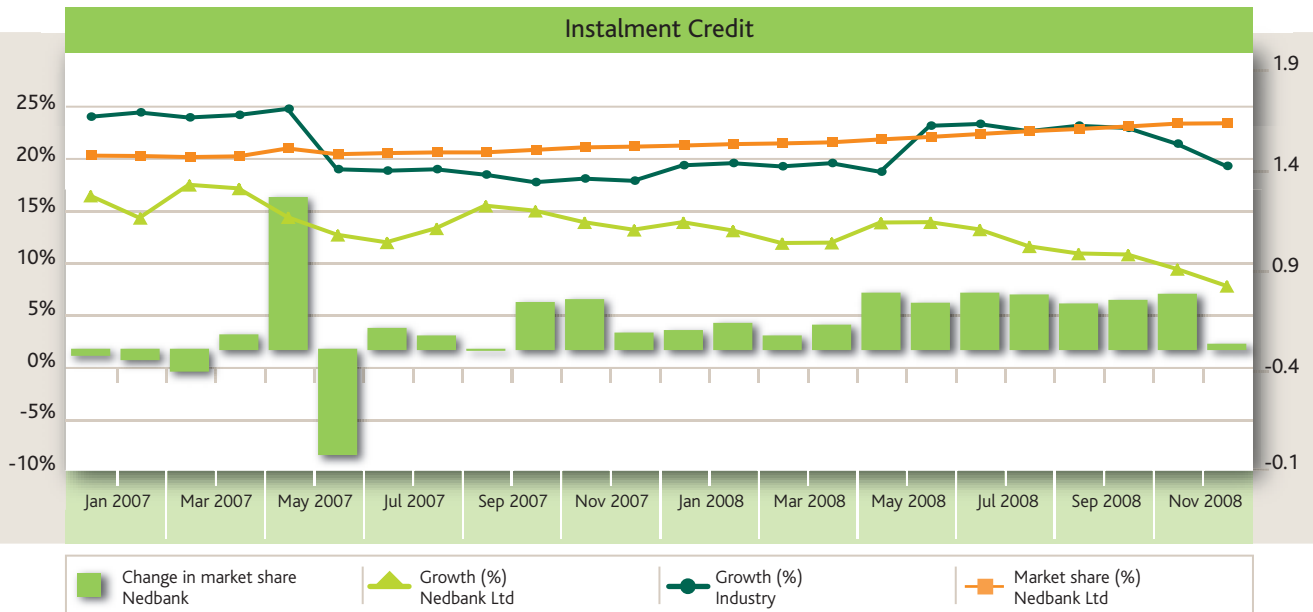
AS AT 31 DECEMBER 2008

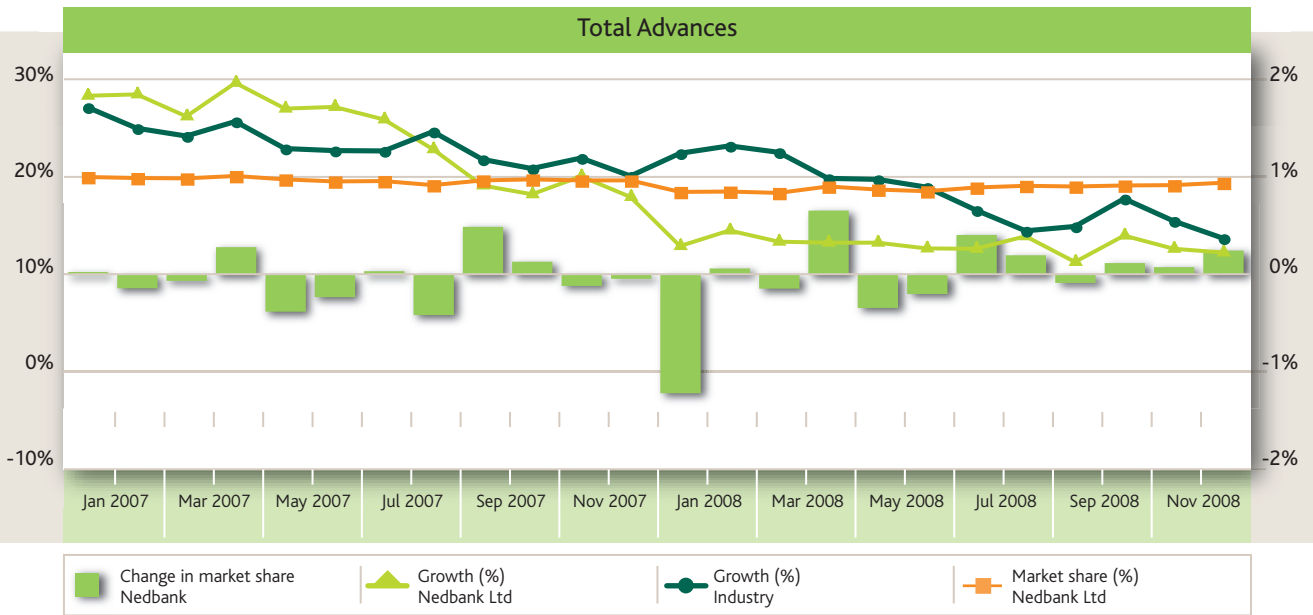
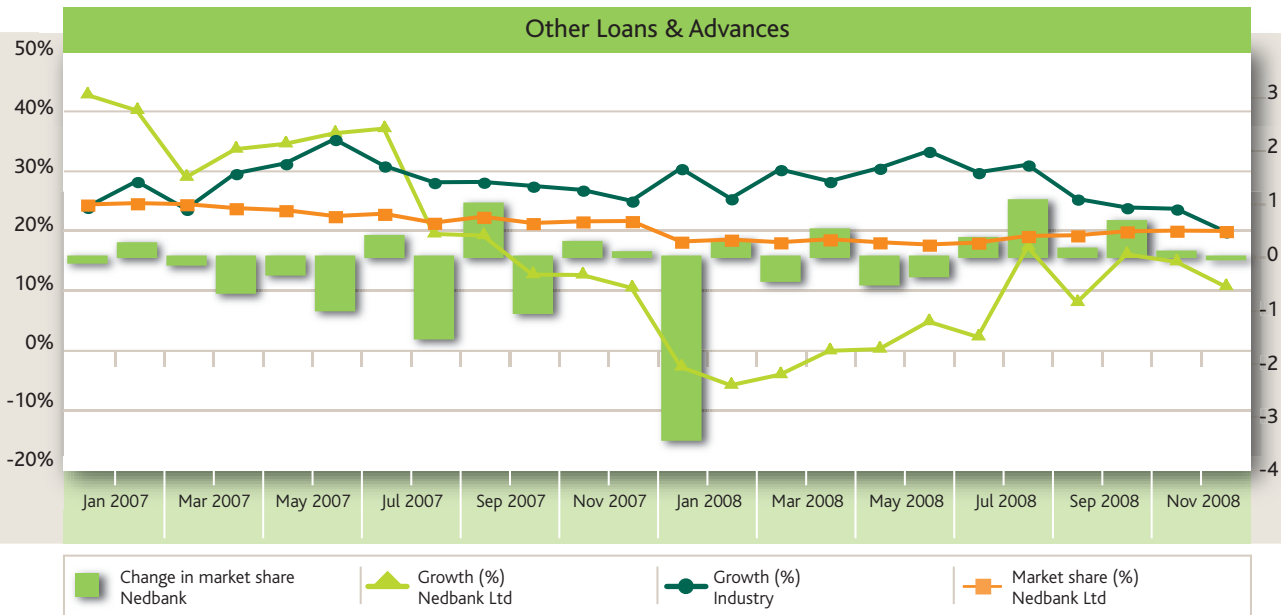
Ownership	Voting rights		Economic interest			Employee schemes/ Broad-based schemes, etc	Net equity value	Total score	Weighting
	Black people	Black women	Black people	Black women	Designated groups				
B-BBEE Codes	21,48%	3,67%	21,48%	3,67%	9,25%	1,00%	21,48%	16,81	20
FS Charter			18,40%	5,11%			18,40%	15,00	12 +4
Management control	Board	Black executive directors	Senior top management	Top other management	Bonus: independent directors	Total score	Weighting		
B-BBEE Codes	50,00%	0,00%	33,33%	25,00%	83,33%	8,13	10		
FS Charter	69,23%	0,00%	30,00%			8,00	8		
Employment equity	Senior management	Middle management	Junior management	Disabled as % of total	Total score	Weighting			
B-BBEE Codes	23,29%	45,27%	70,38%	0,43%	10,38	15			
FS Charter	24,66%	40,48%	53,72%		14,00	15			
Skills development	Skills spend %	Disabled skills spend %	Category B, C and D black learners	Total score	Weighting				
B-BBEE Codes	2,14%	0,01%	1,80%	9,14	15				
FS Charter	2,87%		1,80%	4,20	5				
Preferential procurement	% Spend	% Spend on QSEs and EMEs	% Spend – black-owned	% Black women-owned	Total score	Weighting			
B-BBEE Codes	62,07%	19,30%	8,64%	0,29%	17,98	20			
FS Charter	53,73%				15,00	15			
Enterprise development	% Contributions – non-recoverable	% Contributions – recoverable	Total score	Weighting					
B-BBEE Codes	7,71%	9,27%	15,00	15					
FS Charter									
Social economic development/CSI	% Contributions		Total score	Weighting					
B-BBEE Codes	1,02%		5,00	5					
FS Charter	0,90%		3,00	3					
Access to financial services	Products (active accounts)	Services (branches)	Low-income housing (R million)	Black SME financing (R million)	Agriculture financing (R million)	Consumer education	Total score	Weighting	
FSC 2008 target	391 307	8	8 800	1 000	225	0,20%			
Nedbank	642 477	8	8 503	3 560	339	0,20%	17,87	18	
Empowerment financing	Empowerment financing (R million)	Transformational infrastructure (R million)	Low-income housing (R million)	Black SME financing (R million)	Agriculture financing (R million)	BEE financing (R million)	Total score	Weighting	
FSC 2008 target	5 739	2 000	2 460	1 000	225	4 555			
Nedbank	12 489	1 926	6 665	3 560	339	29 396	22,00	22	
Total B-BBEE score	Verified as at 31 December 2008					dti Level 3	82,44	100	
Total FSC score	Verified as at 31 December 2008 – to be ratified by FSC Council						99,07	100	

MARKET SHARE

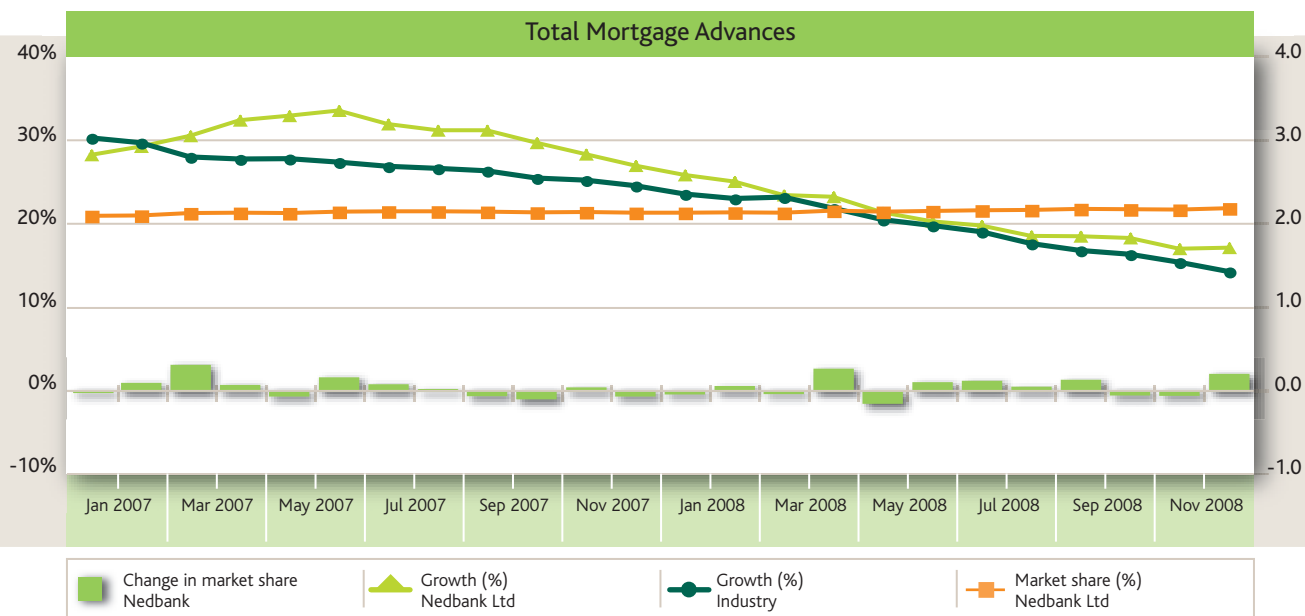
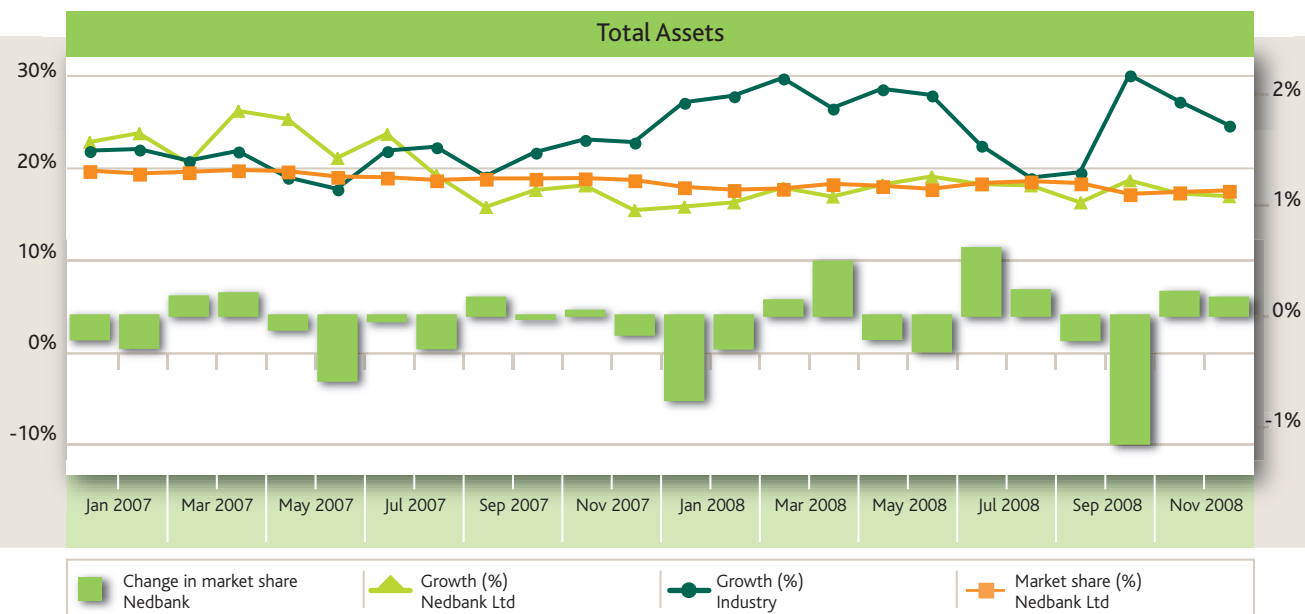


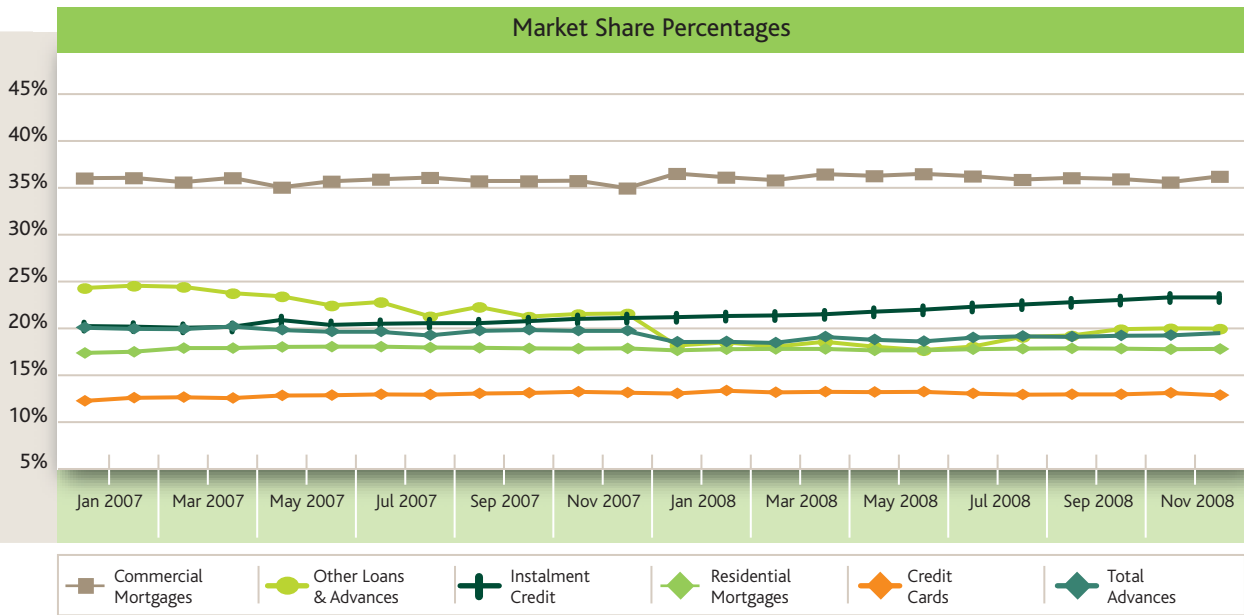
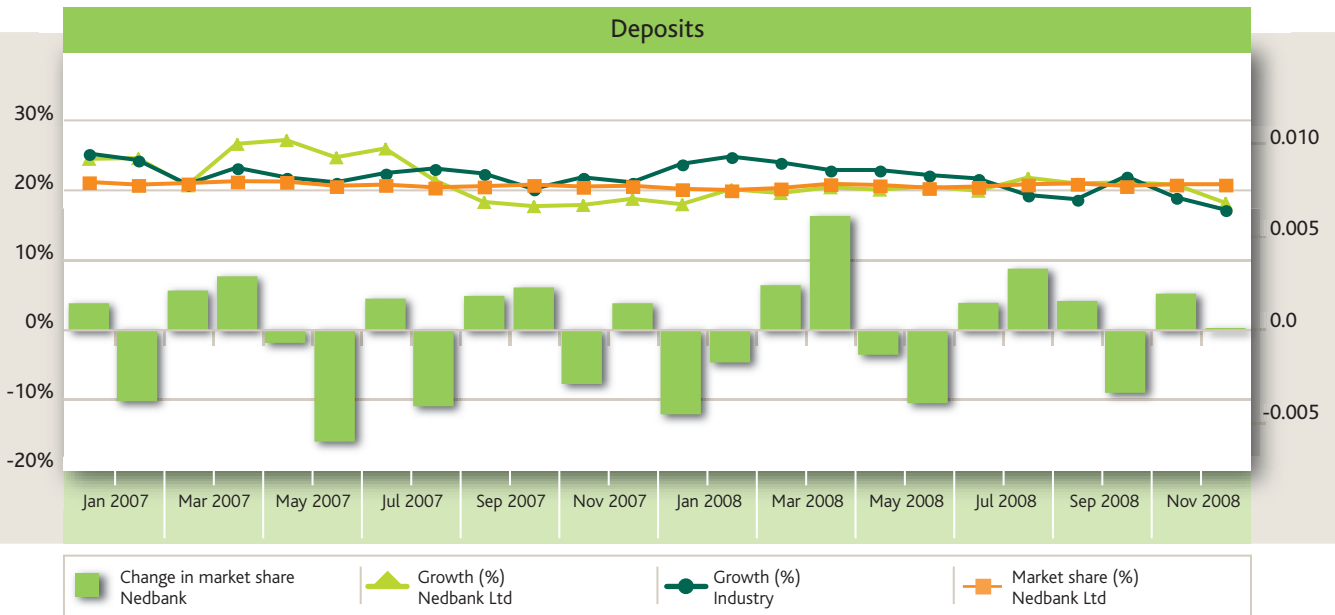
MARKET SHARE CONTINUED





MARKET SHARE CONTINUED





SHAREHOLDERS' ANALYSIS

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

Major shareholders/managers	Number of shares	Dec 2008 % holding	Dec 2007 % holding
Old Mutual Group	254 616 529	54,30	53,20
Old Mutual Life Assurance Company (South Africa) Limited and associates (SA)	252 690 746	53,89	52,81
Old Mutual Investment Group (SA)	1 925 783	0,41	0,39
Nedbank Group treasury shares held	59 231 657	12,63	12,48
BEE trusts:			
Eyethu scheme – Nedbank South Africa	43 618 748	9,30	9,09
Omufima scheme – Nedbank Namibia	665 680	0,14	0,14
Nedbank Group Capital Management	14 715 049	3,14	3,20
NES Investments (Pty) Limited	232 180	0,05	0,05
Public Investment Corporation (SA)	23 562 600	5,02	5,31
Lazard Asset Management (US)	14 702 051	3,14	1,29
Sanlam Investment Management (SA)	13 770 167	2,94	2,74
RMB Asset Management (SA)	9 440 374	2,01	0,47
Barclays Global Investors (US)	5 448 456	1,16	1,04
Boston Company Asset Management (US)	5 235 837	1,12	1,36
Major beneficial shareholders			
Old Mutual Life Assurance Company (South Africa) Limited and associates (SA)	252 690 746	53,89	52,81
Public Investment Corporation (SA)	30 433 723	6,49	7,08
Geographical distribution of shareholders			
Domestic	411 730 572	87,80	89,55
South Africa	405 190 165	86,41	88,37
Botswana	65 241	0,01	
Namibia	3 104 919	0,66	0,40
Swaziland			
Unclassified	3 370 247	0,72	0,78
Foreign	57 208 825	12,20	10,45
United States	41 833 966	8,92	7,09
United Kingdom and Ireland	4 125 969	0,88	0,82
Europe	1 980 813	0,42	1,51
Other countries	9 268 077	1,98	1,03
	468 939 397	100,00	100,00

NEDBANK LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

Rm	2008	2007
Interest and similar income	55 154	40 185
Interest expense and similar charges	39 874	26 631
Net interest income	15 280	13 554
Impairments charge on loans and advances	4 755	2 115
Income from lending activities	10 525	11 439
Non-interest revenue	9 877	9 725
Operating income	20 402	21 164
Total expenses	12 671	12 768
Operating expenses	12 484	12 633
BEE transaction expenses	187	135
Indirect taxation	356	298
Profit from operations before non-trading and capital items	7 375	8 098
Non-trading and capital items	745	25
Profit on sale of subsidiaries, investments and property and equipment	756	27
Net impairment of investments, property and equipment and capitalised development costs	(11)	(2)
Profit from operations	8 120	8 123
Share of profits of associates and joint ventures	9	54
Profit before direct taxation	8 129	8 177
Total direct taxation	1 791	2 185
Direct taxation	1 683	2 185
Taxation on non-trading and capital items	108	
Profit for the year	6 338	5 992
Attributable to:		
Profit attributable to equity holders of the parent	6 106	5 681
Profit attributable to minority interest – ordinary shareholders	217	298
– preference shareholders	15	13
Profit for the year	6 338	5 992
EARNINGS RECONCILIATION		
Profit attributable to equity holders of the parent	6 106	5 681
Less: Non-headline earnings items	637	25
Non-trading and capital items	745	25
Taxation on non-trading and capital items	(108)	
Headline earnings	5 469	5 656

NEDBANK LIMITED

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER

Rm	2008	2007
ASSETS		
Cash and cash equivalents	7 638	9 545
Other short-term securities	10 411	11 775
Derivative financial instruments	23 114	9 924
Government and other securities	41 834	29 271
Loans and advances	433 422	373 185
Other assets	4 731	4 920
Clients' indebtedness for acceptances	2 998	2 236
Current taxation receivable	314	29
Investment securities	2 743	2 739
Non-current assets held for sale	10	
Investments in associate companies and joint ventures	913	735
Deferred taxation asset	71	65
Investment property	104	75
Property and equipment	4 124	3 757
Long-term employee benefit assets	1 667	1 305
Computer software and capitalised development costs	1 587	1 323
Mandatory reserve deposits with central bank	10 061	8 351
Goodwill	1 390	1 392
Total assets	547 132	460 627
TOTAL EQUITY AND LIABILITIES		
Ordinary share capital	27	27
Ordinary share premium	14 422	14 422
Reserves	16 927	13 954
Total equity attributable to equity holders of the parent	31 376	28 403
Preference share capital and premium	3 122	3 122
Minority shareholders' equity attributable to ordinary shareholders	1 644	1 307
Minority shareholders' equity attributable to preference shareholders	300	300
Total equity	36 442	33 132
Derivative financial instruments	23 077	10 336
Amounts owed to depositors	461 084	389 290
Other liabilities	6 145	10 419
Liabilities under acceptances	2 998	2 236
Current taxation liabilities	117	275
Deferred taxation liabilities	1 982	1 470
Long-term employee benefit liabilities	1 227	1 145
Long-term debt instruments	14 060	12 324
Total liabilities	510 690	427 495
Total equity and liabilities	547 132	460 627
Guarantees on behalf of clients	25 154	20 564

DEFINITIONS

ADVANCED INTERNAL RATING-BASED APPROACH (AIRB)

Advanced Internal Rating-based – subject to Supervisory approval a bank may use its internal developed credit risk measurement systems to calculate the capital requirements for credit risk.

ASSETS UNDER MANAGEMENT

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

ATM

Automated teller machine. A cash machine or free-standing device dispensing cash, which may also provide other information or services to clients who have a card and a personal identification number, password or other personal identification.

BANKS

This asset class covers all exposures to counterparties treated as banks.

BASEL CAPITAL ACCORD (BASEL II)

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

BASEL ASSET CLASSES (AS CATEGORISED IN THE BA 200 RETURN)

CORPORATE EXPOSURES

Corporate

Corporate exposures are defined as a debt obligation of a corporation, partnership, or proprietorship. Banks are permitted to distinguish separately exposures to small- and medium-sized entities.

Specialised lending – High volatility commercial real estate (Property development)

High volatility commercial real estate (HVCRE) lending is the financing of commercial real estate that exhibits higher loss rate volatility compared to other types of Specialised Lending.

Specialised lending – Income-producing real estate

Income-producing real estate (IPRE) refers to a method of providing funding to real estate (such as, office buildings to let, retail space, multifamily residential buildings, industrial or warehouse space, and hotels) where the prospects for repayment and recovery on the exposure depend primarily on the cash flows generated by the asset. The primary source of these cash flows would generally be lease or rental payments or the sale of the asset.

Specialised lending – Object finance

Object finance (OF) refers to a method of funding the acquisition of physical assets (e.g. ships, aircraft, satellites, railcars, and fleets) where the repayment of the exposure is dependent on the cash flows generated by the specific assets that have been financed and pledged.

Specialised lending – Commodities finance

Commodities finance (CF) refers to structured short-term lending to finance reserves, inventories, or receivables of exchange-traded commodities (e.g. crude oil, metals, or crops), where the exposure will be repaid from the proceeds of the sale of the commodity.

Specialised lending – Project finance

Project finance (PF) is a method of funding in which the lender looks primarily to the revenues generated by a single project, both as the source of repayment and as security for the exposure. This type of financing is usually for large, complex and expensive installations, for example power plants, chemical processing plants, mines, etc.

SME Corporate

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

Purchased receivables – Corporate

This asset class covers all receivables classified as corporate exposures, which are purchased for inclusion in asset-backed securitisation structures, but banks may also use this approach, with the approval of national supervisors, for appropriate on-balance sheet exposures that share the same features.

DEFINITIONS

CONTINUED

PUBLIC SECTOR ENTITIES

This asset class covers all exposures to enterprises that are wholly- or majority-owned by the Central Government, e.g. Eskom, Transnet, etc.

LOCAL GOVERNMENTS AND MUNICIPALITIES

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

SOVEREIGN (INCL CENTRAL GOVERNMENT AND CENTRAL BANK)

This asset class covers all exposures to counterparties treated as Central Government.

SECURITIES FIRMS

This asset class covers all exposures to enterprises regulated by a recognised authority, and which trades in securities.

RETAIL EXPOSURES

Retail mortgages (incl home equity line of credit). This asset class covers all mortgage advances or credit lines to individuals, which are fully secured by a mortgage over residential property.

Retail revolving credit

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

Retail – Other

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

SME Retail

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

Purchased receivables – Retail

This asset class covers all receivables classified as retail exposures, which are purchased for inclusion in asset-backed securitisation structures, but banks may also use this approach, with the approval of national supervisors, for appropriate on-balance sheet exposures that share the same features.

BEE

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

BEE TRANSACTION

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

BORROWING GROUP

A group of clients and their underlying loans and advances according to the per person definition of the 'Regulations Related to Banks'.

CAPITAL ADEQUACY RATIO

The capital adequacy of South African banks is measured in terms of the South African Banks Act requirements. The ratio is calculated by dividing the Tier 1, secondary (Tier 2) and tertiary (Tier 3) capital by the risk-weighted assets.

Group capital adequacy ratio

Group capital adequacy is the ratio of group net qualifying capital and reserve funds to total group risk-weighted assets as calculated per the South African Banks Act requirements.

Primary (Tier 1) capital

Primary capital consists of issued ordinary share capital and perpetual preference share capital, qualifying perpetual callable hybrid capital, retained earnings and reserves, less regulatory deductions.

Core Tier 1 capital

Core Tier 1 capital is primary capital less any amount on non-core Tier 1 capital, being perpetual preference share capital and qualifying perpetual callable hybrid capital.

Secondary (Tier 2) capital

Secondary capital is made up of subordinated dated debt and certain types of perpetual callable debt, excess amount in respect of eligible provisions, 50% of any revaluation surplus less regulatory deductions.

Tertiary (Tier 3) capital

Tertiary capital consists of capital obtained by way of unsecured subordinated loans, subject to such conditions as may be prescribed.

CASH FLOW

Financing activities

Activities that result in changes to the capital structure of the group.

Investment activities

Activities relating to the acquisition, holding and disposal of property and equipment and long-term investments.

Operating activities

Activities that are not financing or investing activities and arise from the operations conducted by the group.

CREDIT LOSS RATIO

Credit loss ratio is the impairments charge as a percentage of average advances.

DEFAULTED ADVANCE

Any advance or group of advances that has triggered relevant definition of default criteria for that portfolio which is in line with the amended regulations relating to banks. For retail portfolios it is transaction-centric and therefore a default would be specific to an account (specific advance). For wholesale portfolios it is client- or borrower-centric, meaning that in the event of any transaction within a borrowing group default, then all transactions within the borrowing group would be defaulted.

DEFINITION OF DEFAULT

At a minimum, a default is deemed to have occurred where a material obligation is overdue for more than 90 days or an obligor exceeds an advised limit for more than 90 days.

DEFERRED TAXATION ASSETS

Deferred taxation assets are the amounts of income taxation recoverable in future periods in respect of:

- deductible temporary differences arising due to differences between the taxation and accounting treatment of transactions; and
- the carry forward of unused taxation losses.

DEFERRED TAXATION LIABILITIES

Deferred taxation liabilities are the amounts of income taxation payable in future periods due to differences between the taxation and accounting treatment of transactions.

DIRECT TAXATION

Direct taxation includes normal taxation on income, capital gains taxation (CGT) and secondary taxation on companies (STC).

DIVIDEND/DISTRIBUTION COVER

Headline earnings per share divided by the dividend/distribution declared per share.

DIVIDEND/DISTRIBUTION DECLARED PER SHARE

Dividend/distribution declared per share is the actual interim dividend paid/capitalisation award issued and the final dividend declared/capitalisation award declared for the period under consideration, expressed in cents.

DIVIDEND/DISTRIBUTION PAID/CAPITALISED PER SHARE

Dividend/distribution paid/capitalised per share is the actual final dividend paid/capitalisation award issued for the prior year and the interim dividend paid/capitalisation award issued for the year under consideration, expressed in cents.

DIVIDEND YIELD

Dividend/capitalisation award declared per ordinary share as a percentage of the closing share price of ordinary shares.

DOWNTURN EXPECTED LOSS

A stress-tested value for expected loss under downturn economic conditions that could have unfavourable effects on a bank's credit exposures.

DEFINITIONS

CONTINUED

DTI CODES

The Codes of Good Practice as promulgated on 9 February 2007 under Section 9(1) of the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003), establishes the rules, targets and stipulations for the measurement of Broad-Based Black Economic Empowerment within South Africa based on three scorecard classifications for organisations: Emerging Micro Enterprise (EME), Qualifying Small Enterprise (QSE), or Generic Enterprise. Nedbank is scored as a Generic.

EARNINGS PER SHARE (EPS)

Basic earnings basis

Income attributable to equity holders for the period divided by the weighted average number of ordinary shares in issue (net of shares held by group entities) during the period.

Headline earnings basis

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

Fully diluted basis

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

EARNINGS YIELD

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

ECONOMIC CAPITAL (ECAP)

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

EFFECTIVE TAXATION RATE

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

EFFICIENCY RATIO (COST-TO-INCOME RATIO)

Total operating expenses (excluding indirect taxation) as a percentage of income from normal operations (net interest income plus non-interest revenue).

EXPOSURE AT DEFAULT

EAD is an estimation of the extent to which a bank may be exposed to a counterparty in the event of, and at the time of, that counterparty's default.

EXPECTED LOSS

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

FINANCIAL SECTOR CHARTER (FSC)

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

FOREIGN EXCHANGE TRANSLATION GAINS/LOSSES

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

HEADLINE EARNINGS

Headline earnings is not a measure of maintainable earnings. For purposes of the definition and calculation, the guidance given on headline earnings, as issued by the South African Institute of Chartered Accountants in circular 07/02 of December 2002, has been used. Headline earnings consist of the earnings attributable to ordinary shareholders excluding non-trading and capital items.

IFRS

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

IMPAIRMENT CHARGE TO AVERAGE ADVANCES

Impairment charge on loans and advances for the year divided by average advances. Also known as the credit loss ratio or impairment ratio.

IMPAIRMENT OF LOANS AND ADVANCES

Impairment of loans and advances arises where there is objective evidence that the group will not be able to collect an amount due. The impairment is the difference between the carrying amount and the estimated recoverable amount.

INDIRECT TAXATION

Value Added Taxation (VAT) and other taxes, levies and duties paid to government, excluding direct taxation.

'JAWS' RATIO

The difference between the rate of growth in total income from normal operations and the rate of total expense growth.

JIBAR

Johannesburg Interbank Agreement Rate, which is the rate that South African banks charge each other for wholesale money.

KING II (THE CODE)

The King Report on Corporate Governance 2002, which sets out principles of good corporate governance for South African companies and organisations.

LIBOR

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

MARKET CAPITALISATION

The group's closing share price multiplied by the number of shares in issue including shares held by group entities.

NET ASSET VALUE PER SHARE

Total equity attributable to equity holders of the parent divided by the number of shares in issue, excluding shares held by group entities.

NET INTEREST INCOME TO AVERAGE INTEREST-EARNING ASSETS (NET INTEREST MARGIN)

Net interest income expressed as a percentage of average net interest-earning banking assets. Net interest-earning banking assets are used, as these closely resemble the quantum of assets earning income that is included in net margin.

NON-INTEREST REVENUE TO TOTAL INCOME

Income from normal operations, excluding net interest, as a percentage of total income from normal operations.

NON-TRADING AND CAPITAL ITEMS

These comprise the following:

- surpluses and losses on disposal of long-term investments, subsidiaries, joint ventures and associates;
- impairment of goodwill arising on acquisition of subsidiaries, joint ventures and associates;
- surpluses and losses on the sale or termination of an operation;
- capital cost of fundamental reorganisation or restructuring having a material effect on the nature and focus of the operations of the reporting entities;
- impairment of investments, property and equipment, computer software and capitalised development costs; and
- other items of a capital nature.

OFF-BALANCE-SHEET ASSETS

Assets managed on behalf of third parties on a fully discretionary basis.

ON-BALANCE SHEET EXPOSURE

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

PRICE/EARNINGS RATIO

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

PROPERTIES IN POSSESSION (PIPS)

Properties acquired through payment defaults on loans secured by properties.

DEFINITIONS

CONTINUED

RETURN ON ORDINARY SHAREHOLDERS' EQUITY (ROE)

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

RETURN ON ORDINARY SHAREHOLDERS' EQUITY (ROE) EXCLUDING GOODWILL

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

RETURN ON RISK-ADJUSTED CAPITAL (RORAC)

Headline earnings expressed as a percentage of economic capital.

RETURN ON TOTAL ASSETS (ROA)

Headline earnings expressed as a percentage of average total assets.

RISK-WEIGHTED ASSETS

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

SARB REGULATIONS RELATED TO BANKS AND THE BA RETURNS

The regulations relating to banks were amended with effect from 01/01/2008, based on the revised Basel Capital Accord (Basel II). The new Basel Capital Accord of the Bank of International Settlements is an improved capital adequacy framework accomplished by closely aligning banks' capital requirements with improved modern risk management practices and sophisticated risk assessment capabilities. It further ensures the risk sensitivity of the minimum capital requirements by including supervisory reviews and market discipline through enhanced disclosure. The new Banks Act regulatory returns (BA).

SEGMENTAL REPORTING

Operational segment

A distinguishable component of the group, based on the market on which each business area focuses, which is subject to risks and returns that are different from those of other operating segments.

Geographical segment

A distinguishable component of the group that is engaged in providing services within a particular economic environment and is subject to risks and returns that are different from those of components operating in other economic environments.

SECURITISATION EXPOSURES

This asset class covers all exposures to tradable, interest-bearing commercial paper, which is secured by an underlying asset, e.g. mortgage loans.

SHARE-BASED PAYMENTS

Transfers of a company's equity instruments by its shareholders to parties that have supplied goods or services to the company (including employees).

SHARES HELD BY GROUP ENTITIES (TREASURY SHARES)

Ordinary shares in Nedbank Group Limited acquired/held by group companies, including ordinary shares held in share trusts as part of the BEE transaction.

SST

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

STANDARD(ISED) APPROACH

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

TANGIBLE NET ASSET VALUE PER SHARE

Total equity attributable to equity holders of the parent less goodwill, computer software and capitalised development costs, divided by the number of shares in issue, excluding shares held by group entities.

TOTAL COLLATERAL

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

TOTAL CREDIT EXTENDED

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

TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Ordinary share capital, share premium and reserves.

WEIGHTED AVERAGE NUMBER OF SHARES

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

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

DISCLAIMER

Nedbank Group has acted in good faith and has made every reasonable effort to ensure the accuracy and completeness of the information contained in this document, including all information that may be defined as 'forward-looking statements' within the meaning of United States securities legislation.

Forward-looking statements may be identified by words such as 'believe', 'anticipate', 'expect', 'plan', 'estimate', 'intend', 'project', 'target', 'predict' and 'hope'.

Forward-looking statements are not statements of fact, but statements by the management of Nedbank Group based on its current estimates, projections, expectations, beliefs and assumptions regarding the group's future performance.

No assurance can be given that forward-looking statements will prove to be correct and undue reliance should not be placed on such statements.

The risks and uncertainties inherent in the forward-looking statements contained in this document include, but are not limited to: changes to IFRS and the interpretations, applications and practices subject thereto as they apply to past, present and future periods; domestic and international business and market conditions such as exchange rate and interest rate movements; changes in the domestic and international regulatory and legislative environments; changes to domestic and international operational, social, economic and political risks; and the effects of both current and future litigation.

Nedbank Group does not undertake to update any forward-looking statements contained in this document and does not assume responsibility for any loss or damage whatsoever and howsoever arising as a result of the reliance by any party thereon, including, but not limited to, loss of earnings, profits, or consequential loss or damage.

SHARE AND BOND INFORMATION

COMPANY DETAILS

Nedbank Group Limited
Incorporated in the Republic of South Africa
Registration number: 1966/010630/06

Registered address:

Nedbank Sandton, 135 Rivonia Road, Sandown, 2196, Johannesburg
PO Box 1144, Johannesburg, 2000

Transfer secretaries:

South Africa

Computershare Investor Services (Pty) Limited
70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107

Namibia

Transfer Secretaries (Pty) Limited
Shop 8, Kaiserkrone Centre, Post Street Mall, Windhoek, Namibia
PO Box 2401, Windhoek, Namibia

INSTRUMENT CODES

Nedbank Group ordinary shares

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

Nedbank Limited non-redeemable, non-cumulative preference shares

JSE share code:	NBKP
ISIN:	ZAE000043667

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

JSE share code:	IBLP
ISIN:	ZAE000081675

Nedbank Limited subordinated debt

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

Imperial Bank Limited subordinated debt

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

These results and additional information are available on

www.nedbankgroup.co.za

Nedbank Group Head Office

Nedbank Sandton 135 Rivonia Road Sandown 2196

P O Box 1144 Johannesburg 2000

Tel +27 (0)11 294 4444

Fax +27 (0)11 294 6540

Transfer secretaries

Computershare Investor Services (Pty) Limited

70 Marshall Street Johannesburg 2001 South Africa

PO Box 61051 Marshalltown 2107 South Africa

Tel +27 (0)11 370 5000

Fax +27 (0)11 688 5217/8